GOLD IV
2016

Fourth Global Report
on Decentralization and Local Democracy

CO-CREATING THE URBAN FUTURE

THE AGENDA OF METROPOLISES, CITIES AND TERRITORIES

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CO-CREATING THE URBAN FUTURE

THE AGENDA OF METROPOLISES, CITIES AND TERRITORIES

EXECUTIVE SUMMARY

Edited by UCLG

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GLOBAL TASKFORCE
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FOREWORD

Over the past two years, the international community has adopted three ambitious agendas – the Sustainable Development Goals (SDGs), the Paris Agreement on Climate Change and the New Urban Agenda – to achieve long-term wellbeing, peace and sustainability. However, for these agendas to live up to their historic potential and foster the transformation they seek to achieve, strong ownership at the local level will be essential. Local and regional governments have been actively involved in contributing our experience and priorities to these universal agendas. As President of UCLG and a former member of the High-Level Panel of Eminent Persons on the Post-2015 Agenda, convened by UN Secretary General Ban Ki-moon, I am proud to have contributed personally to this global debate, arguing for the need to include an urban and territorial perspective in the SDGs.

As part of the post-2015 process, I called for the creation of the Global Taskforce of Local and Regional Governments (GTF) to coordinate the global advocacy work of all international networks of local and regional authorities, and to provide our constituency with increased visibility and an amplified voice at the global table. The Global Taskforce has proved itself to be a key lever for our international advocacy: it played a decisive role in the inclusion of SDG 11 on sustainable cities in the post-2015 agenda; it co-led the work on the localization of the SDGs, and contributed to the visibility of cities at the COP 21 in Paris. The Global Taskforce has acted as the convener of cities, regions and local governments and their associations in the Habitat IIII process through the Second World Assembly of Local and Regional Governments.

The Fourth GOLD Report we put before you today is a contribution by UCLG to a broader international constituency of local and regional governments. It aims to provide our community, as well as partners and international institutions, with a global perspective on our realities and aspirations. This report, the fourth of a triennial series led by UCLG in the past twelve years, has been developed with the support of scholars, academics and practitioners. As always, it has built on consultations with different types of local and regional government, incorporating the hands-on experiences of metropolitan leaders, intermediary cities, and local and regional governments, large and small, from around the world.

GOLD IV reviews the diverse realities of metropolitan areas, intermediary cities, regions, small municipalities and rural areas, with a view to guiding the implementation of the New Urban Agenda. Based on concrete examples, it provides an in-depth analysis of how urban and territorial policies can contribute to the new international development agenda and, by extension, argues that local and regional governments will have to take the lead in translating the new development agenda into reality.

The report reaffirms a set of priorities for local and regional governments:

- a **people-centred agenda**, to ensure inclusiveness for all and the protection of essential socio-economic rights that form the basis of dignified living and links to the international ring of civilization;
- **strengthened local and regional governance and autonomy**, based on accountable local and regional governments, to renew the social contract between public institutions and citizens;
- a **territorial approach to development**, to unlock local potential, drive bottom-

up national development and create opportunities for all;

• **environmental sustainability**, through a transition towards a low carbon economy, the reduction of natural resource consumption, and the protection of the complex natural systems on which our world depends.

It analyzes the impact of the 'financialization' of the global economy and the consequences for our cities and territories in their quest to finance the SDGs and the New Urban Agenda, as well as the need for coherent and participative national urban and territorial policies.

One of the most valuable contributions of the GOLD IV report lies in the diversity of the **'urban**
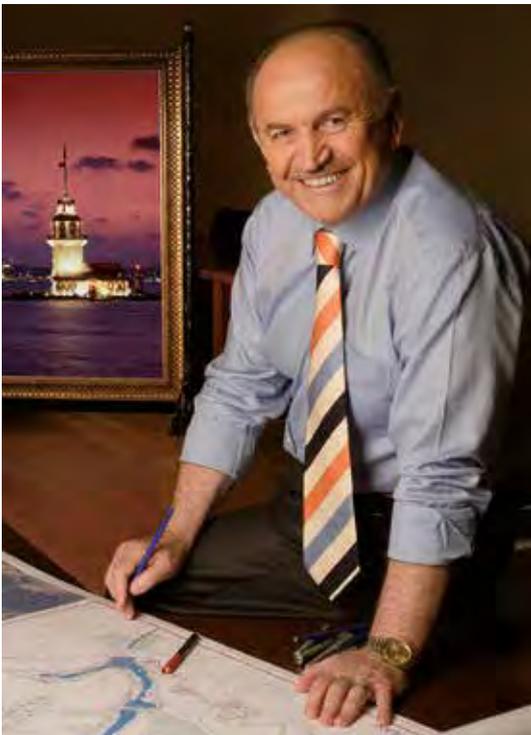
experiments' it covers – ranging from urban governance models to economic development practices and 'greener' policies and planning – and the evolutionary potential they have.

A clear conclusion that I draw from the GOLD IV process and my experience over the past six years as President of the world's broadest and largest organization of local governments, is that the fulfilment of the global agendas will depend on an **enhanced partnership between local and regional governments and the international community**.

In recent decades, local and regional governments have shown the positive influence we can have on the global development agenda. The nature and scale of the challenges we are facing now demand new steps and increased room for consultation and advice from this important constituency at the global table.

I am convinced that the future of humanity requires strong local and regional governments that listen to their citizens, provide basic services, and ensure livelihoods for all, in close collaboration with civil society and other spheres of government.

I am sure reading this report will inspire many of you to take the extra step, to innovate and to call on the international community to listen to its cities!

Please accept my best wishes for a prosperous, peaceful future and my kindest regards.

Dr. Kadir Topbaş
Mayor of Istanbul and
President of UCLG

INTRODUCTION

1.

THE GLOBAL DEVELOPMENT AGENDAS AND LOCAL AND REGIONAL GOVERNMENTS

The ambitious agendas recently adopted by the international community – the 2030 Agenda, Paris Agreement on Climate Change and New Urban Agenda – necessitate a deep shift in our economic, cultural and political systems to achieve long-term wellbeing, prosperous societies, ecological regeneration and peace. For the first time, urbanization is being recognized as both a major challenge and opportunity for economic development, social inclusion and environmental sustainability.

Local and regional governments have been actively involved in global development debates, advocating for a truly transformative, integrated and universal agenda that builds on local experiences and is achievable and mindful of the needs of future generations. Local governments specifically have argued that the achievement of democratic, peaceful and sustainable societies will require a new, more democratic and transparent global governance, strong national ownership and solid democratic institutions and accountable and capable local and territorial governments. Local institutions must be responsive to the needs of people, work to bridge inequalities, preserve sustainability and have the public interest at heart. As a result of this global advocacy, the role of local and regional governments, cities and territories has been much more overtly acknowledged than ever before.

There have been a number of milestones in this process. First, United Cities and Local Governments (UCLG) was created in 2004, the result of many years of dialogue among local and regional leaders across the world. Local and regional governments were united in their conviction that the world needed a global advocate of democratic local self-government, promoting through joint action the values, objectives and interests of local and regional governments of all shapes and sizes.

Another decisive step was the creation, in 2013, of the Global Taskforce of Local and Regional Governments.

The Second World Assembly of Local and Regional Authorities, which builds on the experience of Habitat II, could open up a new phase of broader institutionalized dialogue between the UN system and sub-national government leaders for the achievement of the new global agendas

◉

The Global Taskforce has become the main intermediary between local and regional authorities, their associations, networks, sister organizations and partners, and the international community, in particular the United Nations

This brings together the major international networks of local governments to undertake joint advocacy in international policy processes, beginning with the High Level Panel of Eminent Persons on the Post-2015 Agenda. In the last few years, the Global Taskforce has become the main intermediary between local and regional authorities, their associations, networks, sister organizations and partners, and the international community, in particular the United Nations.

As a result, the Second World Assembly of Local and Regional Authorities, which builds on the experience of Habitat II, could open up a new phase of broader institutionalized dialogue between the UN system and sub-national government leaders for the achievement of the new global agendas.

In light of these developments, **local and regional governments have made extraordinary efforts to prepare for their role in a renewed system of global governance**. They have connected to share experiences internationally, committed to specific development targets, and promoted solidarity around the world.

They have done this by developing learning systems, technical capacity exchanges and consultation mechanisms capable of producing joint priorities.

Photo: Paulo Filgueiras - UNECOSOC.

2.

THE CHANGING URBAN LANDSCAPE: METROPOLISES, CITIES, SMALL TOWNS AND TERRITORIES

In the twenty years since Habitat II, the world has undergone significant changes. Globalization, labour market transformations, the impact of new technologies, and extreme poverty reduction have gone hand in hand with growing inequalities, environmental and biodiversity depletion, and social unrest. At the same time, demographic growth and urbanization have reshaped our societies and urban landscape. The global economic crisis that began in 2007 marked the end of an economic cycle. Nevertheless, while in the short and medium term global economic growth is likely to be uneven, cities and their economies are expected to grow much more steadily.

Today, more than half the world resides in urban areas. In 1950, 30% of the world's population was urban, rising to 54% in 2014 and projected to reach 60% by 2030 and 66% by 2050. After a first wave of urbanization between 1750 and 1950, which urbanized about 400 million people, especially in the Global North,[1] this current process – known as the second urbanization wave – began in 1950 and has mostly affected the Global South. In less than a century, nearly 4 billion people will have been urbanized. Figure 1 shows the distribution and type of cities globally.

The pace of change will increase over the next two to three decades. According to the 2014 UN's *World Urbanization Prospects*, population growth will result in 2.4 billion more urban residents by the middle of this century (from 3.9 billion to 6.3 billion urban dwellers, out of an expected total population - urban and rural - of 9.7 billion). Those regions across the world that are still predominantly rural will transition into urban societies. Over the next half century, a new global urban system will be set into motion. This will be one of the biggest transformations in human history.

Urban areas range from small villages to growing intermediary cities (i-cities) and megacities. There are now 34 megacities (with a population of over 10 million) in the world, one of which (Tokyo) is home to over 30 million inhabitants and eight of which have populations of over 20 million (led by New Delhi with 25 million).

[1] David Satterthwaite, *The Transition to a Predominantly Urban World and Its Underpinnings*, Human Settlements Working Paper (London: IIED, 2007), http://pubs.iied.org/10550IIED/.

Over the next half century, a new global urban system will be set into motion. This will be one of the biggest transformations in human history

Figure 1 **World map of metropolitan areas, intermediary cities and % of population living in small towns** Source: UCLG-UNESCO CIMES

World's metropolises and intermediary cities (2015)

Metropolises: 503 cities

- +20 million: eight cities
- 10-20 million: 21 cities
- 5-10 million: 45 cities
- 1-5 million: 429 cities

Intermediary cities: 8,923 cities

- 0.5-1 million: 545 cities
- 0.3-0.5 million: 715 cities
- 0.1-0.3 million: 2,571 cities
- 0.05-0.1 million: 5,092 cities

World's distribution of urban population by settlement size and by UCLG regions* (%)

WORLD

AFRICA
East Africa
Central Africa
North Africa
Southern Africa
West Africa

ASIA-PACIFIC
East Asia
South Asia
South-eastern
Pacific

EURASIA
Central Asia
Caucasus
Belarus, Russian Fed., Ukraine

EUROPE
Eastern Europe
Northern Europe
Southern Europe
Western Europe

LAC
Caribbean
Central America & Mexico
South America

MEWA
Southern Asia
Middle East and The Gulf

NORTHERN AMERICA

Metropolises
- 1-5 million
- 5-10 million
- 10-20 million
- +20 million

I-cities
- 0.1-0.05 million
- 0.1-0.3 million
- 0.3-0.5 million
- 0.5-1 million

Small cities
- -0.05 million

* For the UCLG definition of world regions and the countries they comprise, please refer to the Methodological Annex at the end of the full report.

Urban population residing in metropolises by country (%)

Percentage | 0 | 1-10 | 10-20 | 20-30 | 30-40 | 40-50 | 50-60 | 60 or over
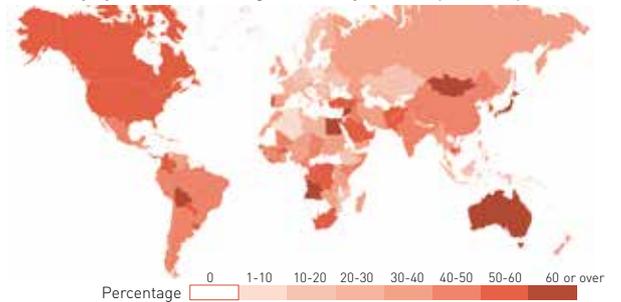
Urban population residing in metropolises by UCLG regions* (%)

	Metropolises	I-cities and small cities
Northern America	55.08	44.92
MEWA	46.06	53.94
Latin America & Caribbean	44.93	55.07
Asia-Pacific	44.00	56.00
WORLD	41.21	58.79
Africa	36.76	63.24
Eurasia	26.63	73.37
Europe	22.59	77.41
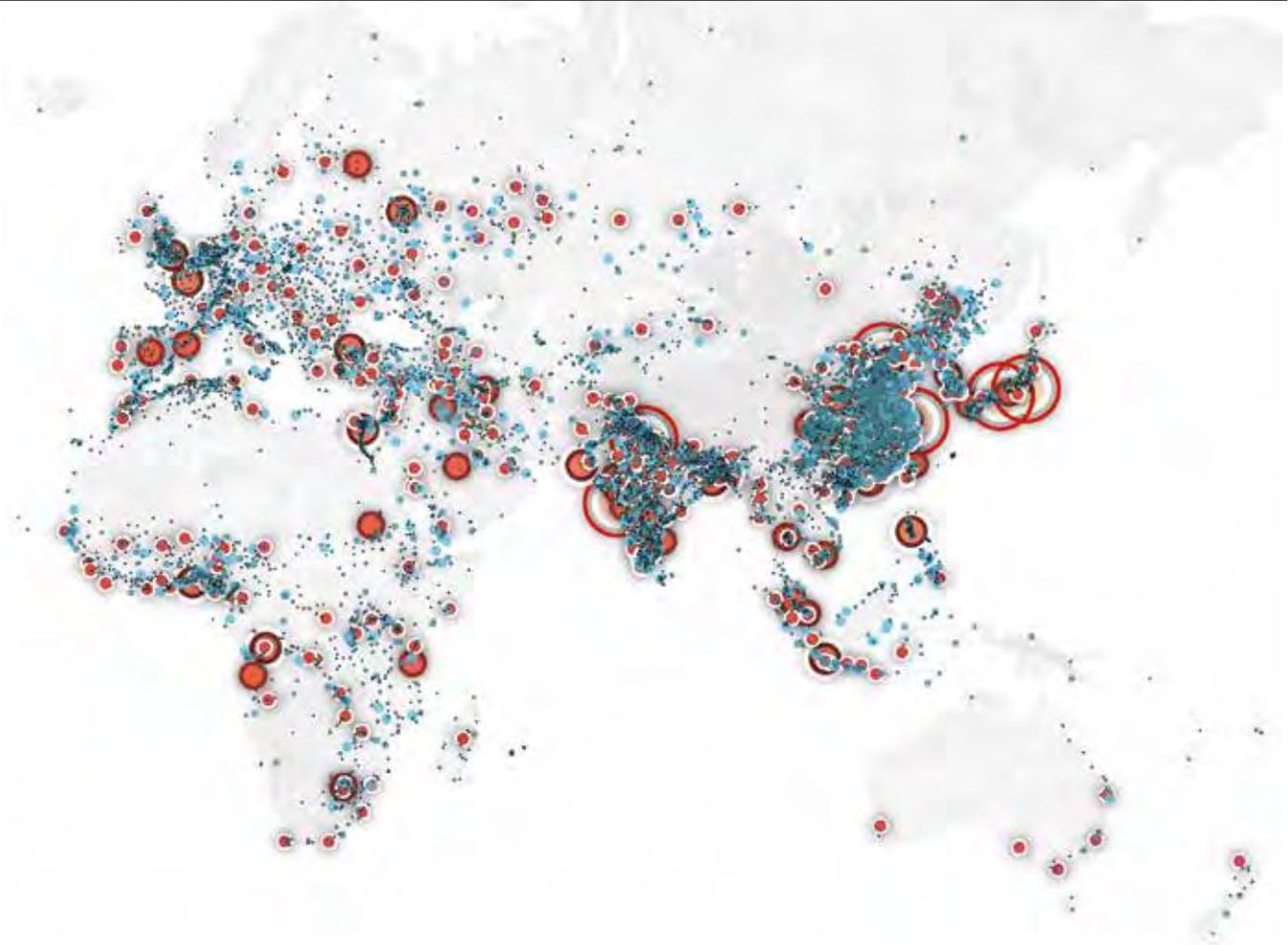
Urban population residing in i-cities by country (%)
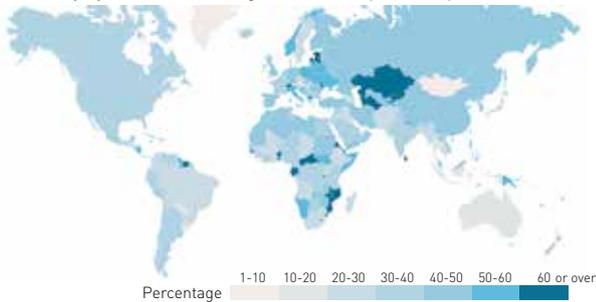
Percentage   1-10   10-20   20-30   30-40   40-50   50-60   60 or over
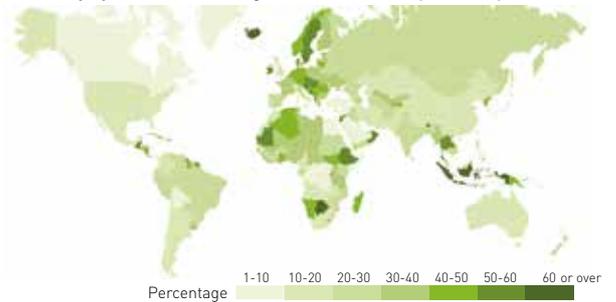
**Urban population residing in i-cities
by UCLG regions* (%)**

