



House of Commons
International Development
Committee

**Urbanisation and
Poverty: Government
Response to the
Committee's Seventh
Report of Session
2008–09**

**First Special Report of Session
2009–10**

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First Special Report

On 22 October 2009 the International Development Committee published its Seventh Report of Session 2008-09, *Urbanisation and Poverty*, HC 511-I. On 6 January 2010 we received the Government's Response to the Report. It is reproduced as an Appendix to this Special Report.

In the Government Response, the Committee's conclusions and recommendations are in bold text. The Government's response is in plain text.

Appendix: Government response

The Government acknowledges the International Development Committee's report and commends its analysis of the complex and inter-related issues surrounding urbanisation and poverty. We appreciate the report's support for the UK's urban work in India and for previous headquarters-led policy guidance. The report's conclusions and recommendations propose various ways that DFID might increase its efforts and effectiveness in addressing urban poverty. We are pleased to respond to these suggestions.

The responses of developing country governments to urban poverty

[Paragraph 17] We were concerned to hear that few governments in sub-Saharan Africa have effective urban poverty reduction programmes, despite Africa's status as the world's fastest-urbanising region and the fact that it has the highest proportion of slum dwellers. We encourage DFID and other donors to advocate for increased attention to urban poverty by all partner governments, especially those in Africa. This will necessitate greater prioritisation of urban development within national poverty reduction strategies.

Where African countries identify urban issues as a development priority for themselves, we would always consider this in discussion with other donors and development partners. In our response in particular cases, we would need to consider what added value the UK can bring on urban issues and the outcomes that might be achieved, compared to following up other opportunities.

Measuring urban poverty

[Paragraph 20] Ensuring that policies and programmes are based on accurate measurements of urban poverty is vital. We recommend that DFID encourage the World Bank and other key international institutions to explore new forms of measuring urban poverty that move beyond the use of crude poverty lines to take proper account of the high costs for housing and basic services paid by many of the urban poor.

A universal poverty definition based on a monetary income threshold may take insufficient account of the cost of essential services. We will explore this suggestion with the World Bank and other development partners.

The decline of donor urban programming

[Paragraph 27] We were concerned to hear that overall donor financing for achieving the Millennium Development Goal 7 slum upgrading target is very low. We are also concerned about the level of staffing capacity within donor agencies to meet the target. DFID is one of a number of bilateral donors that have withdrawn their dedicated urban poverty teams or units. It seems counter-intuitive to us that, as the process of urbanisation and levels of urban poverty have increased, staff capacity to work on these issues has been reduced.

Rural and urban areas are both affected by rapid urbanisation. There is no clear-cut definition of rural and urban, although there are extremes of remote rural and crowded cities. Most people live in conditions somewhere between these extremes. Those in relatively rural areas are linked to those in more urban conditions by markets, migration and common services. The distinction between urban and rural is blurred.

With this in mind, we do not see rural and urban development as separate agendas and have no immediate plans to re-establish a dedicated urban team. The Department continues to have an international engagement on urbanisation, through a small group of well informed staff. They maintain knowledge and influence with the international community.

DFID recognises that effective development involves progress in different aspects of peoples' lives and opportunities and that most of the challenges we face require solutions across several disciplines.

Unemployment and crime

[Paragraph 32] We welcome the pledge made in DFID's White Paper to address a key driver of conflict and crime—unemployment amongst young men. We also welcome DFID's recognition of the importance of developing women's skills. However, we were disappointed that neither point was linked to urban contexts specifically. In slum settlements, where large numbers of young, poor and unemployed people may be concentrated, the risks of internal conflict, crime and extremism are heightened. Women and children are at particular risk to exploitative and dangerous work. We recommend that DFID ensure that urban settings are given a specific focus for its crime reduction, employment generation and skills development schemes.

Work of this kind is being funded by DFID both centrally and through our country programmes, although this may not be identified as specifically urban. They cover a range of issues such as:

- The potential for employment and economic growth in urban settings

- Urban unemployment including the impacts of the global economic downturn and differential impacts on women and youth
- Labour standards and specific risks to women and girls
- The implications of the ‘youth bulge’ (which include unemployment and exclusion as well as the benefits of a youthful population)
- Urban crime and violence, including gang cultures and ungovernable areas.

High unemployment, particularly amongst the male population, can pose serious threats to peace and security. Different DFID policy teams are involved in equity and rights issues and in work creation.

DFID is currently supporting skill development programmes in several countries, including Nepal, Bangladesh, Pakistan, Iraq and Afghanistan. The objective is to equip men and women with relevant skills that lead to jobs. Whilst these programmes do not explicitly target urban populations, a number benefit people living in urban settings. Target groups include women, the poor, and other marginalised groups.

[Paragraph 34] Local and community responses to urban crime have been proven to be highly effective. We credit DFID’s support to community security and policing initiatives in Jamaica and Nigeria and urge the Department to look at other contexts where these approaches can be applied.