	I-cities	Metropolises and small cities
Eurasia	48.93	51.07
Europe	41.87	58.13
MEWA	38.51	55.09
Africa	36.81	61.49
WORLD	36.06	63.94
Asia-Pacific	34.60	65.40
Northern America	34.10	65.90
Latin America & Caribbean	31.48	68.52

0   20   40   60   80   100

Urban population residing in small cities by country (%)

Percentage   1-10   10-20   20-30   30-40   40-50   50-60   60 or over

**Urban population residing in small cities
by UCLG regions* (%)**

	Small cities	Metropolises and i-cities
Europe	35.54	64.46
Africa	26.43	73.57
Eurasia	24.44	73.56
Latin America & Caribbean	23.59	76.41
WORLD	22.73	77.27
Asia-Pacific	21.40	78.60
MEWA	15.43	84.57
Northern America	10.82	89.18

0   20   40   60   80   100

⊙ The Asia-Pacific region (particularly East Asia) dominates the global urban system

It is expected that there will be 41 megacities by 2030. At the same time, the number of i-cities is also rising, although they are rarely accounted for in international analyses of urbanization in spite of their importance. All cities, from the smallest town to the largest megacity, are interconnected by new forms of ICT, economic specialization and transportation infrastructures in a huge global web.

However, people have felt the benefits of these changes very unequally. Global wealth is highly concentrated: the richest 1% of the population has more wealth than the rest of the world combined.[2] Inequalities can also be expressed in spatial form: 600 cities account for over 60% of global GDP, while the gaps between metropolitan areas, intermediary cities and rural areas are increasing.[3] The world's 500 metropolises form a signficant part of this group.

As emphasized in the Metropolitan Areas chapter, metropolises are home to more than 1.6 billion people (41% of the total urban population) and are expected to host more than 600 million new urban dwellers by 2030. Another 1.4 billion people live in i-cities, and 896 million people live in cities of fewer than 50,000 inhabitants (see Table 1).[4]

As illustrated in Figure 1 and Table 1, the Asia-Pacific region (particularly East Asia) dominates the global urban system: it is home to 47% of the world's urban population, 45% of all metropolises and 47% of all i-cities. The second biggest region based on the number of urban dwellers is Latin America and the Caribbean, which contributes 13% of the world's urban population, 14% of metropolitan cities and 11% of intermediary cities. Africa follows (and will eventually overtake) Latin America. It is home to 12% of the world's urban population, 11% of metropolitan cities and 12% of i-cities. Europe, Northern America, Middle East and West Asia (MEWA) and Eurasia together make up 28% of the world's urban population (10%, 7%, 6% and 5% respectively), and 30% of both the world's metropolitan areas and i-cities.

Current trends will transform the balance between and within regions. The Global South, particularly Asia and Africa, will complete the transition to an urbanized economy. Nearly 37% of projected urban population growth by 2050 is expected to come from just three countries – China, India and Nigeria – which are predicted to grow by 404 million, 292 million and 212 million urban dwellers respectively. Africa's urban population is expected to grow from 400 million in 2010 to 1.2 billion by 2050.

In this context, the rural-urban dichotomy is an inadequate axis with which to understand our world. The relationship between urban and rural areas is evolving; the borders between the two are becoming increasingly blurred and they are ever more interdependent. Rural-urban connections are strengthened by regular seasonal population flow from rural to urban environments and vice versa, as well as by the increasing dependence of many villages on remittances from those who have migrated to the city. At the same time, informal neighbourhoods in urban areas reproduce the typical rural pattern of scattered settlements. In developed countries, on the other hand, the displacement of urban dwellers to small towns and rural areas is creating a new phenomenon of 'rururbanization'.

The material, economic and social implications of this urban and rural transformation are staggering. In the three-year period between 2011 and 2013, China used more cement than the United States used during the whole of the 20th century.[5] China is halfway through its urbanization process, India is only a quarter of the way through and Africa's urban population is projected to increase by 800 million by 2050.

Thus, it is clear that the resources required by urbanization, and all its related social and environmental implications, will be hugely significant and are not yet fully understood.

The current model of development is generating both new opportunities and new social and political threats. Urbanization is positively correlated with growing incomes and human development indicators.[6] However, this model also has dramatic consequences for the environment, including natural resource depletion, impoverishment of biodiversity, climate change, and the increasing impact of natural disasters on cities and territories. **New patterns of production and consumption are essential for sustainable development, and the time available to make these changes and prevent irreparable damage to our planet is fast**

In the three-year period between 2011 and 2013, China used more cement than the United States used during the whole of the 20th century

Urbanization is positively correlated with growing incomes and human development indicators

running out. The costs of failing to deal with urban growth now will be excessive. The next twenty years will be critical. We need urgently to bring about a structural change to the way in which we approach development.

The implications of urbanization on the spatial distribution of the population and the shape and function of cities and territories is further explored in each of the chapters of this report. They provide quantitative and qualitative insights, complementing UN-DESA figures and giving an overview of the global urban system of all cities.[7]

[2.] Deborah Hardoon, Sophia Ayele, and Ricardo Fuentes Nieva, *An Economy for the 1%: How Privilege and Power in the Economy Drive Extreme Inequality and How This Can Be Stopped* (Oxford: OXFAM, 2016). See also: Thomas Piketty, *Capital in the Twenty First Century* (Cambridge, MA: Belknap Press, 2014).

[3.] Richard Dobbs et al., *Urban World: Mapping the Economic Power of Cities* (New York: McKinsey Global Institute, 2011).

[4.] Metropolitan areas are defined as urban agglomerations of more than 1 million inhabitants, taking into account the physical contiguous urban area and the pattern of its labour market. Intermediary cities correspond to urban agglomeration with a population of between 50,000 and one million people (see Chapter 2 and 3 of the full report for more detailed definitions). Definitions of urban areas, as well as of different territorial units, often vary across world regions, and depend on factors such as the unit of analysis (e.g. administrative boundaries, economic functions or built-up areas) or population thresholds. For example, whereas in Ethiopia an urban area consists of a locality of more than 2,000 inhabitants, in Japan it must have 50,000 or more inhabitants with 60% or more of the houses located in the main built-up area and 60% or more of the population engaged in manufacturing, trade or other type of urban activity.

[5.] WBGU - German Advisory Council on Global Change, *Humanity on the Move: Unlocking the Transformative Power of Cities*, Summary (Berlin: Wissenschaftlicher Beirat der Bundesregierung Globale Umweltveränderungen, 2016).

[6.] World Bank, 'System of Cities. Harnessing Urbanization for Growth and Poverty Alleviation' (Washington, D.C.: The World Bank, 2009).

[7.] For more information on the methodology used in building the databases, please refer to the methodological annex at the end of the full report.

Table 1 **Urban population of metropolitan, intermediary and small cities by region**
(number of units, inhabitants, % inhabitants by type of settlement/total urban population by region, % inhabitants of type of settlement/ world population of this type of settlement) - (% total population and % of world urban population)

	TOTAL: >1 million				TOTAL: 0.05 million - 1 million			
	Nº	POP	% URBAN	% REGION	Nº	POP	% URBAN	% REGION
WORLD	503	1,626,455,969	41.2	100	8,923	1,423,282,594	36.1	100
AFRICA	56	174,542,526	36.8	10.7	1,086	174,780,249	36.8	12.3
East Africa	9	26,406,855	28.5	15.1	227	33,167,268	35.8	19.0
Central Africa	9	26,973,726	51.0	15.5	112	19,048,707	36.0	10.9
North Africa	9	37,050,671	35.9	21.2	311	43,060,544	41.7	24.6
Southern Africa	11	31,995,988	45.1	18.3	165	26,077,191	36.7	14.9
West Africa	18	52,115,286	33.6	29.9	271	53,426,539	34.4	30.6
ASIA-PACIFIC	228	816,690,744	44.0	50.2	4,222	642,118,740	34.6	45.1
East Asia	125	456,085,052	47.0	55.8	2.538	379,768,911	39.1	59.1
South Asia	72	258,020,116	46.3	31.6	1.232	181,362,974	32.6	28.2
South-eastern Asia	25	87,213,961	29.0	10.7	407	74,146,549	24.7	11.5
Pacific	6	15,371,615	54.6	1.9	45	6,840,306	24.3	1.1
EURASIA	24	47,996,875	26.6	3.0	515	88,190,658	48.9	6.2
Central Asia	2	3,773,793	14.1	7.9	88	16,332,914	61.0	18.5
Caucasus	3	4,565,562	48.4	9.5	17	2,024,884	21.5	2.3
Belarus, Russian Fed., Ukraine	19	39,657,520	27.5	82.6	410	69,832,860	48.5	79.2
EUROPE	36	91,301,788	22.6	5.6	1,136	169,249,369	41.9	11.9
Eastern Europe	5	7,843,649	13.2	8.6	192	25,373,002	42.6	15.0
Northern Europe	9	23,711,968	28.8	26.0	214	34,610,407	42.1	20.4
Southern Europe	10	30,658,603	27.9	33.6	325	48,616,049	44.2	28.7
Western Europe	12	29,087,568	19.1	31.9	405	60,649,911	39.8	35.8
LATIN AMERICA AND THE CARIBBEAN	68	225,398,998	44.9	13.9	961	157,919,149	31.5	11.1
Caribbean	4	9,985,468	32.9	4.4	65	9,931,491	32.7	6.3
Central America and Mexico	19	54,401,324	43.3	24.1	203	41,103,031	32.7	26.0
South America	45	161,012,206	46.6	71.4	693	106,884,627	30.9	67.7
MEWA	40	108,679,404	46.1	6.7	502	90,863,612	38.5	6.4
Southern Asia	9	25,420,383	38.0	23.4	182	29,229,625	43.6	32.2
Middle East and The Gulf	31	83,259,021	49.3	76.6	320	61,633,988	36.5	67.8
NORTHERN AMERICA	51	161,845,634	55.1	10.0	501	100,160,817	34.1	7.0

Source: Adapted from UN-DESA, *World Urbanization Prospects*, and additional sources. See the Methodological Annex at the end of the full report for more details

	TOTAL: <0.05 million			TOTAL URBAN POPULATION			
Nº	POP	% URBAN	% REGION	POP	% REGION	% GLOBAL	
-	896,875,227	22.7	100	3,945,834,361	54.1	100	**WORLD**
-	125,441,341	26.4	14.0	474,764,116	40.6	12.0	**AFRICA**
-	33,017,360	35.7	26.3	92,591,482	25.8	19.5	East Africa
-	6,878,471	13.0	5.5	52,900,904	43.9	11.1	Central Africa
-	23,029,318	22.3	18.4	103,140,533	55.8	21.7	North Africa
-	12,888,827	18.2	10.3	70,962,006	44.6	14.9	Southern Africa
-	49,627,365	32.0	39.6	155,169,190	44.9	32.7	West Africa
-	397,189,134	21.4	44.3	1,855,998,618	46.8	47.0	**ASIA-PACIFIC**
-	134,472,127	13.9	33.9	970,326,090	60.1	52.3	East Asia
-	117,532,505	21.1	29.6	556,915,595	33.1	30.0	South Asia
-	139,235,824	46.3	35.1	300,596,334	47.5	16.2	South-eastern Asia
-	5,948,679	21.1	1.5	28,160,599	71.5	1.5	Pacific
-	44,060,175	24.4	4.9	180,247,708	64.6	4.6	**EURASIA**
-	6,659,873	24.9	15.1	26,766,580	40.5	14.8	Central Asia
-	2,842,504	30.1	6.5	9,432,950	55.8	5.2	Caucasus
-	34,557,798	24.0	78.4	144,048,178	73.5	79.9	Belarus, Russian Fed., Ukraine
-	143,628,331	35.5	16.0	403,400,059	73.8	10.2	**EUROPE**
-	26,354,120	44.2	18.3	59,570,771	61.7	14.8	Eastern Europe
-	23,966,044	29.1	16.7	82,288,420	81.3	20.4	Northern Europe
-	30,789,450	28.0	21.4	109,284,672	70.0	27.1	Southern Europe
-	62,518,717	41.1	43.5	152,256,196	78.9	37.7	Western Europe
-	118,350,166	23.6	13.2	501,668,313	79.7	12.7	**LATIN AMERICA AND THE CARIBBEAN**
-	10,427,631	34.4	8.8	30,344,590	71.0	6.0	Caribbean
-	30,204,410	24.0	25.5	125,708,765	73.1	25.1	Central America and Mexico
-	77,718,125	22.5	65.7	345,614,958	83.3	68.9	South America
-	36,410,273	15.4	4.1	235,953,289	67.8	6.0	**MEWA**
-	12,316,193	18.4	33.8	66,966,201	60.1	28.4	Southern Asia
-	24,094,079	14.3	66.2	168,987,088	71.5	71.6	Middle East and The Gulf
-	31,795,807	10.8	3.5	293,802,258	82.0	7.4	**NORTHERN AMERICA**

3.