We are developing these approaches in other contexts. As well as in Nigeria and Jamaica, we have developed relevant programmes in Bangladesh, the Democratic Republic of Congo, Yemen and Malawi. These programmes are aiming to reach large percentages of country populations so will cover those living in small and larger towns.

Social exclusion

[Paragraph 37] Street children have different needs from other children living in urban contexts. We urge DFID to ensure that both the Department and its key partners include tailored policies and programmes for street children within their approach to urban development. We are concerned that indicators based on reaching vulnerable children more generally may not ensure that street children receive the discrete and targeted assistance they require. We recommend that DFID adopt indicators specific to street children within its new Institutional Strategy with UNICEF.

We agree that the needs of street children are significant but these are not the main urban social exclusion challenge. DFID does support work of this kind, not exclusively in an urban context.

We are working with UNICEF on a new institutional strategy and performance framework. While not specifically mentioning street children, it targets the need for UNICEF to show sustained progress against its Medium Term Strategic Plan. Two of the thematic areas within the plan are “Child protection from violence, exploitation and abuse” and “Policy advocacy and partnerships for children’s rights”.

[Paragraph 42] A lack of secure property rights is a major barrier to poor urban dwellers' inclusion in city-wide service provision. It also exposes poor residents to the risk of forced eviction. During our visit to Nigeria we witnessed the benefits emerging from a DFID supported project to establish secure land tenure and property rights in Lagos. Establishing tenure can help residents improve their living conditions, access basic services and raise capital. We recommend that DFID disseminate lessons from and build on their support to the Lagos State Land Registry, and actively support other programmes supporting secure tenure. However, we would caution that land and property titling may not always be the most appropriate form of providing secure tenure for poor urban dwellers and we would encourage DFID to use the approach judiciously.

Security of tenure is important as an incentive to improve living conditions. This is a complex and sensitive issue, especially where illegal settlements take root on high value land.

The allocation of land for settlements is the best basis for security of tenure, linked to proper urban planning processes. These are the kind of messages consistently promoted through the international programmes that we support, such as UN-Habitat.

[Paragraph 46] Slum dwellers face multiple levels of social exclusion, and their marginalisation may be exacerbated by other forms of discrimination based on, for example, gender, ethnicity, age and migrant status. We believe that DFID should allocate resources towards urban programmes that strengthen inclusive governance, transparency and accountability. This should include support to community groups working for urban development, including women's organisations.

In addressing the underlying causes of urban poverty, especially the growth of slums, the capacity of local government and the ability of central government to support local government is crucial. Much of DFID's urban poverty programme in India includes support for community groups and builds the capacity of state and municipal governments.

[Paragraph 48] Social protection schemes provide an important safety net for households at risk from poverty and economic shocks. We urge DFID to ensure that its expansion of social protection schemes over the next three years is focused as much on urban as rural contexts. We encourage DFID to look beyond cash transfers alone to broader measures of protection that will ensure all vulnerable groups are reached.

We are looking beyond cash transfers towards broader social protection measures to ensure vulnerable groups are reached. For example, we have commented in the Ethiopia Productive Safety Net Programme review that the next phase should include an urban social protection component. This is being discussed between the World Bank and Government of Ethiopia.

We have contributed £200 million towards the World Bank Rapid Social Response Programme, which is responding to a Government of Kenya proposal for a "Youth Empowerment Programme" on youth unemployment in poor urban areas. Such urban components would be part of national policies for social protection systems.

In Zimbabwe, our £55 million contribution to the Protracted Relief Programme has provided a combination of food and cash. Savings and loans groups have been established for urban poor populations across Zimbabwe.

Population growth

[Paragraph 52] We were struck by the paucity of evidence received in this inquiry addressing the links between urbanisation and population growth. Natural population increase accounts for some 60% of urban growth. We understand that population control is a sensitive issue but it seems surprising to us that neither UN-Habitat nor DFID provided us with information on linking their support to urban development with a population strategy or with co-operation with the UN Population Fund. We suggest that both agencies look more closely at how such linkages could be achieved.

We will raise this question with UN-Habitat and propose closer cooperation with the UN Population Division on population trends. Urban birth rates tend to be lower than rural ones for various social and economic reasons. This needs to be factored into any analysis.

As noted in our reply to the recommendation in paragraph 32 above, there are economic benefits with a youthful population, provided there are formal or informal employment opportunities.

Climate change and the environment

[Paragraph 58] We were pleased to hear that DFID is seeking to bring the climate change and urbanisation agendas closer together. However, we urge DFID and other international agencies to ensure that attempts to address the impacts of climate change in cities do not divert resources from targeted programmes for urban poverty reduction, including basic service provision and slum upgrading. We recommend that, as well as ensuring its own programmes avoid this outcome, DFID advocate for UN-Habitat, in conjunction with the UN Framework Convention on Climate Change, to lead efforts to boost the capacity of cities to address climate change impacts without neglecting vital urban poverty reduction strategies. Building capacity at local government and community level is central to managing this tension.