PRINCIPLES OF OUR AGENDA

GOLD IV builds on a set of principles and observations, based on the experience of local and regional governments since Habitat II. The recognition of current development challenges and the acknowledgement of local and regional governments in global agendas are an opportunity to begin a new era in global governance, enhancing existing partnerships, and exploring new mechanisms that will foster the participation of all actors. Within this, the responsibility of local and regional governments for many common and public goods essential to the achievement of the SDGs should be recognized.

This new era should build, however, on past *acquis* and on a clear picture of the results, achievements and unfinished business of the Habitat II Agenda (see Box on the left). The main weakness of Habitat II has been a lack of clarity about the means of implementation. There has clearly been some progress on the Agenda's commitments to support local governments and strengthen local capacities to develop 'sustainable human settlements in an urbanizing world'. But overall the Agenda failed to give adequate support to urban settlements and territories.

UCLG and the Global Taskforce agreed on seven priorities for the New Urban Agenda:

1. **Make local and regional governments stronger and more accountable** and give them far-reaching competences to drive inclusive and sustainable development.
2. **Harness strategic planning** to ensure a shared vision for the development of cities and human settlements.
3. **Renew the social contract,** putting the Right to the City at the heart of the New Urban Agenda (see Box on page 27).
4. **Unlock the potential of local and regional governments** to promote sustainable local economic and environmental policies, and to protect our planet.
5. **Rethink local financing systems** to make cities (and their management) sustainable.

HABITAT II AGENDA - THE RECOGNITION OF LOCAL GOVERNMENTS AND DECENTRALIZATION

In Istanbul in 1996, the UN and its member states recognized local authorities as the **'closest partner' for the implementation of the Habitat Agenda and the 'effective decentralization of responsibilities'** to local governments, as necessary to achieve sustainable human settlements.[8] In 2007, a step forward was made with the adoption – by the UN Habitat's Governing Council – of the International Guidelines on Decentralization and Strengthening of Local Authorities. In 2009, the International Guidelines on Access to Basic Services for All was adopted.[9]

Within the framework of this report, **decentralization is understood as the existence of local authorities, distinct from the state's administrative authorities, that have a degree of self-government within the framework of the law**. These decentralized authorities have their own powers, resources and capacities to meet responsibilities, and a legitimacy underpinned by representative, elected local democratic structures that determine how power is exercised and make them accountable to citizens in their jurisdiction.[10]

[8.] Habitat II, *Istanbul Declaration,* paragraph 12; Habitat Agenda, art. 177.

[9.] UN Habitat Governing Council, Resolution 21/3, 20 April 2007 and Resolution 22/8, 3 April 2009.

[10.] UCLG, *Decentralization and Local Democracy in the World: First Global Report by United Cities and Local Governments*, 2008, GOLD - Global Report on Decentralization and Local Democracy 1 (Washington, DC: World Bank, 2009), 308–17.

6. **Improve local and regional governments' risk and crisis-management capacities.**
7. **Give local and regional governments a seat at the global table** and cooperate in a spirit of solidarity.

The New Urban Agenda needs to enable the implementation of sustainable urban policies, while **promoting an urban perspective on the 2030 Agenda and fostering its localization.** To be truly transformative, the Agenda should enable local and regional governments to realize their full potential by creating an adequate environment for further decentralization. Multilevel and multi-stakeholder governance is essential to ensure that skills and resources at all levels are harnessed.

At the same time, the Agenda should guarantee the respect for social and human rights and promote shared governance to allow inhabitants to directly participate in the 'co-creation' of the city and territories that they aspire to live in. In 2011 UCLG adopted the Global Charter-Agenda for Human Rights in the City as the foundation of this new social contract between people and local and regional authorities (see Box on the right).

Development agendas should align resources with the needs of the people to deal with the massive backlogs in housing, basic services and urban infrastructure. Local financing has been a concern in both developed and developing countries;[11] it has been calculated that USD 57 trillion in financing will be needed to meet the need for basic infrastructure globally. With business-as-usual investment rates, the world should invest over USD 1 trillion more per year to meet these needs.[12] These figures translate to 3.8% of the Global North's GDP, and 6.6% of the Global South's.[13] These gaps require an international initiative to address the financing of urban areas and basic service provision.

Through an in-depth analysis, this report reviews these priorities in the context of the three main levels of sub-national governments, namely, i) metropolitan areas; ii) i-cities; and iii) territories – including regions, small towns and rural areas.

It introduces the concept of a **territorial approach to development** (TAD) to promote a paradigm shift in national development strategies, revising top-down approaches in favour of more 'territorialized' and partnership-based approaches.[14] The report calls for better coordination between national, regional

These gaps require an international initiative to address the financing of urban areas and basic service provision

The Agenda should allow inhabitants to directly participate in the 'co-creation' of the city and territories

THE GLOBAL CHARTER-AGENDA FOR HUMAN RIGHTS IN THE CITY

The **Right to the City has become a touchstone for social movements**, NGOs and government officials, bringing together numerous demands and hopes for urban settlements to be more inclusive, harmonious and united. This approach (adopted, for example, by many Brazilian cities and in the constitution of Mexico City) offers a comprehensive framework to integrate recognized social rights for all urban inhabitants, acknowledging the different expectations and goals set by the SDGs and the New Urban Agenda.

The **General Provisions of the Charter**, developed by the UCLG Committee on Social Inclusion, Participatory Democracy and Human Rights, are: i) Right to the city for all inhabitants with adequate living conditions, ii) Right to participatory democracy, iii) Right to civic peace and safety in the city, iv) Right of women and men to equality, v) Rights of children, vi) Right to accessible public services, vii) Freedom of conscience and religion, opinion and information, viii) Right to peaceful meeting, association and to form a trade union, ix) Cultural rights, x) Right to housing and domicile, xi) Right to clean water and food, xii) Right to sustainable urban development.

To access the full document, see: **http://www.uclg-cisdp.org/en/right-to-the-city/world-charter-agenda/1**.

11. UCLG, *Local Government Finance: The Challenges of the 21st Century*, GOLD - Global Report on Decentralization and Local Democracy 2 (Cheltenham: Edward Elgar, 2011).

12. Richard Dobbs et al., *Infrastructure Productivity: How to Save $1 Trillion a Year* (New York: McKinsey Global Institute, 2013).

13. Jeremy Gorelick, 'Funding Capital-Intensive Urban Projects: Enabling Cities to Employ Municipal Finance Tools', Issue Brief (Sustainable Development Solutions Network, 2016), http://unsdsn.org/resources/publications/funding-capital-intensive-urban-projects-enabling-cities-to-employ-municipal-finance-tools/.

14. See Chapter 4, Section 3.1 of the full report.

SYSTEMS OF CITIES[15]

The study of urban systems focuses on the relational aspects, interactions and interdependencies between cities in a territory – at the regional, national and even the global level. Cities, when organized in systems, tend to include different types of relationships: i) functional relationships (the physical exchange of information, goods, or people), ii) hierarchical relationships (as cities are nested in regional or national institutional frameworks and serve territorial management functions), and iii) both competitive/synergic relationships. Economic theories of systems of cities try to explain why production and consumption activities are concentrated in a number of urban areas of different sizes and industrial composition, rather than uniformly distributed in space.

The variables analyzed in this regard usually include functions, income, connectivity, productivity and quality of life, specialization versus diversification, among others. **Systems of cities are deeply rooted in the history of countries and territories**. These long-standing characteristics make their arrangements recognizable and classifiable. A few keywords identify most city systems studied and analyzed in this report: the concept of monocentric, bicentric, and polycentric systems of cities, for instance.

Photo: Jean-François Gornet - Sucre (Bolivia).

More cooperative relationships between levels of government and territories can only be achieved through a radical transformation of our governance culture

Photo: Davide Gorla - Mykines (Faroe Islands).

and local policies to strengthen the value of interconnectedness and cooperation – rather than competition – between territories, metropolitan areas, and i-cities. As argued throughout the report, more cooperative relationships between levels of government and territories – as the basis of a more integrated and balanced urban system and territorial cohesion – can only be achieved through a radical transformation of our governance culture (see Box on Systems of Cities).

4.

THE GOLD IV REPORT

Since the publication of its first report in 2008, the *Global Report on Local Democracy and Decentralization* (GOLD) has become an international benchmark in the analysis of local governments worldwide. The three previous reports contributed to a better understanding of the evolution of decentralization, local finance and the role of local governments in basic service delivery across the world.

GOLD IV calls for the acknowledgement of the essential role of local and regional governments in addressing the challenges of urbanization and achieving the key global development agendas. It makes a unique contribution to the global debate by moving away from traditional sectoral approaches and favouring, instead, a broader, territorial model.

Over the three years of its preparation, GOLD IV has drawn on the expertise of elected representatives, academics, as well as regional and local practitioners, through both direct collaboration and a series of consultations organized in collaboration with intermediary, metropolitan and peripheral cities and territories (including regions, small towns and rural municipalities). This constituency-based approach has provided a more integrated vision of development, based on the reality of local and regional government and their experiences on the ground.

Experts and academics with extensive knowledge of urbanization and its challenges, as well as the different territorial units analyzed in this report, have compiled each chapter, drawing on the results of the international workshops and consultations.

Chapter 1 on Metropolitan Areas addresses the complexity of the metropolitan age that is reshaping the urban landscape and the future of our societies. It emphasizes the rapid pace of change in metropolitan areas and aims to provide clarity about their role as engines of growth, as well as describe the positive and negative externalities that result from the race for competitiveness and attractiveness. Building on the evidence and practices of metropolitan cities, the chapter seeks answers to critical questions: what models of governance and financing do the metropolises of the 21st century need? What is the basis of a buoyant metropolitan democracy? Which strategies for economic development and new forms of collaborative and social economy should be employed? What are the costs and benefits of inclusive and integrated planning versus splintered urbanism? How can social inclusion be fostered and spatial fragmentation avoided? What is the role of metropolitan areas in building and scaling new patterns of production and consumption to reduce their ecological footprint?

As argued throughout the report, it is in metropolitan areas that the battle for human rights, and for many of the principles enshrined in the Global Charter-Agenda for Human Rights in the City, is being fought. These principles include combatting inequalities and marginalization, universal access to decent housing, basic services and culture, and the protection of human rights, gender equality and equal opportunities for all.

GOLD IV has drawn on the expertise of elected representatives, academics, as well as regional and local practitioners

Despite their limits and constraints, metropolitan areas are where new alternatives for a more inclusive and sustainable future can be generated. If well-organized, financed and empowered, they can be prosperous, inclusive, safe and sustainable. Through analyses and examples, this chapter aims to contribute to a metropolitan narrative for a Global Agenda of Local and Regional Governments.

Chapter 2 on Intermediary Cities examines the issues, concerns and opportunities that affect the development of these cities, as the vital nexus between the local and the global, and as an essential part of the national systems of cities that contribute to more balanced and inclusive territorial development.

Historically, i-cities have contributed significantly to territorial cohesion and the integration of their hinterlands, both as regional centres and as providers of administrative and social services conventionally linked to local economic activities. This chapter analyzes the functions of i-cities, their economic and physical development, and how structural changes affect their ability to maintain their identity and reach their full potential. The analysis emphasizes, on the one hand, their 'human scale' and proximity as the source of potential competitive advantage and, on the other hand, the challenge they face in adjusting to rural-urban migration and the changes in national economies and global markets. The chapter analyzes the contrast between the many prosperous i-cities that have been able to innovate and optimize their role and the quality of life of their citizens, and those that have fallen behind, struggling to ensure sustainable development and better lives for all.

It is in metropolitan areas that the battle for human rights, and for many of the principles enshrined in the Global Charter-Agenda for Human Rights in the City, is being fought

The chapter also looks at the place of i-cities in the broader landscape of urbanization, examining them in different regional contexts across the world. Despite their demographic and territorial relevance within national urban systems, i-cities are still neglected by global development agendas and many national development strategies. The chapter explains why these cities play a critical role in the achievement of 'inclusive, safe, and resilient' cities (Goal 11 of the SDGs) and in strengthening rural-urban ties while promoting more balanced urban systems.

Chapter 3 on Territories provides a multifaceted exploration of the potential of regions, small towns and rural municipalities to support a paradigm shift in national and regional development strategies and rural-urban interdependence. This chapter explains the recent evolution of regional governments across the world in the framework of decentralization and regionalization processes. It shows how efforts to harness the endogenous economic potential of territories are paving the way for a broader, territorial approach to development. This analysis explores the growing role of regional governments in shaping regional development strategies and their links with national development plans and polices. These regional strategies are supported by innovative economic initiatives that foster local development and many diverse environmentally-sustainable experiences that range from climate change adaptation and mitigation to regional food security. Small towns and rural municipalities also have the potential to make important contributions to socio-economic development, social inclusiveness and welfare, and the protection of natural resources at a very local level. The chapter analyzes different typologies of rural-urban partnerships as a way to overcome institutional barriers and promote a rural-urban continuum.

All these factors suggest that regions, small towns and rural municipalities warrant considerably more attention than they have received thus far, and that they should figure more prominently in the economic, social and environmental development agendas of both developed and developing countries. As acknowledged in the Habitat III process, many of the key components of the New Urban Agenda require a wider territorial approach. The involvement of regions, small towns and rural municipalities is therefore just as critical as that of metropolitan areas and i-cities.

The report closes with a **Conclusion** that addresses the current global situation and the development challenges faced by the New Urban Agenda, linking them to the 2030 Agenda and the Paris Agreement on Climate Change. While the previous chapters describe the challenges facing different types of urban settlements and the solutions required, the concluding chapter frames these within a larger development landscape, redefined by recent international agreements.

The conclusion explores key interlocking trends that threaten a sustainable future and suggests putting territorial governance at the heart of sustainable and integrated development strategies. These should promote democratic governance, an inclusive economy, sustainable infrastructures, equitable urbanism and respect for the environment.

To strengthen this territorial perspective in global agendas, the chapter reviews the interdependent 'operating systems' – governance, infrastructure, land use, economic and socio-cultural systems – that must be aligned to support a transformative shift in urban and territorial development. It calls on national development policies to integrate different sectoral policies (urban, rural and infrastructure) into coherent national strategies, in order to create a truly multilevel governance system. Finally, it calls for the identification of flagship projects with disruptive potential to avoid a business as usual outcome.

In terms of the challenges of financing the New Urban Agenda, the conclusion points out that, while sufficient resources may be available, the necessary reallocation of capital and funds is a public policy choice. It makes the case for thorough reform of the financial sector, from the international to the national level, in order to make the transformative goals of today's development agendas viable and achievable.

At the centre of its analysis is the idea of a new social contract between citizens and local public institutions. This should be founded on two central pillars: the Right to the City and the 'co-production' of the city. Co-production refers to collaborative processes between social movements and local institutions to systematically construct a shared understanding of the scope and scale of problems, and to jointly devise a response. Co-production is part of the much larger canvas of shared governance; with this in mind, the report's conclusion proposes a set of building blocks to foster co-governance at the local level.

The final part of GOLD IV presents the foundation of the Global Agenda of Local and Regional Governments for the coming decade, a set of policy recommendations for all actors and stakeholders in the local and regional governance system. This agenda for metropolises, cities and territories is UCLG's contribution to the global debate, and an invitation for others to take the next step: **fostering alliances based on strong policies and actions to achieve prosperous, inclusive, safe, resilient and sustainable cities and territories**.