The possible impacts of climate change will vary from place to place. These are difficult to predict with certainty although some urban centres may be particularly vulnerable to extreme weather, possible flooding and longer-term sea level rises.

In India, we are considering providing support to help implement the city-focused Sustainable Habitats Mission of the National Action Plan on Climate Change. This includes developing a climate risk analysis assessment tool. We are looking into ways of integrating climate change across the India programme, prioritising the urban projects.

In Bangladesh, DFID's £60 million Urban Poverty Reduction Programme includes work on solid waste disposal and hygiene, to help lessen the impacts of extreme weather on slum dwellers. A Disaster Management Programme will address some urban climate related risks, particularly the risks of external floods and inadequate or blocked drains.

DFID's response to urban poverty

[Paragraph 66] We were surprised at what appears to be a sharp imbalance in the level and profile of DFID engagement in programmes addressing urban development in Asia compared to Africa. We understand that programmes that benefit urban contexts may not always be labelled as such. But given the impressive range of programmes explicitly labelled as “urban” in India, we fail to understand why DFID does not support similar initiatives in Africa—especially given its status as the world’s fastest urbanising region and the fact that it has the highest proportion of slum dwellers. We are concerned that, without a new and comprehensive approach to urban development in Africa, a number of cities could face a humanitarian crisis in as little as five years’ time, given the huge expansion of their urban populations.

We will be taking a fresh look at the increasing challenges of urbanisation in Africa. Some work is already being funded through our Africa programme although not all of this is labelled as urban, so may be less visible than our work in Asia. For example, we are supporting slum upgrading work and a social protection programme in Kenya. In Nigeria, there are substantial urban components to several programmes covering basic education, community policing and malaria control.

Direct work on slums is difficult without local partners and the involvement of local government. We have been able to do this in India and Bangladesh, with their longer established community organisations and the interest of municipal authorities.

We are planning to look at cities again early in 2010. Our work will include consideration of up to three African and two Indian cities. This work will draw upon our previous experience in India and will make use of UK and international urban development expertise to produce an issues paper and develop new guidance and best practice material to help us look at these issues in the future, particularly in Africa.

[Paragraph 70] We were impressed with the Community-Led Infrastructure Finance Facility (CLIFF), which is forging new relationships between urban poor organisations, governments, donors and banks—and leveraging considerable financial resources in the process. We commend DFID’s decision to provide a second phase of funding to CLIFF and recommend that DFID encourage other donors to support this highly worthwhile initiative. We were pleased to hear that the second phase of funding will facilitate the expansion of the Facility into two further countries beyond the initial three (India, Kenya and the Philippines). We recommend that at least one of these countries, and if possible both, are located in sub-Saharan Africa, where improved urban housing and infrastructure is urgently needed.

We confirm that our support to CLIFF is being expanded to two new countries; at least one of these will be in sub-Saharan Africa. For programmes of these kinds, success depends upon effective local partners and community organisations, as well as good cooperation with city and municipal authorities.

[Paragraph 74] Slum dwellers and other low income urban groups need targeted support to improve their living conditions. Housing microfinance offers an effective and sustainable route towards funding these improvements. We recommend that DFID explore options for strengthening funding of housing microfinance schemes, as a

way to boost the current relatively low level of financing it allocates to the housing sector.

The international finance institutions (IFIs) such as the World Bank IFC [International Finance Corporation] and CDC Group have the most capacity to play a key role. We will explore opportunities to strengthen the links between CLIFF and the IFIs.

[Paragraph 79] DFID’s approach to strengthening healthcare by supporting discrete projects, channelling funds through multilateral frameworks and providing social protection ‘safety nets’ is well-established. However, there are a number of specific challenges associated with health care provision in urban areas, especially regarding communicable diseases such as HIV/AIDS, mental health and inequalities in access to services. DFID should differentiate specific urban components of its health programmes so that steps being taken to address these particular challenges are made clear. We recommend that DFID help ensure that international efforts are based on a solid knowledge base by funding research into the current gaps in detailed understanding of the nature of disease and health problems in poor urban settlements as part of its 2008-13 Research Strategy.

We will consider whether new evidence and information is needed to help governments improve the delivery of healthcare services in urban settings.

[Paragraph 82] We believe that, as with healthcare, there are a number of specific challenges associated with education provision in urban areas, including cramped and unhygienic classroom conditions, the problem of absenteeism due to child labour (especially for girls) and a lack of government schools due to non-recognition of informal settlements. Similar steps to differentiate specific urban components of DFID’s education programmes are needed to identify the measures being taken to address these challenges and enhance interventions where necessary. We recommend that DFID work with partner country governments to tackle the issue of official recognition of slums so that more local schools can be provided for children in slum areas.

Education is essential to equipping young people with the skills and competencies they need to enter the world of work. In the context of a global economic downturn, a skilled workforce can support economic recovery and the generation of long term growth.