Many of the key components of the New Urban Agenda require a wider territorial approach

Photo: Francesco Veronesi - Antananarivo (Madagascar).
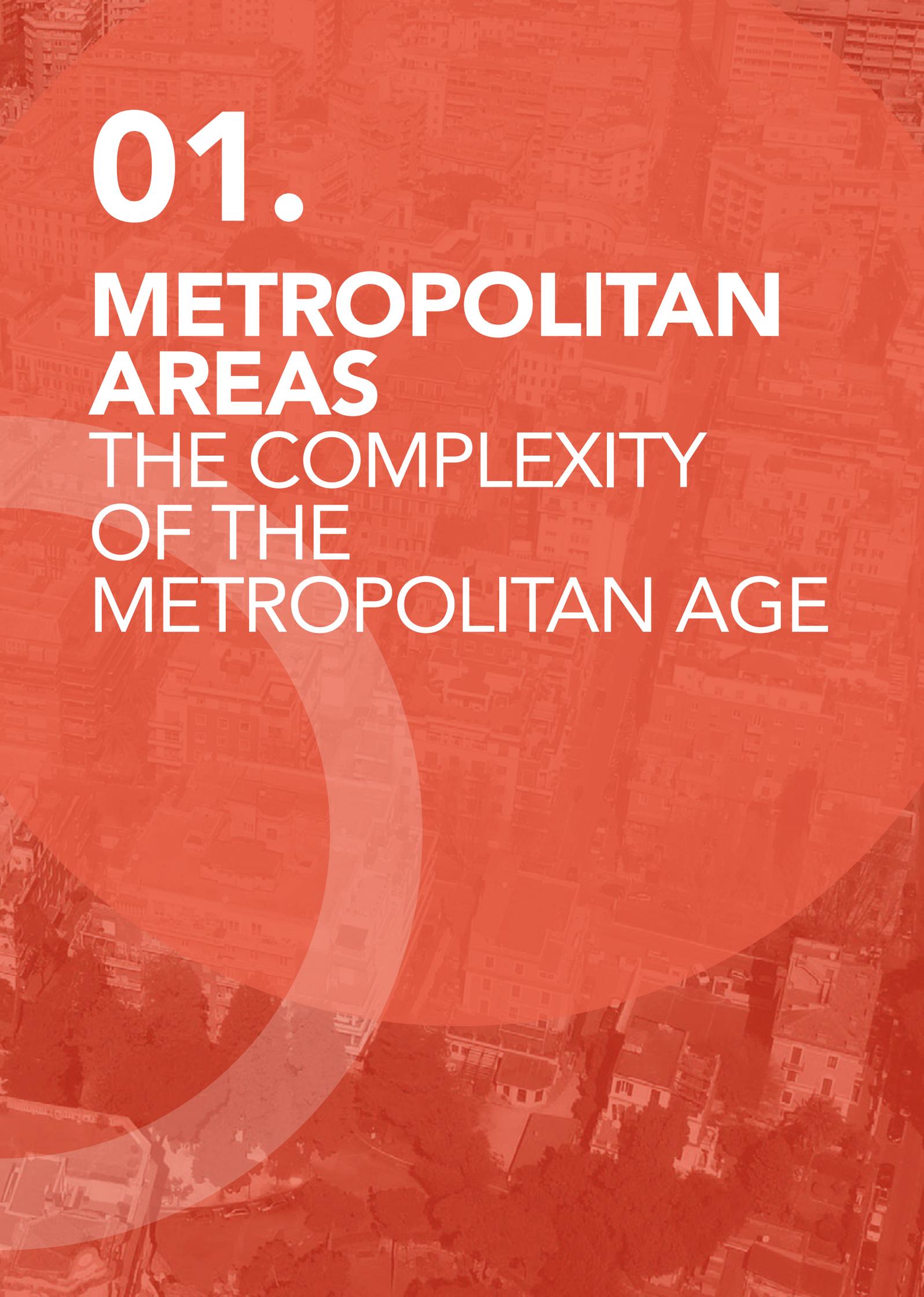
01.

METROPOLITAN AREAS
THE COMPLEXITY OF THE METROPOLITAN AGE

METROPOLITAN AREAS

The reality of the 21st century shows us the world has not yet adequately prepared nor adapted to meet the challenges of the 'metropolitan age'. An ever more integrated global system of cities, megacities, city-regions and urban corridors is reshaping the urban landscape and the future of our societies.

METROPOLITAN AREAS today encompass 41% of the world's urban population and contribute significantly to the wealth of nations (around 60% of global GDP). As a result, most growing cities now span several municipal territories and other political boundaries, including different types of peripheral cities, as part of inner and outer rings.

METROPOLITAN AREAS are where many of the world's most pressing issues can be solved, but also where they accumulate. Most host massive concentrations of wealth and offer promising opportunities for growth. But at the same time, they face critical difficulties in delivering decent housing and access to quality basic services. Metropolitan cities aim to compete for growth and investment in a globalized world, but they experience stark inequalities, as well as social and territorial fragmentation. Many metropolitan areas promise an improved quality of life but this risks being jeopardized by the irreversible depletion of their natural resources and life-support systems. Most have not yet solved key issues of governance and democratic management.

A transformative approach to the governance of large cities has become necessary to tackle many of these challenges and actively support sustainable growth, social inclusion and environmental protection. These are mutually re-enforcing goals, respectful of the principles of the Sustainable Development Goals (SDGs), COP 21 agreements, and the New Urban Agenda. This will evolve, however, in the context of major uncertainties: the impact of globalization and new technologies; increasing inequalities; migration; as well as the threat to environmental sustainability and increasing social unrest – all of which require decisive and firm action.

This chapter defines metropolitan areas as 'functional urban agglomerations', to take into account the physical contiguous urban area and the movement and relations of people in their daily lives. It also follows the definition of Metropolis, the World Association of the Major Metropolises, and UCLG, who consider metropolitan agglomerations to be those above a demographic threshold of one million inhabitants.

22%
WORLD POPULATION

41%
WORLD URBAN POPULATION

1,626M
POPULATION

732.3M
PAST GROWTH
(1995-2015)

666.3M
EXPECTED GROWTH
(2015-2030)

503
NUMBER OF CITIES
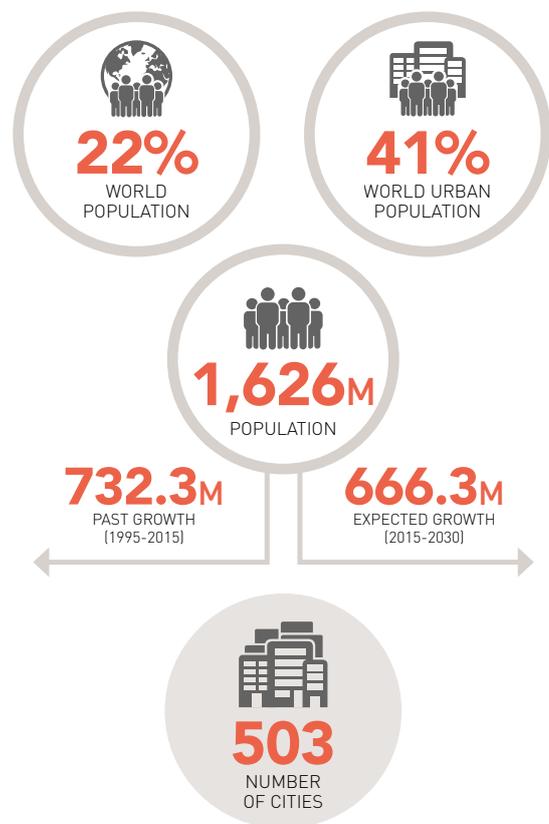
The **500 most populous metropolitan areas** today are home to over **1.6 billion people**. Just nine of them have lost population **since Habitat I**. Glasgow and Budapest have lost the biggest share, while the planned cities of Nay Phi Taw and Shenzhen are among the fastest growing.

There were just five megacities of **more than 10 million inhabitants** at the time of Habitat I – Tokyo, Osaka, Mexico City, New York and São Paulo. **Today there are over 30, three quarters of them in the Global South**. Nearly half of these new megacities had populations of fewer than **5 million inhabitants 40 years ago**.[1]

EVOLUTION OF METROPOLITAN AREAS 1975 - 2015
Source: UCLG and UN-DESA

2015

503 METROPOLITAN AREAS

Number of cities, 2015 — +20 million **eight cities** · 10-20 million **21 cities** · 5-10 million **45 cities** · 1-5 million **429 cities**

1995

305 METROPOLITAN AREAS

Number of cities, 1995 — +20 million **one city** · 10-20 million **13 cities** · 5-10 million **22 cities** · 1-5 million **269 cities**

1975

162 METROPOLITAN AREAS

Number of cities, 1975 — +20 million **one city** · 10-20 million **three cities** · 5-10 million **14 cities** · 1-5 million **144 cities**

[1]. UN-DESA ('World Urban Prospects 2014-F12, *Cities over 300,000 inhabitants*') most recent statistics for 2016 calculate 512 metropolises and, in particular, 29 megacities - or 30 if we include Seoul-Incheon together and 35 if we include some cities that probably exceeded the threshold of 10 million during the last year (Lima, Chennai, Bogotá, Johannesburg, Bankgok). City Population calculated 34 megacities.

1.1
WAYS TO RESHAPE METROPOLITAN GOVERNANCE

The need to revise metropolitan governance systems

Leaders in metropolitan areas work within governance parameters that often leave them without the necessary authority to meet the challenges their city faces. Weak metropolitan governance undermines the potential of metropolitan areas to function as cornerstones of national development.

In 2016, only a few metropolitan cities have most or all of their population governed within a single administrative territory. Many past reforms have only partly addressed or failed to resolve the challenges that face metropolitan governance in the world today. Experience has shown that there is **no 'one-size-fits-all'** solution and that all existing models need – to varying degrees – to be improved or re-invented.

◉

To empower metropolitan authorities in a context of widespread financialization and privatization of urban public goods and property markets

In fact, many metropolitan governance systems around the world are currently being reformed and upgraded. Reforms, however, are rarely flawless and often involve trade-offs on different issues. In general, they seem to have a higher chance of success when they are based on collaborative processes, with the involvement of different levels of government and local stakeholders (business sector and civil society), than when they are top-down. Some basic principles that tend to bolster **democratic and collaborative metropolitan governance systems include local democracy, accountability, subsidiarity, effectiveness, adequate resources and financing instruments to foster a polycentric and balanced development, together with 'equalizing' financial mechanisms for more cohesive, harmonized metropolitan areas.**

Reforming metropolitan financing systems

Financing and funding are key pillars of metropolitan governance. A thorough reform of financing systems is urgently required in many metropolitan areas, both in developed and developing countries. Many metropolitan areas operate within a 'low-investment, low-return' equilibrium, and lack the fiscal resources to invest in the infrastructure needed for long-term growth. Although metropolitan areas must advocate strenuously for sustained and enhanced intergovernmental transfers, their sustainability will increasingly rest on the ability of local and metropolitan governments to move towards revenue self-sufficiency. This goal, however, will require a comprehensive revision of fiscal frameworks and the deployment of innovative financial tools – so as to broaden the ability of metropolitan areas to capture the value of the economic growth they generate, while also improving access to responsible borrowing. These ambitions are very challenging in developing economies, where the financial options available for cities are limited, in the face of a growing urban population with soaring needs and demands for quality services. At both the national and global level, therefore, a deep rethink of traditional financing approaches is needed to empower metropolitan authorities in a context of widespread financialization and privatization of urban public goods and property markets. This would make it possible for metropolitan areas to reconcile financial constraints with long-term sustainable development, and counterbalance the growing wealth inequalities both between and within cities.[2]

A new deal between metropolitan authorities and other tiers of government

National and sub-national governments (e.g. states, regions, provinces) are critical partners in the development of metropolitan areas, but many tensions underlie these vertical relationships. As metropolitan areas grow, they experience side-effects and negative externalities for which national support and adjustments are essential.

Some are generated by the metropolitan areas themselves (e.g. transport congestion); others by the siloed nature of national sectoral policies (e.g. economic development and infrastructure); and some by wider regions and the global context (e.g. growing disparities in productivity, attraction of investments, immigration and cultural influence).

Metropolitan governance should be defined by a collaborative and effective multilevel governance framework to ensure the clear recognition of the role of metropolitan areas in national development. **National policies should be strengthened to support metropolitan governance and finance reform processes in metropolitan governance to address evolving functional areas, improve land management** and enhance the linkages between metropolises and other cities, settlements and territories.

Strengthening civil society participation to create a buoyant democracy

There is increasing demand for a democratization of metropolitan governance and for a larger role for citizens and local stakeholders, well beyond formal electoral channels. A buoyant local democracy is a precondition for the emergence of a new form of metropolitan governance able to recognize and mitigate the tensions and contradictions in complex urban societies. It should be supported by clear participatory mechanisms that facilitate the active engagement of the business sector and civil society, especially excluded and disenfranchised groups, including immigrants. The gender perspective must also be integrated into the design, execution and evaluation of public policies through the systematic application of the principle of equal treatment and opportunities for women and men.

The concept of participation is changing, moving beyond simple consultation, to create a space that will **eventually rebalance the distribution of decision-making powers in society**. This requires local governments to respect some basic principles, such as the empowerment and autonomy of social movements and local stakeholders. 'Enablers' of citizen engagement need to be simple, reciprocal, representative, inclusive and people-oriented. Furthermore, local governments must develop an increasing number of participatory processes, online and offline, that are balanced and implemented with regularity and continuity.

Photo: Andrea Ciambra - Toronto (Canada).

Towards the co-production of the city: a change in the mindset of city governments

As part of the transformative shift in metropolitan governance, we call for a change in the mindset of city governments. This should include: a metropolitan leadership that embraces experimental alternatives and seeks new management and cooperation paradigms; and leaders that move from fragmented sector-specific decision-making to a more strategic approach that takes into account the systemic tensions between inclusion, environmental policies and the need for sustained growth. Although not entirely new or risk free, **the strategic planning approach is a promising model on which to build such an integrated vision for the whole metropolitan area**, joining up the different dimensions of urban sustainable development. It offers an opportunity to plan and decide collaboratively across the many territories that are involved, preserving a participatory approach that includes local stakeholders and civil society. Citizens and their effective participation can ultimately help overcome the asymmetric distribution of power that is inherent in the policy-making arena and the productive ecosystem of metropolitan areas.

Empowered and well-organized local communities, able to develop their own initiatives, can and should participate in the co-production of the city and its policies (e.g. planning, slum upgrading and service delivery), through responsible partnerships.

New technologies facilitate access to data and create opportunities for new forms of participation. The ability of information to flow freely is key to the transparency and openness of the new systems and methods that metropolises can establish within their own institutional arrangements.

2. Eugenio Leanza and Gianni Carbonaro, 'Socially Inclusive Urban Transformation After the Great Recession', in *Human Smart Cities*, ed. Grazia Concilio and Francesca Rizzo, Urban and Landscape Perspectives (Springer International Publishing, 2016), 175–94.

1.2
THE PARADOX OF THE METROPOLITAN STRUGGLE FOR COMPETITIVENESS

Positive externalities: metropolitan areas as 'engines of growth'

On the positive side, metropolitan areas provide critical advantages and externalities to the local and national economies within which they are embedded. Larger metropolitan areas, in particular, have the potential to help national economies become more globally connected and productive and, in principle, are able to diffuse multiple benefits across national urban systems through enhanced connectivity, economic specialization and cooperation.

Given the increasing complexity of their economies, many metropolitan areas have developed strategies to boost their development. These do not all share the same priorities and not all economic strategies have proven either actionable or effective. However, **many metropolitan areas have had success in their attempts to create an enabling environment for entrepreneurship, internationalize their economies**, develop new spatial strategies, create knowledge-sharing and networking platforms, and provide support to SMEs and new economic activities (collaborative and social economies).