DFID provides long-term predictable support, helping partner countries to develop and implement long-term, country-led education sector plans tailored to local needs. These are aimed at enabling all children, both those in rural and urban settings, to access a good quality basic education. Sector plans include improvements to education facilities, such as the standard of classrooms, water and sanitation and adequate learning materials, as well as more and better trained teachers, higher teacher/pupil class ratios and reductions in drop-out rates.

We acknowledge that to achieve the education MDGs, “Education for All” must become a reality, which means effective strategies are in place to enable excluded and hardest to reach children gain access to education. These include working-children, girls and the disabled, recognising that such groups comprise the largest numbers of out-of-school children. While the dramatic pace of urbanisation presents significant challenges, the 2009

Global Monitoring Report states that, “in many countries, rural children are less likely than urban children to attend school and more likely to drop out”. Rural areas face particular challenges in attracting trained teachers. In India the majority of untrained teachers are in rural locations.

While DFID works with partner governments to develop the most appropriate local solutions, we also work creatively with non-state education providers. We support these organisations where they have specific programmes targeted at hard-to-reach children, for example in Bangladesh.

[Paragraph 89] We welcome the support to water and sanitation that DFID is providing through its India programme. However, we are aware once again that there are few examples of DFID support to these essential services in African countries. We assume that DFID provides some support through country programme work but we were not given details of this. It is also clear that DFID provides support through international initiatives such as the Community-Led Infrastructure and Finance Facility and the Water and Sanitation for the Urban Poor partnership. These are both highly commendable ventures, and we urge DFID to extend its funding of these and other projects with strong community participation. We recommend that DFID carefully consider whether it is doing enough to help meet the MDG 7 target to halve the proportion of people without sustainable access to safe drinking water and basic sanitation, especially within urban contexts in Africa, the region which is most off-track on this target.

As advised in our response to the recommendation in paragraph 70 above, we are extending our support to CLIFF, which is active in urban areas in India and Africa. The Water and Sanitation for the Urban Poor (WSUP) programme is currently undergoing an independent evaluation. Further support for this programme will be considered in the light of the results of the evaluation.

Our policy commitments for MDG 7 and water and sanitation in Africa and South Asia are expressed in service delivery outcomes, which are monitored twice yearly. We are helping off-track countries develop specific plans to improve water and sanitation services and to identify sources of funding, both national and from donors, to expand services in both urban and rural areas. This is being done through the Global Framework for Action launched in New York by the UK and Netherlands in September 2008, aimed at increasing international action and accountability in water and sanitation.

[Paragraph 91] We recommend that DFID keep under careful review the commitment in its new Water and Sanitation Policy to continue to direct much of its support to sanitation and water in rural areas. Undoubtedly, provision in many rural and remote areas is very low. But the balance of need may be shifting in line with the trend of urbanisation; services in urban areas, particularly within the sanitation sector in Africa, are often very poor. In order for DFID to make informed choices about where to commit its resources, it will need to ensure it is working from accurate measures of urban poverty. We reiterate our earlier recommendation that DFID encourage the World Bank and other key international institutions to explore new systems for measuring urban poverty.

Water and sanitation coverage in rural areas is almost always lower than in urban areas. Rural coverage continues to be a focus as we help countries work towards achievement of the MDGs, although the need to consider both urban and rural areas is included in our recent Water and Sanitation Policy Paper. DFID supports the Joint Monitoring Programme of WHO/UNICEF which provides reliable data on water and sanitation coverage in both urban and rural areas of developing countries. This gives us a good evidence base on which to develop and review policy positions.

[Paragraph 98] The challenges associated with providing adequate power and transport services within poor urban areas were self-evident during our visit to Nigeria. Lack of electricity and constraints upon movement around cities makes life even more difficult for poor people and limits their ability to escape poverty by running their own businesses or going out to work. We were pleased to see that DFID is supporting the Nigerian Government to strengthen both sectors through the Nigeria Infrastructure Advisory Facility. We urge DFID and the World Bank to continue to boost investment in these sectors in Nigeria and in other African and Asian countries to ensure that power and transport services assist, rather than hold back, the process of poverty reduction.

As reported in our response to the Committee's report on DFID's Programme in Nigeria, a woefully inadequate power supply is identified as a key constraint to growth in the analysis underpinning the Country Partnership Strategy. The World Bank currently has three power sector reform programmes in Nigeria.

Through the Nigerian Infrastructure Advisory Facility (NIAF), DFID works closely with the World Bank in Nigeria. Close collaboration between NIAF and the World Bank helps to maximise the effectiveness of support provided by both partners. Regular communication eliminates the risk of duplicating efforts and helps focus support in areas of greatest priority. A second phase of support to extend NIAF's work is planned.

As part of our contribution to the North-South Corridor transport conference held in Zambia in April 2009, DFID provided technical assistance which focussed on road and trade flow improvements, and pledged to enhance our investment in the power sector, working with the Development Bank of South Africa. Closer regional working was endorsed by the presidents of Zambia, South Africa, Uganda and Kenya.