Metropolitan areas provide critical advantages and externalities to the local and national economies within which they are embedded

The financialization of urban economies has substantially reshaped metropolitan economies, particularly in developed countries

However, success would not be possible without **strategic interventions by metropolitan authorities for a distributed system of leadership and power-sharing, partnership and coalition-building**. These actions can often lead to new institutional arrangements (development agencies, advisory bodies and diverse alliances), able to marshal different economic sectors, levels of government and civil society behind shared goals. **Coordinated strategies** help mobilize resources and achieve desired outcomes.

One of the crucial questions facing metropolitan areas today is how to ensure and regulate the participation of the private and financial sectors in a transparent and accountable manner, to strengthen metropolitan governance without weakening democratic institutions. **Strong and visionary local leaders can manage this delicate equilibrium and improve cities' room for manoeuvre. In any case, however, local democracy should be at the centre of metropolitan development policies**.

Negative externalities: a 'splintered' urbanism

It is important to emphasize the risks and realities of increasing inequalities, fragmentation of the urban space, and social exclusion as major challenges to metropolitan development. The financialization of urban economies has substantially reshaped metropolitan economies, particularly in developed countries. Because of the pressures exerted by the deregulation of financial markets, privatization of public spaces and services, and securitization of mortgages and municipal bonds, a **pattern of winners and losers has tended to emerge within metropolitan areas**. Core areas concentrate investments and experience gentrification, thus attracting highly-educated workers and pushing out the working and middle class population. Meanwhile other metropolitan zones are in decline or marginalized, with increasing unemployment and poverty. Similarly, in metropolises of the Global South, **informal neighbourhoods and economic activities continue to expand**, hosting a majority of urban population that struggles to cope with the devastating effects of competition for land, decent housing and resources. **This polarization, defined as a 'splintered' urbanism, is leading to the emergence of 'two-speed' cities** that tend to exclude whole portions of the urbanized space.

Certain negative externalities (e.g. sprawl, congestion, limited access to public

services, insecurity or pollution) **can even counterbalance the positive effects mentioned above**, consuming resources and intensifying imbalances between territories at the expense of the rest of the country.

Combining 'attractiveness' and 'inclusiveness'

One of the biggest challenges for metropolitan areas is to **combine 'attractiveness' strategies with an agenda that preserves inclusiveness and sustainability, the latter being neither optional in nor secondary to the pursuit of economic growth and efficiency**. In fact, there is growing international evidence of a strong correlation between high levels of metropolitan inequality, congestion and pollution with lower economic growth rates because of their effects on social cohesion, insecurity, health and the environment, as well as the ability to attract investment and withstand external shocks.

Accordingly, a combination of strategies to engage metropolitan areas in a territorial dynamic of collaboration and an inclusive and sustainable pattern of development should comprise: i) national urban policies that shape coherent urban systems at the national and regional level; and ii) metropolitan policies and actions supported by more localized, targeted urban projects adapted to the needs of local communities.

Policies at the national level

As regards the first dimension in particular, national governments need to redefine national urban policies to shape inclusive and collaborative systems. They should **strengthen the interconnections between metropolitan areas, intermediary cities and territories, as well as foster a more balanced polycentric development approach**. This would maximize positive economic effects and diffuse the advantages of metropolitan growth throughout the territory. Metropolitan areas should not develop in competition with or detached from their surrounding territories. On the contrary, their development should be in solidarity with them, both at the national and the regional level – with clear channels of cross-border cooperation.

Policies at the metropolitan level

At the metropolitan level, **policies should facilitate the access of citizens to the urban region's economic resources, at the same time preserving economic efficiency, social equity and environmental sustainability**. This can be made possible by:

Environmentally sustainable policies should complement and be integral parts of metropolitan strategies

- taking advantage of the ongoing transformations of the global economy, to support a model of open innovation and place-based factors, and foster improved job creation and economic opportunities. Local governments need to participate in the development and regulation of such socio-economic dynamics through **an integrated management of metropolitan economic strategies and assets**, promoting human capacities, and supporting the collaborative and social economy as well as informal activities;
- imagining an **'open' and inclusive urbanism**, as opposed to a fragmented or 'splintered' one characterized by the privatization of urban spaces and gated communities. An open urbanism should aim to reduce the socio-economic negative externalities of 'urbanism by projects' (the approach based on renovation projects with exclusionary purposes) and promote a 'multi-polar' or 'polycentric city', limiting the social consequences of land and property competition;
- facilitating **universal access to basic services and urban mobility**, to ensure equitable access and interconnectedness for all metropolitan inhabitants, including those in peripheral zones; and developing housing policies and market regulations **to ensure access to land and decent housing.**
- promoting effective financing models to **counterbalance the financialization and commodification of urban economies**, as well as the volatility of the land market. This should be accompanied by a well-balanced tax system, to ensure that the fiscal burden is fairly distributed, as well as metropolitan equalization funds to **promote a balanced distribution of investments and resources within the whole metropolitan area**.

Environmentally sustainable policies should complement and be integral parts of metropolitan strategies, to promote cities that are sustainable, accessible and inclusive.

1.3
SUSTAINABLE AND RESILIENT METROPOLITAN AREAS

It is now universally agreed that current patterns of production and consumption are unsustainable. In a rapidly urbanizing world, cities across the globe – and metropolitan agglomerations in particular, as the primary CO_2 emitters – have an unprecedented responsibility to adopt more sustainable patterns of development. This is to prevent resource depletion, environmental degradation and the uncontrolled disruption of the planet's climate.[3]
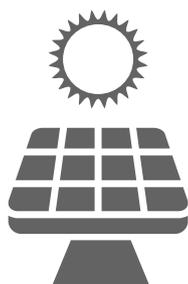
From 'climate plans' to a diversity of sectoral policies, cities from around the world are contributing, to varying degrees, to the achievement of environmental sustainability

Sustainability has thus become a central reference for metropolitan policies. Indeed, from 'climate plans' to a diversity of sectoral policies, cities from around the world are contributing, to varying degrees, to the achievement of environmental sustainability. They have been active in advocating a sustainable lifestyle for their citizens and the reduction of their urban greenhouse gas emissions. Some metropolises – such as Stockholm or Copenhagen – have shown that it is possible to successfully combine economic growth and de-carbonization policies.[4]

Actions for a sustainable environment and inclusive metropolitan areas

Hundreds of examples demonstrate the **engagement of metropolitan authorities in environmental sustainability across many areas, including climate plans, urban mobility, energy, public and green spaces, waste management and the circular economy, food security and urban agriculture**.

Efficient networks and connections, lower emissions and pollution, and the reduction of inefficiencies and bottlenecks all contribute to positive social, economic and environmental impacts. Although the mainstreaming of these actions is still limited, their potential has been well demonstrated. Metropolitan areas, in spite of a number of obstacles such as funding, institutional settings, regulations and legislation, technology, information and knowledge, are moving faster than many national governments. But they cannot act unilaterally. Indeed, evidence shows that all levels of governments, the private sector and civil society need a stronger collaboration framework for these goals to be achieved.

Metropolitan areas should embrace the principles of compact cities and 'smart growth', to reduce urban sprawl and prioritize the environmental dimension. However, certain policies need to be further examined, particularly in light of their social impact. Indeed, while compactness certainly has advantages, the features and goals of densification policies should be clearly defined if we are to prevent the negative effects of gentrification processes, land and property speculation, and the relegation of the most vulnerable groups and communities to peripheral, underserved areas.

Actions for resilient metropolitan areas

In light of the increasing exposure of metropolitan areas to catastrophic natural disasters – as well as other compelling factors such as security and safety, urban violence and disease outbreaks – resilience has become a pivotal policy principle on which to build sustainable metropolises. Although a number of networks to engage local authorities have developed during the last few years, **there is a need for a more proactive role for local governments in catalyzing those innovations essential for effective resilience policies at the metropolitan level**. The underlying risks of not having resilience frameworks are particularly visible and acute in Sub-Saharan Africa and Southern and East Asia, areas that will host a large share of expected urban population growth in the near future.

[3.] World Commission on Environment and Development, 'Our Common Future', Annex (New York: United Nations, 1987).

[4.] UNEP-IRP, 'Options for Decoupling Economic Growth from Water Use and Water Pollution' (UNEP-IRP, 2016).

1.4

A PARADIGM SHIFT IN OUR UNDERSTANDING OF SUSTAINABILITY: TOWARDS THE 'RIGHT TO THE CITY'

Sustainability is not just an environmental issue. It is inextricably linked to social and environmental justice, as well as to the concept of the 'Right to the City', encompassing social sustainability, human rights and democracy at the centre of the urban development debate. In order to keep social sustainability at the core of public policies and link it to a rights-based approach, four key areas require attention: the right to land, housing, basic services and culture.

Access to land and decent housing

If current trends and estimates remain unchanged, metropolitan areas, and cities in general, will face a critical situation when it comes to the provision of housing and basic services. By 2030, around 2 billion people - two out of five urban dwellers - could be living in slums or other informal settlements. Policies implemented in most contexts over the last few decades have led to a structural shortage of affordable land and housing. While the global sums allocated to sustainable housing have been insufficient (making the achievement of Goal 11.1 of the SDGs unlikely), throughout the 2000s housing has also become a global and often opaque financial instrument (as the sub-prime crisis in the United States has eloquently shown); and this has been very much at the expense of middle and low-income households. At the same time, the number of people living in informal settlements in developing countries has risen steadily.

Adequate policies to facilitate access to land and housing – cornerstones of the 'Right to the City' – must include **greater control over land-use and real-estate regulation by local governments**. This can help reduce speculation and contain market forces. For land use, particularly in developing countries, this implies the **recognition of different forms of tenure and the fight against discrimination**, especially against women, indigenous communities, and other minorities. For slums and informal settlements, policy control **requires avoiding forced eviction and the recognition of informal settlements as a legitimate form of urban**

By 2030, around 2 billion people - two out of five urban dwellers - could be living in slums
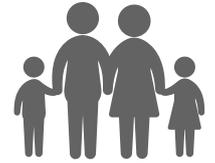
production. In addition, it must acknowledge the potential of self-built housing, promote its formalization and integration into the urban fabric, and gain the support of municipal management systems.

The implementation of strong public policies, social housing programmes and innovative civil society initiatives for the co-production of housing should become a priority. All urban projects (both renovation and urban extensions) should include a percentage of social housing in their plans that adequately supports social mix.

Universal access to basic services

Severe deficiencies in service provision, access to fresh water and sanitation, energy, transportation, waste management, healthcare and ICT connectivity all affect the urban fabric and infrastructure, particularly in developing countries around the world. This prevents a large number of people from living with dignity and perpetuates systemic inequalities. In terms of access to basic services, **there is a need to re-evaluate governance systems, as well as current and potential new models of services management and financing**.

Photo: Francesc - Barcelona (Spain).

One significant challenge is to strike a balance between the financial sustainability and inclusiveness of services, particularly in low and middle-income countries. Besides traditional solutions of price differentiation and cross-subsidization, this necessitates the recognition of a minimum level of free and guaranteed consumption for poorer households (a measure that has substantially increased access to services in South Africa over the past 15 years), or at least some protection from total service disconnection for vulnerable groups. **Direct subsidies to the poorest households and support for network access are among other options that should be considered**.

During the last few decades, a trend of outsourcing services provision has emerged as an alternative in order to improve delivery. The bulk of private sector investments has been concentrated in developed and emerging countries and, in particular, in the most profitable sectors (e.g. communication, transport). However, their impact on low-income countries has been limited at best. In this regard, local governments should be empowered to develop different types of partnerships for the provision of universally accessible basic services, including recent, ground-breaking approaches like public-private-people partnerships (PPPP). **Local governments have an opportunity in the delivery of basic services to empower small private enterprises, the informal sector and community initiatives, all the more so wherever official service providers are ineffective or lacking**.

The role of local governments in supporting, regulating and overseeing civil society and informal alternatives for service delivery is crucial

Local governments should be empowered to develop different types of partnerships for the provision of universally accessible basic services

The role of local governments in supporting, regulating and overseeing civil society and informal alternatives for service delivery is crucial, particularly since the potential consequences for human and environmental safety are so significant. New forms of decentralized service production in certain fields (e.g. 'off-grid' activities for renewable energies) also warrant such an approach. Though mostly available in developed countries, these can disrupt the conventional economic model of universal networked infrastructures.

When calling for revision of the management model for basic services in metropolitan areas, the quest for viable alternatives should **involve all actors and both institutional and informal structures**. They should also be taken into account in plans for their integration into economic strategies and more institutionalized schemes of service provision.

Undeniable right to access culture

The recognition of culture as a space of diversity, and the affirmation of the right to take part in cultural life have led many cities around the world to establish increasingly decentralized cultural facilities. This is to ensure the exercise of cultural rights by as many citizens as possible – including those in peripheral or disadvantaged areas who are often not able to access city-centre cultural venues.

Metropolitan policies should facilitate access to cultural assets, promote and democratize the different cultural practices and traditions that nourish the diversity of a metropolitan area, and protect tangible and intangible heritage and the involvement of citizens in the definition and governance of cultural policies

Metropolitan areas can promote new patterns of consumption and production

Metropolitan areas have been prompted to search for alternative models and approaches to production and consumption due to cumulative tensions of competitiveness, environmental threats and increased inequality. This has also triggered the pursuit of alternative socio-economic priorities and a more inclusive relationship among local governments, between local governments and their communities, between metropolitan areas and other cities, as well as cities and their surrounding environment.

At the heart of the agenda should be a respect for fundamental human rights, together with solidarity rather than competitiveness.

Metropolitan areas can promote a 'new social contract'

In the context of growing pressures on central government welfare systems, the notion of local governments – and metropolitan governments in particular – as key actors in the 'regulation' of an urbanized society and as pillars of local democratic quality is attractive, given their growing responsibilities for the social, economic, environmental and cultural dimensions of urban life.

A number of co-existing approaches have developed in a short time. These include: people-centred positions in the development agendas (e.g. the SDGs at the global level); a stronger focus on rights and quality of life at the city level (for example the Charter of Medellin)[5]; the adoption of the 'Right to the City' principles in many Brazilian cities or in the Constitution of Mexico City; the development of 'principles for better cities' embodied in Metropolis' 'Prepcity' initiatives, as well as the Canoas Declaration of the World Forum for Peripheral Local Authorities (FALP).[6]

These approaches have fed the demand for the 'Right to the City',[7] a claim for a collective space where residents can directly participate in the co-creation of a city they wish to be part of. Encompassing a set of cross-cutting concerns, the term has become a touchstone for social movements, NGOs and government officials to articulate numerous hopes and demands for urban settlements that are more inclusive, harmonious and united. **The 'Right to the City' approach offers a comprehensive framework to integrate recognized social rights for all urban inhabitants** with the different expectations and goals set by the SDGs and the New Urban Agenda. Supported by a deeper local democracy and stronger involvement of citizens in the co-production of the city, the 'Right to the City' can become the foundation for a 'new social contract' for more sustainable, inclusive and safer cities.

Metropolitan policies should facilitate access to cultural assets, promote and democratize the different cultural practices and traditions that nourish the diversity of a metropolitan area

[5.] Carlos Alberto Zarate Yepes et al., 'La Charte de Medellin', 2014, doi:10.13140/2.1.1359.4401.

[6.] Metropolis, Berlin, *PrepCity III, Cities as Actor* (unpublished report, May 2016) and http://www.reseaufalp.com.