DFID has a close and productive working relationship with the World Bank in many of our country programmes. We seek to promote public and private investments in essential infrastructure such as power and transport, including for urban development. For example, through our support for the Private Infrastructure Development Group, we work closely with the World Bank Group and other official donors to promote increased investments in infrastructure.

The response by other stakeholders

[Paragraph 100] We believe that all development actors, including DFID, should do all they can to unlock private sector investment in urban development. These flows have the potential to substantially reduce urban poverty. Our recommendations to DFID, multilateral donors and other global stakeholders are thus based on the premise that

the greatest impacts will be achieved when donor funds are used to stimulate private, alongside public, investment in urban development.

In addition to those mentioned in our response to the recommendation in paragraph 98 above, DFID supports a suite of multi-donor funded international programmes promoting private investments in infrastructure and services. These include the Public Private Infrastructure Advisory Facility (PPIAF), the Community Led Infrastructure Finance Facility (CLIFF), Water and Sanitation for the Urban Poor (WSUP) and the Water and Sanitation Programme (WSP), which all aim to leverage private funds into infrastructure investment and urban development.

[Paragraph 105] We commend the work of UN-Habitat on human settlements and urban development across a wide range of contexts. We were disappointed to learn that the UK's contribution to the agency's core funding has fallen from 12% in 2002 to 7%. We recommend that DFID's £1 million annual contribution to core funding (or 7% of the total from all donors) is boosted to bring it closer to that of Norway and Sweden, who provide 15% and 11% of the core budget respectively. Non-earmarked funding of this kind is vital for the agency to pursue its identified priorities which cover an important range of urban development outcomes.

We recognise the work of UN-Habitat, especially in drawing international attention to some of the adverse impacts of urbanisation in developing countries and the growth of slums. For this reason, we are maintaining our current commitment of £1 million per year in core funding. Important outcomes would be more countries integrating urban poverty into their national development planning and UN-Habitat stimulating increased public and private funds for low-income housing. We will remain in close touch with UN-Habitat and continue to keep our level of support under review.

[Paragraph 106] We agree with DFID that co-ordination across UN agencies on urban poverty is highly important and that the work carried out by different UN agencies on urban issues needs to be fully integrated at country level. In particular, UN Development Programme and UN-Habitat, with their close on-the-ground operational partnership, should ensure that they work coherently so that impact can be boosted and urban poverty moved higher up the agenda in the countries in which they work.

We aim to see the UN system and various UN agencies working better together, in a coordinated, logical and consistent way. This is the basis of our objectives for UN institutional reform, through country-specific United Nations Development Assistance Frameworks. These frameworks identify key objectives such as greater literacy, reduction of maternal and child mortality and an increase in drinking water and sanitation provision. Urbanisation issues should be tackled in a similar way with agencies working together and coordinating their efforts. We would wish to ensure that funding for a discrete UN global programme such as Habitat promotes these objectives.

[Paragraph 110] We commend DFID's decision to provide half of the initial funding for the Slum Upgrading Facility and to contribute to enabling this important project to get off the ground. We support DFID's planned evaluation of the initiative as a basis for future funding decisions, but encourage it to find extra funding to facilitate a two-year extension of the project. Local Finance Facilities have provided a unique forum for

bringing together all the major players across a city involved in the slum upgrading process. Results may have been slow in emerging, but once momentum has been gained we believe that the Facilities offer considerable potential for upgrading slum settlements on a large scale.

[Paragraph 112] The Cities Alliance’s attempt to highlight the opportunities of urbanisation is a worthy one and we commend DFID’s continued collaboration with the coalition. However, we encourage the Alliance to consider dropping its “Cities without Slums” slogan, which promotes an unworkable outcome that may encourage slum clearance or forced evictions. We see the long-term strategic focus of the Slum Upgrading Facility as equally, if not more, worthy of DFID support as the somewhat problematic Cities Alliance.

DFID has been closely engaged with the Slum Upgrading Facility (SUF), which has achieved slower progress and lower performance than we had expected. Our view is that continued funding would provide lower value for money, in terms of development outcomes, than other opportunities.

An independent evaluation in early 2009 showed that while there are some promising aspects to the funding model, little has so far been achieved at community level. Together with other donors, DFID has invested significant funds (about \$18.5 million) but the results are not yet sufficiently persuasive to justify additional resources. SUF has enough funding to continue its work until the end of 2010 when a further evaluation is planned to assess the results.

On the question of the Cities Alliance slogan, we will communicate the Committee’s concerns to them.

[Paragraph 114] We were concerned to hear that the African Development Bank (AfDB) currently focuses so little attention on urban poverty. Whilst Africa is still predominantly rural, it is the fastest urbanising region in the world and has the highest proportion of slum dwellers amongst its urban population. This represents a huge and growing problem for the African continent and it is imperative that its regional development bank does more to address the growing crisis of urban poverty. The UK should use its leverage as the largest bilateral donor to the Bank to ensure that the new AfDB urban strategy, currently under development, makes strong commitments to addressing urban poverty. This should include a particular focus on infrastructure, one of the Bank’s priority areas and a crucial component of future progress. We recommend that DFID press for a dedicated department on urban development to be set up within the Bank.

DFID provides support to the New Partnership for Africa’s Development (NEPAD) Infrastructure Project Preparation Facility (IPPF) of the African Development Bank, to help enhance the quality and quantity of “bankable” investment projects that are prepared and proposed to potential financing institutions, including from the private sector.

African regional economic institutions help determine priority sectors and propose key projects for feasibility and detailed design work. At present, the priority areas being presented to the IPPF are focused on regional infrastructure programmes (e.g. roads, rail, energy, water resource management and capacity building of regional institutions.)

The African Development Bank faces considerable challenges and we are committed to helping it and other institutions increase investments in infrastructure and public services, including in the urban context.

[Paragraph 118] We commend the increased focus on urban development by the World Bank and the Asian Development Bank. We welcome the World Bank's development of a new urban strategy. Given its substantial funding of the World Bank, we urge DFID to engage fully with the development of the Bank's new strategy and to ensure that it is sufficiently comprehensive, with strong focus on African, as well as Asian, countries. We welcome the Asian Development Bank's Cities Development Initiative for Asia, and its planned increase in specialised urban staff. We encourage the African Development Bank to emulate this enhanced focus and capacity to take forward urban development work.

DFID works closely with the World Bank on many of its key infrastructure strategies, including urban development, enhanced investment in infrastructure in response to the global economic slowdown and enhanced investment in electricity provision.

DFID also contributes to the Infrastructure Consortium for Africa (ICA) through a multi-donor trust fund whose purpose is to help improve the lives and economic wellbeing of Africa's people through encouraging, supporting and promoting increased investment in infrastructure in Africa. ICA member commitments to infrastructure in Africa increased from \$7 billion in 2005 to \$13.7 billion in 2008. A new ICA Strategic Business Plan for 2010-12 envisages a focus on regional infrastructure and more collaboration and dialogue with others who are investing in Africa's infrastructure, for example China, India, Korea and Arab partners.

The output from the first phase of the ICA-supported Africa Infrastructure Diagnostic Study, covering 24 sub-Saharan countries was launched in 2009. This work looks at all key infrastructure constraints to growth and sustainable development in each country in detail, identifies areas for increased investment, improved maintenance and management and, if its recommendations are taken into account by national governments, will have a significant impact on future planning for infrastructure development in Africa.

Additionally, DFID contributes to the EU-Africa Infrastructure Trust Fund. This was launched in 2007 and is expanding operations and strengthening coordination with other infrastructure financiers.

[Paragraph 125] We were impressed to hear that federations of poor urban dwellers are facilitating slum upgrading and urban improvement schemes in more than 20 countries, with large-scale partnerships being developed between these groups and governments in several instances. We believe that supporting community-led initiatives not only strengthens citizenship and boosts democracy, but is also an incredibly cost-efficient way of promoting urban development. Evidence shows that small amounts of external financing can help deliver substantial development gains.

[Paragraph 126] We believe that DFID should boost its funding for urban community-led initiatives. We recommend that DFID begin funding the Urban Poor Fund International, an existing financing mechanism that has brought about improvements to housing and basic services for 30,000 households for less than £1.8 million over the

past six years. If this success can be replicated, as little as £5-10 million of additional DFID funding could potentially reach another 150,000 households.

Community-led initiatives can provide good value for money and deliver significant development gains. They need to be well organised and have the support of credible local partners. DFID's approach is to build upon the success of those initiatives that are demonstrating worthwhile impacts, such as CLIFF.

We are aware of Urban Poor Fund International and that this has recently received substantial new funding from the Gates Foundation.

The role of local government

[Paragraph 131] We believe that a key opportunity exists for UK local government expertise to be shared on a more systematic basis with municipal authorities in developing countries and we welcome DFID's acknowledgement of this in its response to our earlier report. DFID's ability to expand its human resources is currently constrained but expertise on urban issues exists within many UK local authorities. This seems to us to create the perfect opportunity to tap into an available but currently under-exploited source of knowledge. We recommend that DFID look at partnership models used by Canada and Norway whereby small amounts of international development funds are used to support the logistical arrangements for sending local government staff overseas. It is important that the objective of such projects should be to facilitate capacity-building and should involve robust on-the-ground collaboration and strategic follow-up. This will require strong commitment from DFID, the Department for Communities and Local Government and local government if it is to be effective. But we believe that a relatively modest amount of funding could have great impact in strengthening local government capacity in areas such as financial management, governance and accountability, the 'greening' of urban economies and regeneration. This would be a two-way learning process and would bring mutual benefit.