[7.] *The Global Charter-Agenda for Human Rights in the City* was formally adopted by UCLG in 2011 during its World Council in Florence – which was attended by over 400 mayors from around the world.
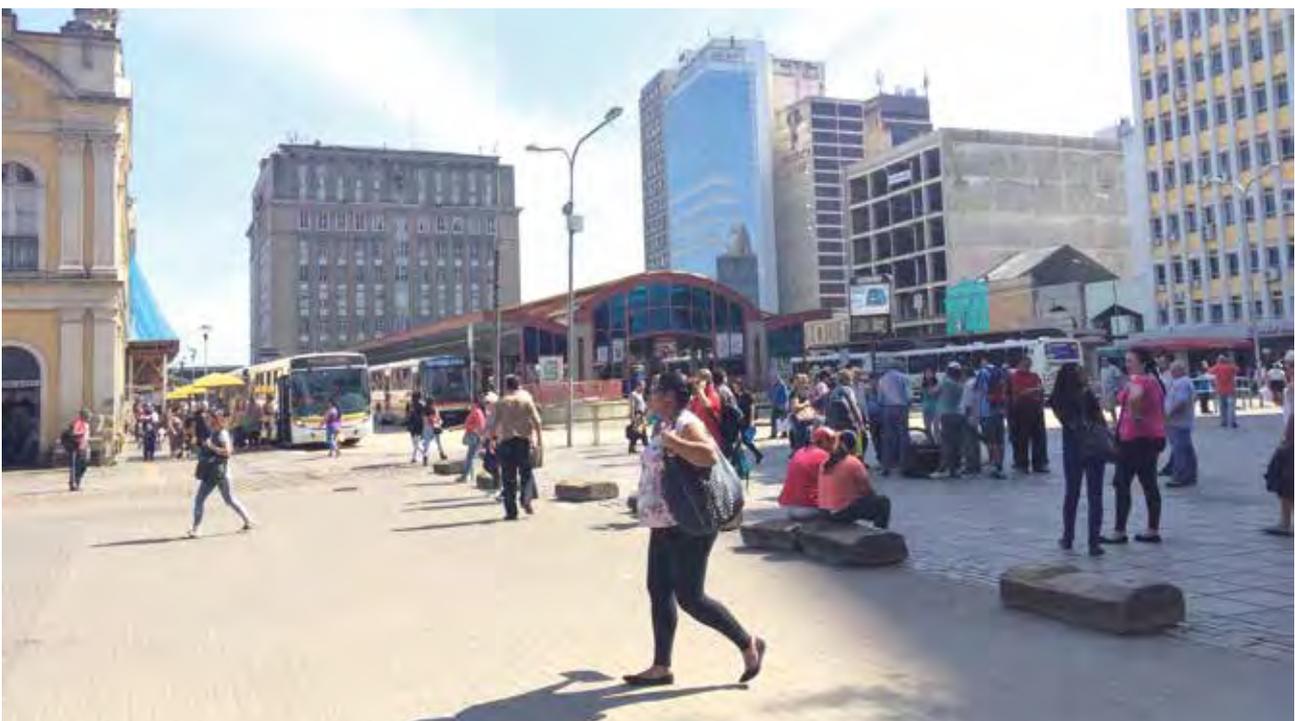
Photo: Tuana Neves - Porto Alegre (Brazil).

1.5
KEY MESSAGES FOR THE AGENDA OF METROPOLITAN AREAS

1
SMS

ESTABLISH NEW GOVERNANCE MODELS TO DEAL WITH THE INCREASING COMPLEXITY OF METROPOLITAN AREAS. Expanding metropolitan forms – megacities, urban regions and urban corridors – require new governance systems that address the whole urban functional area. This is essential to overcome institutional, social and spatial fragmentation and support prosperous, inclusive, polycentric, balanced and sustainable metropolitan areas. In many cases this will require incremental steps, tackling the most critical deficits first (e.g. transportation systems) on the path to more systematic institutional and collaborative arrangements.

2
SMS

BASE METROPOLITAN GOVERNANCE ON DEMOCRACY, TRANSPARENCY AND COLLABORATION. Although there is no 'one-size-fits-all' governance model, experience suggests that legal reforms should build on the involvement and commitment of all cities forming part of a metropolitan area, on close collaboration across levels of government and the strong involvement of civil society in decision-making. A fair metropolitan governance system should encourage polycentric and balanced development, based on the following principles: local democracy, with elected local and metropolitan authorities that are accountable and transparent to an active and demanding civil society that enjoys recognized spaces in which to participate regularly; subsidiarity and effectiveness, with a clear definition of roles and powers across different levels of government and between different local governments; and efficiency, to ensure the rational and sustainable management of resources.

3
SMS

GIVE METROPOLITAN AREAS ADEQUATE POWERS AND RESOURCES. Metropolitan and local governments need the powers and capabilities to mobilize local resources more effectively, including a fair and well-balanced tax system to capture more of the wealth created, including economic and property added values. They should also benefit from transfers from other levels of government to deal with externalities. Such reforms will improve local governments' creditworthiness to access national and international financing, both public and private, and promote investment in major infrastructure and services development (including funds for climate-change action) – cornerstones of their attractiveness. Specific metropolitan funds for equalization, fed by local taxes and transfers from municipalities and other levels of government, could serve as levers to mobilize investments and boost solidarity between the different parts of metropolitan areas.

4
SMS

DEVELOP COMPREHENSIVE ECONOMIC STRATEGIES IN METROPOLITAN AREAS TO DRIVE THE NATIONAL ECONOMY AND CREATE OPPORTUNITIES FOR ALL. Prosperous and attractive metropolitan areas depend on a strong cooperation framework with other levels of government, the business sector and civil society. This allows local governments to benefit from the ongoing transformation of the global economy, to innovate and promote metropolitan economic development while ensuring social inclusion. A deeper rethink of financing strategies is also needed to reconcile financial imperatives with sustainable development, and to ensure that the management of public goods and public assets is conducive to long-term investment and reduces speculation and socio-spatial segregation. When designing a socially responsible framework for economic development, metropolitan areas should incorporate the concept of 'civic economy', support the collaborative, social and circular economies, create decent jobs – and more opportunities for women and younger people – and, in developing countries, support the transition from informal to formal economy.

5
SMS

USE VISION-LED STRATEGIC PLANNING TO SUPPORT INCLUSIVE URBANISM. Metropolitan areas should strengthen their capacity to develop integrated and participatory strategic plans that link the different dimensions of urban sustainable development (spatial, economic, social, environmental, and cultural) together. Long-term strategic plans should be accompanied by flexible and dynamic urban planning that better adapts to an ever-changing socio-economic environment. This can help metropolitan areas manage sprawl and avoid further socio-spatial inequalities. This also requires strengthened capacities to manage land use and regulate real-estate markets in order to tackle speculation. Inclusive urban planning should pursue compactness, multi-functionality and socially-mixed neighbourhoods with a good quality of life, the idea of togetherness or 'living together', closer distances and improved public transport, accessible and safer public spaces, fairer access to basic services and infrastructures, and cultural amenities for all. In developing countries, informal settlements must be recognized and integrated into the urban fabric, with adequate policies for land tenure recognition and slum upgrading.

6
SMS

ENSURE QUALITY INFRASTRUCTURE AND SERVICES THAT ARE RESILIENT AND ACCESSIBLE TO ALL. Universal access to quality public transportation and to basic services (water, sanitation, energy, solid waste management, telecommunications, etc.), in addition to policies for housing improvement and the eradication of sub-standard housing (avoiding forced eviction), is not just an issue of urban efficiency but also one of equity and human rights protection. Inclusive and supportive housing policies should consider the public supply of affordable land for housing across the whole territory (to avoid social segmentation), massive public financing for social housing, the promotion of a wide range of alternative housing options (including rental, cooperatives such as community land trusts and coproduction). To better meet local needs and priorities, metropolitan and local governments must develop the skills to choose transparently the best-suited service management models (public, PPP, PPPP, etc.) in consultation with their citizens and guaranteeing universal access. They must improve the efficiency and effectiveness of services (both when managed by the public sector or when entrusted to private providers), strengthening their monitoring and evaluation capacities and establishing regulating or coordinating authorities for urban services. In less developed countries, joint basic service provision with communities, together with support and regulation of smaller providers – particularly in the informal sector – should foster coordination between official operators in order to limit gaps in provision.

7
SMS

LEAD THE TRANSITION TO SUSTAINABLE AND MORE RESILIENT SOCIETIES WITH GREENER AND SMARTER METROPOLITAN AREAS. To reduce their environmental footprint, local authorities should promote low-carbon urban infrastructures and services, green areas, and invest in resilient infrastructures and smart technologies. They should be active parties in energy transition as well as in climate change mitigation and adaptation. They should foster progress in the reduction of pollutants (air, soil and water), the use of alternative sources of energy and the management of natural resources – e.g. by promoting public transport, efficient public buildings, better wastewater and waste management and recycling. At the same time, they should adopt plans and adapt infrastructures to cope with the increasing impact of natural disasters, taking into account the fact that poor communities are inevitably the most exposed to natural catastrophes.

8
SMS

PROMOTE 'TERRITORIAL SOLIDARITY' BETWEEN METROPOLITAN AREAS, INTERMEDIARY CITIES AND THEIR HINTERLANDS. A strengthened collaboration between metropolitan areas, intermediary cities and rural areas located in their hinterlands can encourage stronger developmental synergies, relieve urbanization pressures and reduce environmental impacts. An integrated regional approach should foster access to services and facilities for peri-urban and rural zones. It should also improve local economic opportunities (e.g. food security, shorter economic circuits to strengthen local economies) and protect the area's natural resources, contributing significantly to metropolitan resilience.

9
SMS

PUT THE 'RIGHT TO THE CITY FOR ALL' AT THE HEART OF URBAN POLICIES IN ORDER TO RENEW THE SOCIAL CONTRACT AND STRENGTHEN METROPOLITAN CITIZENSHIP. The 'Right to the City' approach combines the need for an advanced metropolitan democracy (participatory democracy and civil society's right to self-organize) with the recognition of essential rights – such as the right to water and sanitation, safe and nutritious food, adequate shelter and secure tenure for all, gender equality, child protection, accessible public services, adequate social protection, respect for immigrants and refugees, safe communities and freedom of conscience and religion. This approach emphasizes the preservation of the cultural and natural legacies of current and future generations. It provides an integrated model that promotes stronger partnerships for the co-production of the city, building a new 'metropolitan citizenship' (see the Global Charter-Agenda for Human Rights in the City).

10
SMS

RECOGNIZE CULTURE (INCLUDING HERITAGE, DIVERSITY AND CREATIVITY) AS A PILLAR OF FLOURISHING METROPOLITAN AREAS. Local governments should acknowledge and promote citizens' creativity while respecting the diversity of their identities. Agenda 21 for Culture demonstrates how local culture is key to promoting sustainable development and creating a common cause within metropolises, which are often characterized by high levels of diversity, including minorities and immigrants. Cultural diversity must be at the heart of metropolitan strategies for social cohesion and local development. Cultural heritage must be preserved in urban planning by benefitting from, and partnering with, local communities. All citizens have the right to culture (see the Culture 21 Actions toolkit).

11
SMS

ACTIVELY ENGAGE ON THE GLOBAL STAGE, AND COOPERATE AND PROMOTE KNOWLEDGE-SHARING AMONG METROPOLITAN GOVERNMENTS. To reinforce innovation, improve management capacities and facilitate the exchange of new technologies, metropolitan and local authorities must develop appropriate knowledge-sharing and peer-to-peer learning capacities, cooperating to build programmes and tools to manage urban development. To face global challenges and participate in the preservation of the global commons, metropolitan and peripheral cities' networks are critical for building international advocacy for cities and facilitating the implementation and monitoring of the New Urban Agenda, the Sustainable Development Goals (SDGs), the Sendai Framework for Disaster Risk Reduction, the COP agreements on climate change and the Addis Ababa Action Agenda on Financing for Development.

02.

INTERMEDIARY CITIES
THE VITAL NEXUS BETWEEN THE LOCAL AND THE GLOBAL

INTERMEDIARY CITIES (I-CITIES)

Today, i-cities are home to 20% of the world's population and one third of the total urban population, and they play a major role in migration, administrative, economic and logistics processes. As shown in Table 2, i-city populations are projected to increase by more than 434 million people between 2015 and 2030. The highest pace of growth is set to be recorded in Sub-Saharan Africa and Asia, particularly in cities of 300,000 or fewer inhabitants.

Over the past few decades, i-cities have contributed significantly to the territorial cohesion and integration of their respective regions and countries, both as regional centres and providers of administrative and social services, conventionally linked to local economic activities. However, despite their demographic and territorial relevance, as well as their pivotal role within their national urban systems, they are still neglected by development agendas.

Their crucial role in the achievement of 'inclusive, safe, and resilient' urban settlements (Goal 11 of the SDGs), and in the development of more balanced urban systems, means that i-cities need to become more prominent in the New Urban Agenda and its implementation. Facing the prospect of territorial imbalance and social, economic and environmental uncertainty, governments and the international community now have an historic opportunity to put i-cities at the core of their policy agendas and regional and national development strategies. However, there has been little reference to i-cities in the preparatory process of Habitat III and in the overall global discussion. Only during the Thematic Meeting, 'Intermediate Cities: Urban Growth and Renewal', organized by the Habitat III Secretariat in Cuenca, Ecuador, on 9–11 November 2015, was clear attention given to their role.[1] Within the Regional Declarations for Habitat III and the draft version of the New Urban Agenda, 'intermediate cities' were hardly mentioned at all.

Intermediary cities (i-cities) – as defined by UCLG – are cities with a population of between 50,000 and one million people that generally play an intermediary role within a territorial system, interacting with bigger cities, towns and other human settlements and more effectively articulating rural-urban linkages.

20%
WORLD POPULATION

36%
WORLD URBAN POPULATION

1,423M
POPULATION

656.8M
PAST GROWTH
(1995-2015)
(INCLUDING CITIES <300,000 INHABITANTS)

434.5M
EXPECTED GROWTH
(2015-2030)
(INCLUDING CITIES <300,000 INHABITANTS)

8,923
NUMBER OF CITIES
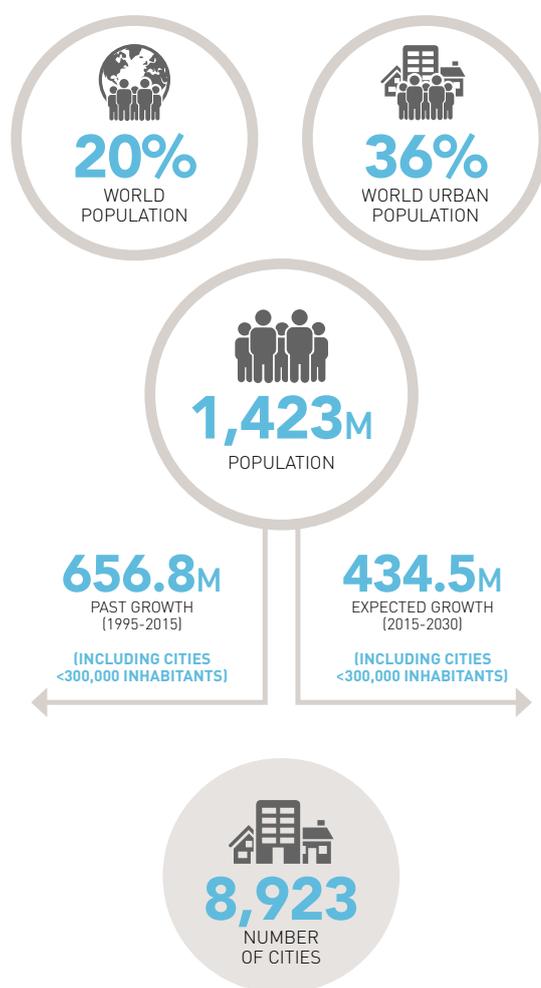
[1] United Nations, 'Cuenca Declaration for Habitat III. Intermediary Cities: Urban Growth and Renewal' (Cuenca: United Nations, November 2015), http://habitat3.cuenca.gob.ec/archivos/declaration/HIII-DeclarationCuencaEN.pdf.