Some work of this kind is already being done, such as our support for the Commonwealth Local Government Forum's Good Practice Scheme. Our funding to the end of March 2011 amounts to £2.137 million, alongside £4.2 million being provided by UK local authorities. This commits to the delivery of 34 capacity building projects over the three years in six countries; India, South Africa, Ghana, Jamaica, Sierra Leone and Pakistan. This summer, we met with Glasgow City Council representatives to provide advice on strengthening their outreach programmes to Malawi and South Africa.

Our support for Voluntary Service Overseas (VSO), a UK charity, is another way of applying UK experience and knowledge to the challenges in developing countries, including in urban settings. We currently provide £28 million of VSO's annual income of about £60 million through a Programme Partnership Arrangement, in support of its work in 44 countries. This supports a wide range of skilled volunteer professionals from different backgrounds. They work overseas for up to two years in placements that help developing country people become more effective in their work.

Improved collaboration across Whitehall

[Paragraph 135] Co-operation between DFID and the Department for Communities and Local Government on urban development currently appears to be weak. For example, DFID sent just one staff member as part of the joint delegation to the last World Urban Forum held in 2008. Closer joint working will be necessary if DFID is to provide support for UK local government to contribute to international development and it will only become more important as the world continues to urbanise. We recommend that, in response to this Report, DFID provide us with information on how it intends to improve joint working. We also encourage DFID to use the forthcoming Fifth World Urban Forum in Rio de Janeiro in March 2010 as an opportunity to move towards new, closer working practices.

We work across Whitehall on urban and related issues, including with the Department for Communities and Local Government (DCLG), with whom we have a good working arrangement. The DCLG led on the UK contribution to the November 2008 Nanjing World Urban Forum, at which DFID was represented.

We have subsequently met, under the chair of DCLG, with a wide range of local government authorities and institutions (eg. London, Liverpool, Glasgow) and other government departments (Department for Environment, Food and Rural Affairs (DEFRA), Foreign and Commonwealth Office (FCO), UK Trade and Investment (UKTI), British Council) to plan for UK representation over the six month period of the 2010 Shanghai World Expo, where the focus will be on City Development.

The UK-China Sustainable Development Dialogue, managed by DEFRA and co-sponsored by the FCO and DFID, is strongly cross-governmental, with over 20 UK and Chinese Ministries collaborating on sharing experience and good practice in sustainable development.

DFID also works closely with, for example, FCO and MoD on joint working in conflict and fragile state environments, with the Department of Energy and Climate Change (DECC) on climate change and with the Department for Transport (DfT) on road safety.

We plan to work with other government departments and UK and international experts on new thinking on cities in the New Year, as described in our response to the recommendations in paragraphs 66 and 172.

Poverty reduction strategy papers

[Paragraph 139] We believe that urban issues require far more emphasis within developing countries' national Poverty Reduction Strategy Papers (PRSPs). We disagree with DFID that implicit references to urban issues within PRSP texts are sufficient. Urban poverty will only be prioritised when it is made visible as an issue on national agendas with the necessary political will underpinning firm targets. We believe that achieving higher prioritisation within PRSPs will require concerted efforts from key players in the process, including the World Bank, civil society and major donors. We recommend that DFID make much more vigorous efforts to encourage development partners to ensure that urban poverty reduction is given specific and detailed coverage in their strategy papers.

The content and priority sectors to be addressed in partnership with any developing country DFID works with are determined through mutual assessment of need and priority. The PRSP process is predicated on developing countries themselves articulating their own development priorities, in dialogue with the international community. The same approach is encouraged from our bilateral and multilateral development partners. Urban development issues are considered within this broader approach.

Implications for DFID's organisational response

[Paragraph 149] We believe that DFID's reluctance to label programmes as "urban" has contributed to a decline in the visibility of urban development within the Department. This decline is linked to a recent period of fragmentation of urban expertise within DFID, with specialised staff now scattered confusingly across the UK Headquarters and international programmes. Without a coherent grouping, the Department's capacity to carry out effective policy analysis and programming for this complex issue risks being compromised. Furthermore, the lack of a designated urban team or unit makes it difficult for external organisations to engage with DFID on urban poverty issues. Although it is for DFID to decide on the precise configuration of its urban expertise, we recommend that it put structures in place that clearly convey how and where its core staff for urban development are located.

[Paragraph 150] We recommend that this urban poverty team or unit, in whatever form it takes, reflect the multi-sectoral nature of urban development. We believe that DFID's current reliance on its infrastructure cadre for urban expertise is misplaced. Issues such as slum upgrading require inputs from a range of DFID advisory cadres, including governance, infrastructure, social development and climate change. We believe that all of DFID's more substantial country programmes should include urban advisers. This is essential if DFID is to capitalise on opportunities to push urban poverty higher up national agendas.

DFID has always recognised that urban development requires a multi-disciplinary skill-set approach, with, for example, town planning, infrastructure, economics, municipal finance, governance (including political science), health, education and social development. Nearly all DFID's urban development programmes have been designed with a wide range of inputs from such knowledge sectors.

DFID organograms reflect staff allocations according to the objectives of the business unit. It would be impractical and misleading to list the many skill sets of each officer.

[Paragraph 154] We believe that another way of strengthening DFID's "community of practice" on urban development would be to make better use of the research and practitioner base both within the UK and internationally. The UK has world-reputed university departments, research institutions, NGOs and professional organisations working on the urban sector. We recommend that DFID develop an approach to reach out to these groups and make effective use of the skills and expertise that they have to offer.

[Paragraph 155] We recommend that DFID use its new Research Strategy to fund research into the most effective policies and interventions for addressing urban poverty. There are many potential topics for such research, but we believe that managing and understanding slum growth should be at the top of the agenda given the urgency of reaching the MDGs. We also reiterate our recommendation that the Strategy should help fill the current gaps in detailed understanding of the nature of disease and health problems in slums and informal settlements. The intersections between urbanisation, urban poverty and climate change is another crucial topic, and we suggest that the Department's new Climate and Development Knowledge Network look at funding such research work.

[Paragraph 165] We recommend that DFID assess with urgency how it can replicate within African countries successful strategies from its well-established urban development programme in India. Africa is the world's fastest-urbanising region and has the highest proportion of slum dwellers. It therefore needs immediate assistance with urban development. DFID has successful examples of urban interventions from its India programme. It also has a handful of successful urban programmes within Africa, such as the Luanda Urban Poverty Programme in Angola. We recommend that the Department look carefully at which of these strategies could be replicated across DFID's African programmes. Of course, some approaches will be context-specific. Their replication will also depend on the presence of high-level political will to address urban poverty within national governments. However, we do not believe that the fact that there is currently greater community participation in some Asian countries than African ones is a reason not to focus on urban development programmes in Africa.

[Paragraph 166] We believe that DFID's ability to replicate approaches from Asia in African countries will depend on its ability to re-configure expertise—so that major African programmes have access to at least one urban poverty specialist—and make better use of research that documents successful strategies for urban development from around the world.

Over the past 15 years, DFID has funded a substantial research effort on urbanisation and development, through organisations such as the Water, Engineering and Development Centre (WEDC), the International Institute for Environment and Development (IIED), the Institute of Development Studies (IDS) and the Development Planning Unit (DPU, University College London). We also provided a grant contribution to the production of the 2009 World Development Report, which included consideration of the growth of cities in economic development.

The Secretary of State for International Development announced in April 2008 a doubling of research funding to up to £1 billion over a five year period to support key development policies. This work will include issues of urban development looked at through the lenses of economic growth, climate change, health, governance in challenging environments and looking at future challenges and opportunities.

The International Growth Centre supported by DFID includes infrastructure and urbanisation as a research area for consideration.

[Paragraph 160] We believe that, given the pace and scale of urbanisation, DFID should produce a new strategy paper on how it intends to address urban poverty. Such a paper would help to raise the profile of urban development both within and outside DFID, and enable urban specialists within DFID to bring their knowledge to bear. A new strategy would also help communicate more clearly DFID's work on urban poverty, which is currently subject to some confusion in terms of where the Department works and what its priorities are. We are not satisfied that the development of a new infrastructure paper will go far enough towards meeting these objectives and believe that what is needed is a comprehensive document along the lines of DFID's well-received 2001 urban strategy paper.

[Paragraph 171] We reiterate our recommendation that DFID and other donors advocate for increased attention to urban poverty by all partner governments, especially those in Africa. We also recommend that DFID take a leading role in helping to build political support for this approach within the international community. None of the changes that we have suggested in this report will be possible unless urban poverty is given higher priority at the global level. Unless the full range of development actors, including other donors, the UN and international civil society, is convinced of the need to act, enhanced DFID efforts will not be able to achieve additional funding and resources to address urban poverty.

[Paragraph 172] The ability to generate political will amongst developing country governments will require donor agencies to demonstrate that they themselves attach sufficient priority to urban, as opposed to rural, contexts. We believe that seeking to overcome the challenges associated with the complexity of the urban sector is not only the right thing to do but is potentially a cost-efficient development strategy, offering sustainable solutions to large numbers of people. It is difficult for us to comment on DFID's own prioritisation because the Department categorises assistance by sector but not by type of beneficiary. However, we recommend that DFID carefully assess the overall balance of its support to urban and rural poverty and keep this under review as the world continues to urbanise.

We are undertaking scoping work to consider what more could be done to develop an initiative which will include a new focus on up to three large African cities and two South Asian cities. Core policy work will commence with DFID hosting a meeting of UK and international experts in early 2010 who will advise on key urban development priorities, new approaches and help identify current knowledge gaps. We will draft a paper setting out our findings and conclusions and will provide a synthesis of lessons learned. We will showcase existing achievements, cite existing knowledge and best practice, identify gaps and agree how we can best support new work within developing countries.