INTERMEDIARY CITIES IN THE WORLD, 2016

Source: UCLG and CIMES-UNESCO

World's intermediary cities (2015)

- 0.5-1 million: 545 cities
- 0.3-0.5 million: 715 cities
- 0.1-0.3 million: 2,571 cities
- 0.05-0.1 million: 5,092 cities

8,923 CITIES
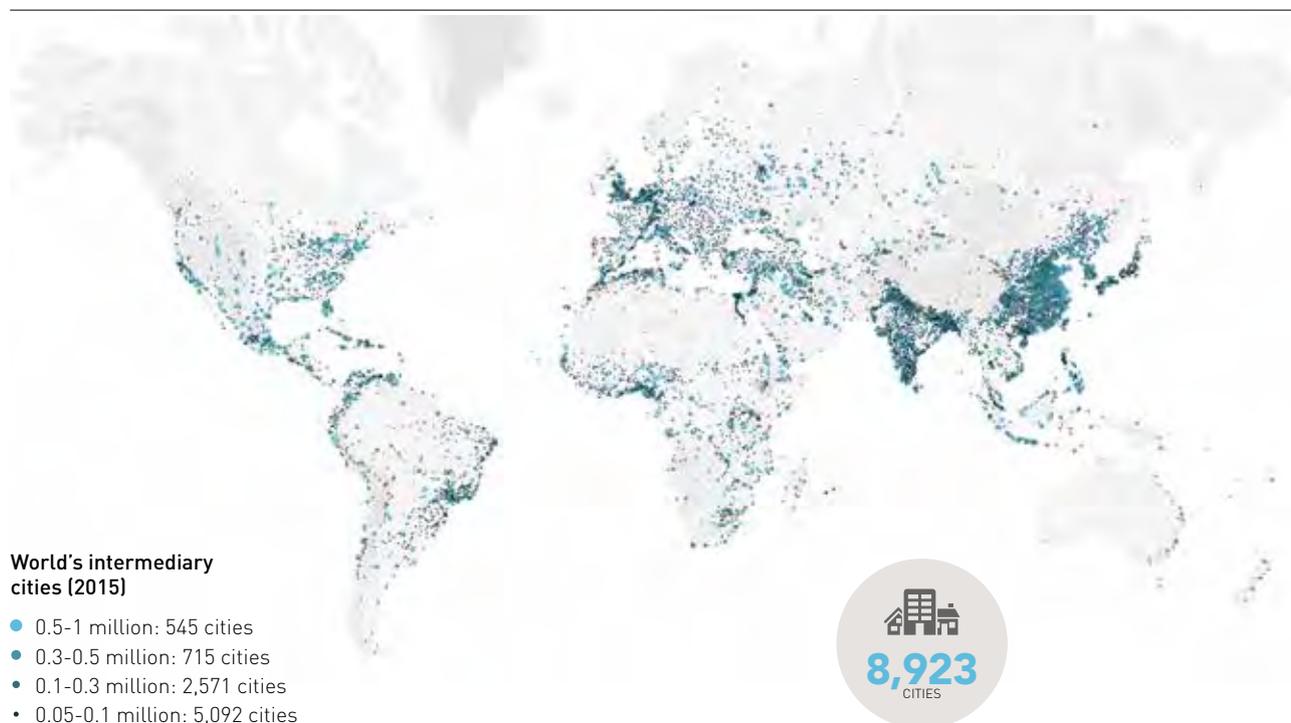
Table 2 **Population estimates by city size and regions, 2015, 2030 (millions)**

Source: UN-DESA, 2015

GLOBAL REGIONS	METROPOLITAN AREAS						INTERMEDIARY AND SMALL CITIES					
	>10 million		5 to 10 million		1 to 5 million		500,000 to 1 million		300,000 to 500,000		< 300,000	
	2015	2030	2015	2030	2015	2030	2015	2030	2015	2030	2015	2030
WORLD	471	730	307	434	847	1,130	371	509	262	319	1,700	1,940
Less developed regions	349	604	238	342	649	907	281	408	190	241	1,270	1,500
Africa	43	101	25	74	106	160	40	83	34	42	223	309
Sub-Saharan Africa	25	77	20	60	88	139	31	67	26	34	169	244
Asia	293	457	196	258	429	595	202	283	126	160	867	1,000
Europe	33	35	11	12	84	96	59	61	43	46	316	316
Latin America and the Caribbean	70	103	32	25	125	163	40	44	32	41	204	220
Northern America	31	33	43	54	88	105	29	38	24	26	80	83
Oceania					10	15	8	0.58	2	2	3	10	11

N.B. In this source's database, cities with fewer than 300,000 inhabitants also include cities of 50,000 inhabitants or fewer. In a similar table in this report's introduction, however, data for cities with fewer than 50,000 inhabitants are analyzed separately and only for 2015.

2.1
INTERMEDIARY CITIES ACROSS THE WORLD

AFRICA

NUMBER I-CITIES
1,086

POPULATION (MILLIONS)
174.8

36.8%
OF URBAN POPULATION

15%
OF TOTAL POPULATION

12.3%
OF WORLD I-CITIES POPULATION

In Africa, 1,086 intermediary cities are home to 174.8 million people, approximately 36.8% of the continent's total urban population. This figure nearly equates with the number of people living in Africa's 56 metropolises (174.5 million inhabitants, 36.7% of the total urban population), but is more than the total population of inhabitants of small cities (125.4 million, 26.4%). Over the past few decades, many African i-cities have experienced rapid demographic growth with the establishment of new economic activities and specialized services. This process has elicited the emergence of regional clusters and urban corridors, often close to or connecting metropolitan areas.

However, in line with colonial development patterns, several African states have either failed to alter or continued to favour the development of capital cities and large agglomerations linked to export activities. This has prevented the creation of a more balanced urban development with integrated networks of intermediary cities. Institutionally, as a result of significant democratic reforms and decentralization processes, elected local governments have emerged in a majority of African countries. Decentralization, however, has generally been partial and lacked a consistent pattern of empowerment of local administrations.
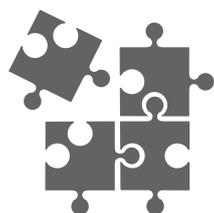
The development strategies of African countries need to acknowledge that i-cities are the 'missing link' or the 'invisible' factor in African development and prepare for the 250 million new urban dwellers that are expected to be absorbed by i-cities over the next two decades. I-cities can thus play a fundamental role in the urban and demographic transition of the continent and strengthen its economic integration and territorial cohesion. The huge potential of a more balanced urban system, consisting of urban corridors and clusters of coastal and inland i-cities, can only truly be capitalized upon if local authorities are empowered and if they address their infrastructural deficits, particularly for basic services and regional and international interconnectedness.

The development strategies of African countries need to acknowledge that i-cities are the 'missing link' or the 'invisible' factor in African development

ASIA-PACIFIC

NUMBER I-CITIES
4,222

POPULATION (MILLIONS)
642.1

34.6%
OF URBAN POPULATION

16%
OF TOTAL POPULATION

45.1%
OF WORLD I-CITIES POPULATION

Asia's systems of cities are much larger, concentrated, diverse and complex than those of other continents. China, India, Indonesia and the Philippines are among the most populous countries in the world. They also have the highest number of i-cities of any

region (in Asia there are 4,177 cities with 635 million inhabitants), making up 45% of the world's i-city population and 34.6% of all urban dwellers in the Asia-Pacific region. In the Pacific, meanwhile, i-cities outside Australia and New Zealand tend to have small populations and low density.

In the Asia-Pacific, most countries are experiencing urbanization, i.e. spatially unbalanced urban development, rural-to-urban migration, and increased concentration in the main metropolitan agglomerations. Even those countries that do not show high levels of urbanization will face increasing rates in the coming decades. There are important differences in the structure of systems of cities in the region. For example, China has developed polycentric systems in the most populous provinces in coastal areas, while several interior provinces have monocentric systems. I-city clusters and urban corridors are a significant recent development in Asia and – to a lesser extent – Australasia.

Over the past few decades, different countries in the region have strengthened the role of local governments in urban management, particularly through decentralization (e.g. Indonesia and the Philippines), or increasing local administrative and fiscal autonomy (e.g. China and Vietnam). Developed countries in the region have boosted the role of their local governments, while other less developed countries are still at an embryonic stage, or decentralization processes have not been fully completed or have even regressed.

I-cities in the Asia-Pacific region have been proven to contribute to overall development, but the differences between i-cities and metropolises or megacities are growing. This affects the ability of regional i-cities to contribute to a more equitable distribution of wealth and production. As with metropolitan areas, many i-cities are being dramatically affected by the impending challenges of climate change, increased disaster exposure, and short-term environmental sustainability – especially in the Pacific Ocean's archipelagos and island states. The challenges for i-cities in Asia still relate mainly to the improvement of system interconnectivity (roads, railways, communications); weak local governance and financing; and ineffective national urban policy, particularly in terms of effective implementation.

EURASIA

NUMBER I-CITIES
515

POPULATION (MILLIONS)
88.2

48.9%
OF URBAN POPULATION

32%
OF TOTAL POPULATION

6.2%
OF WORLD I-CITIES POPULATION

In Eurasia, there are a total of 24 metropolitan areas and 515 i-cities. Almost 49% of the population live in i-cities, although there is significant variation across countries in the region. In the Russian Federation, Belarus, Kazakhstan, Turkmenistan, Ukraine and Uzbekistan, the urban population is more distributed among large agglomerations and i-cities and small towns. Meanwhile in Armenia, Azerbaijan, Georgia, Kyrgyzstan and Tajikistan, it is concentrated in the capital cities (accounting for between 35% and 50% of all urban dwellers).

The economic transition that followed the events of 1991 and the break-up of the Soviet Union, part of which was formed of Eurasian states, created a trend towards urban concentration, especially in larger cities and national capitals. While most capital cities have since increased their relative demographic importance, many medium and small-sized i-cities in the region are shrinking and experiencing significant economic decline. Remoter i-cities, isolated from the main agglomerations, tend to fare worse socio-economically and face the additional challenge of losing most of their employable young population to more successful clusters of cities. The dynamics of ageing populations and rural-to-urban migration have also fuelled this disparity.

Across the region, deficient or uneven administrative reforms and only partial decentralization have left many i-cities with ill-defined powers and inadequate resources and capacity to tackle current challenges. I-cities have seen the control they have over processes of urban development, long-term territorial planning and natural resource conservation decrease.

The dynamics of ageing populations and rural-to-urban migration have also fuelled this disparity

However, some i-cities in Russia, Kazakhstan, Azerbaijan and Turkmenistan are benefiting from emerging economic trends, especially in relation to the production and export of oil, gas, minerals, metals and chemical products. In addition, clusters of i-cities around larger cities with specific economic advantages are growing.

In fact, over the past few decades, the political priorities of the region have focused on creating core economic growth by strengthening the role of metropolitan areas (Moscow and Saint Petersburg in the first place), with a focus on transport infrastructures and the amalgamation of surrounding settlements. Eurasian countries need to include i-cities in their national strategic programming. **Much greater attention must be given to increasing i-cities' potential to generate productive employment, attract investment and improve international linkages, integrating them into spatial trade and economic development corridors.**

2. ESPON, 'European Towns and Territorial Cooperation', ESPON Article (Luxembourg: ESPON, 19 May 2015).

EUROPE

NUMBER I-CITIES
1,136

POPULATION (MILLIONS)
169.2

41.9%
OF URBAN POPULATION

31%
OF TOTAL POPULATION

11.9%
OF WORLD I-CITIES POPULATION

Of all the regions, Europe has one of the highest proportions of urban population living in i-cities (41.9%). I-cities with fewer than 300,000 inhabitants host one quarter of Europe's entire urban population, compared with 22.6% living in metropolises. Europe's urban system is a valuable example of a polycentric system with high territorial cohesion and connectedness, high density, and economic and functional integration. However, Europe is characterized by a large diversity of spatial settlements. Countries in the central part of Europe show high-density urban clusters as well as a large number of small and medium-sized towns, stretching from the south of England across the Benelux countries and west of Germany to north and north-east Italy. Other countries have an overrepresentation of population living in smaller settlements (France, Hungary, Ireland, Lithuania, Luxembourg, Norway and Slovakia).[2] Meanwhile, it is estimated that 40% of European i-cities with a population of 200,000 or more have lost population due to radical changes in economic specialization (e.g. the decline of steel, mining and metal industries in Katowice, Poland, and Timisoara, Romania). Urban clusters and corridors, including i-cities, are features of Europe's territory and have received strong support from EU policies.

Traditionally, cities have been highly relevant in the regional and national policies of Europe. As an example of this, in May 2016 the Dutch Presidency of the Council of the EU promoted the approval of the 'Pact of Amsterdam', a new EU urban agenda that now informs policy debate about EU development priorities, including the decentralization and empowerment of cities and their local governments. Many of the strategic plans developed at the European level centre on the role of intermediary or mid-sized cities. Key tenets of the long-term policy plan developed by the Pact, as well as several other key European urban policy documents include the large proportion of the population living in these settlements; their role in the face of today's economic, social and environmental challenges; and their support to the functioning of large agglomerations and metropolises.

LATIN AMERICA

NUMBER I-CITIES
961

POPULATION (MILLIONS)
157.9

31.5%
OF URBAN POPULATION

25%
OF TOTAL POPULATION

11.1%
OF WORLD I-CITIES POPULATION

Of Latin America's 961 intermediary cities, 657 (68.3%) are located in the region's largest economies (Brazil, Mexico and Argentina) and in Venezuela. However, most urban systems in Latin America and the Caribbean are dominated by large agglomerations (monocentric or bicentric), with the exception of those in Brazil, Colombia, Mexico and Venezuela, which are more polycentric.

In most countries, the 'democratic transition' initiated in the 1980s progressively elicited – although with significant differences from one country to another – administrative and fiscal territorial decentralization, strengthening the role of local governments.

I-cities have grown at a variable pace, even though, in most cases, they have not had adequate economic and technical resources to tackle the increasing demands on services and infrastructures. These deficits have prompted widespread peri-urban growth and the creation of new informal settlements which, particularly in i-cities, require more effective public-driven land management policies and investments in basic services in order to fight urban dispersion and fragmentation. Many urban corridors in the region were articulated through i-cities of different sizes, mainly along the coast and, to a lesser extent, in interior corridors adapted to the Andean orography. Most Latin American and Caribbean countries have also developed programmes promoting the creation of clusters that have occasionally transcended the regional scale of domestic consumption.

In recent years, along with restructuring their economic and regional systems, many countries have begun urban reforms. **There**

is increasing recognition that, together with achieving a better balance of economic and social development, Latin American countries need to improve the management and development of cities to boost their attractiveness. However, with some exceptions (e.g. Colombia, Ecuador), national sectorial urban policies are primarily designed to address the problems of larger urban areas and tend not to contribute specifically to the issues concerning i-cities and smaller municipalities. For many Latin American i-cities, cooperation with the hinterland and regional integration are gateways both to enhanced economic and social opportunities and the reduction of and structural inequalities between the rural and urban.

MIDDLE EAST AND WEST ASIA

NUMBER I-CITIES
502

POPULATION (MILLIONS)
90.8

38.5%
OF URBAN POPULATION

26%
OF TOTAL POPULATION

6.4%
OF WORLD I-CITIES POPULATION

The Middle East and West Asia (MEWA) region has 502 i-cities, which host 38.5% of the region's 236 million urban dwellers. The driving factors of urbanization in MEWA are influenced by political instability, the recent history of conflict and different economic models, incomes and resources across the region. Consequently, systems of the city and urban patterns in countries tend to differ considerably. For example, Doha, the metropolis capital of Qatar, has a GDP per capita of over USD 93,000 per year, compared with just USD 2,900 in Palestine, and even less in Gaza (USD 876).[3] These huge variations translate economically into a marked contrast in the quality of urban space and the design of urban policies.

In the most advanced urban economies of the Gulf countries, the population is concentrated in world-class metropolises that have grown

3. UNData: http://data.un.org/Default.aspx.

into global financial centres. Meanwhile, fragile economies like Afghanistan, Yemen or Iraq face a constant challenge in terms of guaranteeing a minimum level of effective basic services for their inhabitants, as well as governance of their cities, in particular in those smaller centres located farthest from larger metropolitan areas or close to conflict-affected areas. At the same time, the i-cities of Jordan, Lebanon and Turkey, particularly those close to the Syrian border, have experienced significant refugee inflows. Mashreq countries, in general, host 50% of the world's registered refugees.

Despite the often extreme conditions experienced by countries in this region, and the historical, cultural, social and economic fragmentation of many of them, several have made significant efforts to develop urban policies and/or promote urban reconstruction – as happened in Lebanon after the civil war, and Iraqi Kurdistan. Emerging economies, such as Turkey and Iran, are struggling with the modernization of urban areas and the limitation of peri-urbanization processes. Nevertheless, more strategic and comprehensive urban planning, which takes into account cities and their surrounding areas and economies, is necessary to promote sustainable growth that upgrades, rather than degrades, urban and rural ecosystems.

NORTHERN AMERICA

NUMBER I-CITIES
501

POPULATION (MILLIONS)
100.1

34.1%
OF URBAN POPULATION

28%
OF TOTAL POPULATION

7%
OF WORLD I-CITIES POPULATION

The Northern America region includes Canada and the United States. Thirty-four percent of the region's urban population live in 501 intermediary cities, 444 (88.6%) of which are in the United States.

Both countries host established, complex metropolitan corridors with a large number of i-cities, e.g. the New York-Washington corridor and coastal agglomerations in the areas of San Francisco, Los Angeles, and Seattle-Vancouver. A significant proportion of the population, moreover, live in interior i-cities. The Great Lakes system and the large basins along and around the Mississippi River and its tributaries host significant urban concentrations. In Canada, distance and isolation due to the country's climatic and geographical characteristics are far more apparent than in the United States, and have a significant impact on i-cities in the scarcely populated provinces.

The Northern American system of i-cities is 'a tale of two groups of cities'. One is a system of successful and dynamic cities; the other is in a state of stress and decline. Especially in the United States, systems of cities were traditionally described using a 'Sunbelt and Rustbelt' narrative. For years the 'belts' discourse presented a reliable picture of the American economy.

But the recent economic crisis, both nationally and globally, has radically changed the productivity map of these areas. Specialized regional clustering has been a fundamental component of the new map of economic productivity and performance that has emerged in the aftermath of the crisis and the beginning of recovery throughout the United States. I-cities embedded in clusters with logistics infrastructure or privileged access to inter-regional or international trade – e.g. the border areas of California, Texas, Washington and the Great Lakes region – record highest economic performance and job creation improvement rates.

Traditionally, states have tended to focus on the competitiveness of metropolitan regions and developing cities. I-cities in declining areas of Northern America should innovate and adopt new strategies to become more efficient and sustainable, especially by strengthening transportation, communication and trading networks – both between themselves and larger metropolitan regions.

2.2
INTERMEDIARY CITIES WITHIN NATIONAL AND GLOBAL SYSTEMS OF CITIES

Large agglomerations are driving urban development

The impact of global transformations: booming and lagging i-cities

The traditional functions, location and scope of intermediary cities are being functionally redefined in the context of evolving national and global systems of cities. I-cities throughout the world now face common challenges inherent in the increased asymmetry of performance, both between them and metropolitan areas and between themselves. The internationalization of finance and other trade sectors; the growing exposure of national economies to worldwide competition and structural reform; radical changes in production systems and the organization of trade, have all meant i-cities are subjected to unprecedented pressures.

Their traditional role as regional centres and providers of administrative and social services, oriented around local economic activities, has been called into question. Governance reforms have delegated responsibilities to elected local authorities in many i-cities, often without dedicating commensurate resources and powers. While many have developed advanced clusters serving major cities, or evolved into urban corridors that sometimes even straddle national boundaries, others – particularly those located outside or on the periphery of more dynamic regions – are stagnating or even declining.

An inevitable consequence of these macroeconomic trends is that the movement of capital accelerates from urban systems with low productivity to those with high productivity.[4] While capital gains are concentrated in growing urban systems and economically dynamic regions, lagging and shrinking cities are being affected by a depreciation of their assets and declining investments. Changes of such magnitude have disrupted the economic and social equilibrium of many territories around the world. **Tackling this urban dualism requires diversified policies and investment strategies for 'core' and 'non-core' cities, to correct imbalances within countries and regions.**

Changing patterns of urban systems: emergence of clusters and urban corridors

All regions have undergone significant changes in the structure of their urban systems. Even if hierarchical organization remains the structural basis of national urban systems, new dynamics have emerged to make them more diverse and complex. A new generation of successful cities are challenging the predominance of old hierarchical urban systems, developing new functional linkages and dynamic models. However, in many regions this process has led to distortions and growing inequality in spatial concentration: large agglomerations are driving urban development while i-cities are undergoing a different and dual process.

The emergence of i-city clusters, particularly around large urban agglomerations and new urban poles, is fuelling an imbalance in the national systems of cities in almost all regions. Many of the problems associated with the development of metropolitan areas have spilled over into these city clusters. Local governments in these areas do not have access to the same resources and capacities as metropolises and are struggling to support the provision of critical services and infrastructures. The evolution of these i-cities will require specific policies to strengthen the collaboration between, and the complementarity of, metropolitan areas, i-cities, and the surrounding rural areas, which are currently experiencing the greatest urbanizing pressures.

I-city corridors close to major transportation axes between large cities are growing rapidly, especially when they are linked by international corridors. However, without adequate planning and infrastructures, many of the corridors in developing regions (e.g. Western Africa) are facing increasing problems of congestion, pollution, accidents and obstacles to trade (e.g. border-crossing issues). National governments and regional institutions should consider enhancing support to emerging corridors and, where necessary, facilitating cross-border cooperation between intermediary cities to boost their development potential.

4. Leanza and Carbonaro, 'Socially Inclusive Urban Transformation After the Great Recession'.

Increasingly imbalanced urban systems

Increasing socio-economic differences between metropolitan regions, intermediary cities and rural regions contribute to growing inequalities, elicit migration to larger cities, and accelerate the marginalization of peoples and territories – a situation that benefits none of these areas. Since i-cities have a direct impact on small settlements and rural areas, their evolution has wider consequences for regional economies and societies, thus affecting territorial cohesion and integration. I-cities are thus pivotal to maintaining an economic and social balance between rural and metropolitan areas, as well as promoting regional development.

These widening inequalities could lead to serious social instability and environmental problems, to which the most disadvantaged cities will always be more exposed. As the global debate around the SDGs has recently emphasized, inequality is one of the greatest emerging challenges of the 21st century – and urban and regional imbalances are a concrete expression of this trend. In developing countries, i-cities have often absorbed large informal settlements and economic activities and are struggling to manage growth effectively in order to deliver essential services and opportunities. These phenomena are particularly acute in Sub-Saharan Africa and Southern Asia, which will be the recipients of the most intense urbanizing flows and, at the same time, have the weakest local government capacity to manage them. Preventive planning, improved land management and basic services delivery will be key instruments to bolster the capacity of local governments, facilitate the integration of new dwellers, and 'use' i-cities as buffers for migration from rural to metropolitan areas.

[5.] See Mercer's Quality of Living Ranking (top 100), Monoce Quality of Life, Numbeo Top 100, Eius Liveability Ranking, Innovation Cities Index (2014), EIU City Hot Spots, UN-Habitat City Prosperity Index, Econominst Intelligence Unit Liveability Index, A.T. Kearney Global Cities Index, Global Financial Centers Index.

[6.] European Commission, ed., *Quality of Life in Cities: Perception Survey in 79 European Cities*, Oct. 2013 (Luxembourg: Publ. Off. of the Europ. Union, 2013).

[7.] Top 100, Innovation Cities Index 2015, http://www.innovation-cities.com/innovation-cities-index-2015-global/9609.

The economic, social and cultural relations elicited by urban proximity and human scale are a source of potential competitive advantage to i-cities

2.3
BUILDING THE AGENDA OF INTERMEDIARY CITIES: ADVANTAGES AND OPPORTUNITIES

In light of the above, i-cities can **take advantage of their characteristics of proximity and 'human scale'** to grow more resilient to external shocks, strengthen their social and identity fabric, and mobilize local capacities and assets. The human-scale dimension helps provide an identity, a sense of belonging, close networks, tacit knowledge and the willingness of communities to work together to build a more prosperous environment.

Successful i-city strategies

Many i-cities have been able to capitalize successfully on their size, role and unique position and have managed to strengthen their link with their hinterlands. They have developed shorter and more efficient economic flows; supported local markets and production; and improved inter-municipal cooperation in service and infrastructure provision. They have begun the transition to more knowledge and technology-driven manufacturing and services and have become cultural centres attracting tourists.

The economic, social and cultural relations elicited by urban proximity and human scale are a source of potential competitive advantage to i-cities – even in a rapidly changing and increasingly globalized and connected world. The quality of life of a city can be measured by its citizens' satisfaction with the economic, social, cultural, environmental and/or institutional factors affecting their daily lives. Proximity to services is one of the indicators that most characterize i-cities. Using international measurements of quality of life, i-cities such as Gothenburg (Sweden), Trondheim (Norway), Winnipeg (Canada) and Aberdeen (United Kingdom) manage to compete with large global metropolises.[5] Aalborg (Denmark) boasts a 99% level of satisfaction among its citizens.[6] Many i-cities have likewise grown to be leaders in innovation. These include Raleigh-Durham (United States), Leipzig and Karlsruhe (Germany), Bilbao (Spain), Edinburgh and Bristol (United Kingdom), and Toulouse (France), among others.[7] These

successes have been the result, in many cases, of the support of national and regional policies.

Alternatives strategies for emerging and lagging i-cities

However, not all i-cities have been as successful. **The challenge that local governments and citizens of i-cities face is to turn their advantages into economic development policies that produce inclusive societies, a welcoming environment, and creative and liveable cities.** I-cities have also to overcome the problems that come with the creation of a 'critical mass', to make local economic and social development affordable and accessible. There are no simple or immediate solutions to these problems; i-cities cannot become more inclusive, dynamic and sustainable overnight. There are, however, several strategies that i-cities can adopt and turn into leadership opportunities.

Fast-growing i-cities in developing regions need to prioritize flexible and integrated urban planning approaches; land-use management; reform of urban governance systems; financial management; and better access to land tenure, basic services and decent living standards for everyone, based on human rights principles.

Intermediary cities that experience structural reforms in the face of economic downturns should prioritize re-education and re-skilling, strong political and business leadership, the participation of local communities; and the different elements of a collaborative economy; as well as embrace innovation and new technologies. Within this framework, specific policies are necessary to attract and retain young people in particular.

A culture of cooperation to co-create cities

Intermediary cities need to look for more collaborative models of development, strengthening their collaboration with other cities, local stakeholders and their hinterlands; building alliances with the private sector and communities to encourage endogenous growth; building on their own assets; and strengthening local identities and social capacities. Participatory governance, strategic urban planning, integrated spatial, economic and social policies, shared strategic projects, economic development and inclusive social policies and gender equality could all be actions conducive to the foundation of these collaborative models of development.

I-cities' economies must become more 'globalized'

Fast-growing i-cities in developing regions need to prioritize flexible and integrated urban planning

I-cities need to create a culture of cooperation rather than competition with their hinterlands and surrounding small towns and rural areas, promoting economic integration, shared assets, services and infrastructures, adapted to the demands of the entire region.

The challenge for many I-cities is to operate both at their scale and in a more globalized and competitive economic environment. I-cities' economies must become more 'globalized', i.e. they must gear local industry, production systems and trade to the demands of national and global markets, looking for more complementarities and synergies with metropolitan areas.

Effective decentralization to empower i-cities

Experience shows that when i-cities have adequate powers and capacities, local leaders can mobilize their communities, take advantage of opportunities and foster innovation, leading to enhanced local development. **Effective decentralization policies, fiscal devolution, and capacity-building policies are crucial for urban management and local governments to take greater responsibility for the development of sustainable intermediary cities**. A strong enabling environment is essential to attract and stimulate participation and grassroots engagement by local communities and partners in the private sector, together with NGOs, academia and civil society.

Beyond formal legal frameworks and mechanisms, local leaders and authorities should promote the autonomous, free organization of their civil society, providing it with adequate spaces and transparent conditions for its effective involvement in decision-making.

Key actors in the transition towards more environmentally sustainable models

Environmental threats are hitting the most vulnerable i-cities, especially those located in coastal areas and insular regions, such as the Asia-Pacific. This calls for the mobilization of i-cities, as the largest group of cities, to be decisive in the transition towards a more environmentally sustainable model and a low carbon economy. **Thanks to proximity and efficient urban management, i-cities can generate urban structures and patterns of production and consumption that help reduce natural resources consumption and CO_2 emissions**. This will help achieve the SDGs and the commitments made at the 21st Session of the Conference of the Parties (COP 21) in Paris, to 'hold the global average temperature to well below 2°C above pre-industrial levels and, if possible, limit the temperature rise of 1.5°C'.

Taking advantage of the ongoing transformation of the global economy

It is difficult to predict future scenarios and opportunities for i-cities. Nevertheless, changing modes of production, consumption and market and social organization give cause for optimism. The advent of the 'third' industrial revolution, based on new digital technologies and in which agglomeration factors and economies of scale have a much lower importance, could **diminish the 'tyranny' of mass production and reward economies and societies built on proximity** rather than distance, and on human needs rather than mass consumption. The expansion of the service sector, including direct services to the consumer, and the growing integration of different stages of the product cycle (especially production, use and maintenance), are creating new market opportunities for certain functions that could either be performed better locally or are traditionally carried out in a household environment (e.g. care of the elderly, early childhood care). The pace and scale of change give rise to untold opportunities in our ever-transforming societies. I-cities could certainly reap the benefits of these changes – but they will have to be prepared for them.

Putting the 'Right to the City' at the heart of the agenda for i-cities

Building on proximity and their human scale, local authorities should take action to create opportunities and guarantee equal rights (particularly for women and young people), as well as meet social challenges such as land and housing pressures, access to public services, spreading informality and environmental fragility. Participative plans and budgets require the population to have access to participatory spaces and information, and the ability to follow and evaluate these processes. Citizen participation in local decision-making has become essential to the fairness, responsiveness and effectiveness of local governance. The 'Right to the City' approach should guide local authorities in their policies and transform i-cities into more inclusive, dynamic and liveable places.
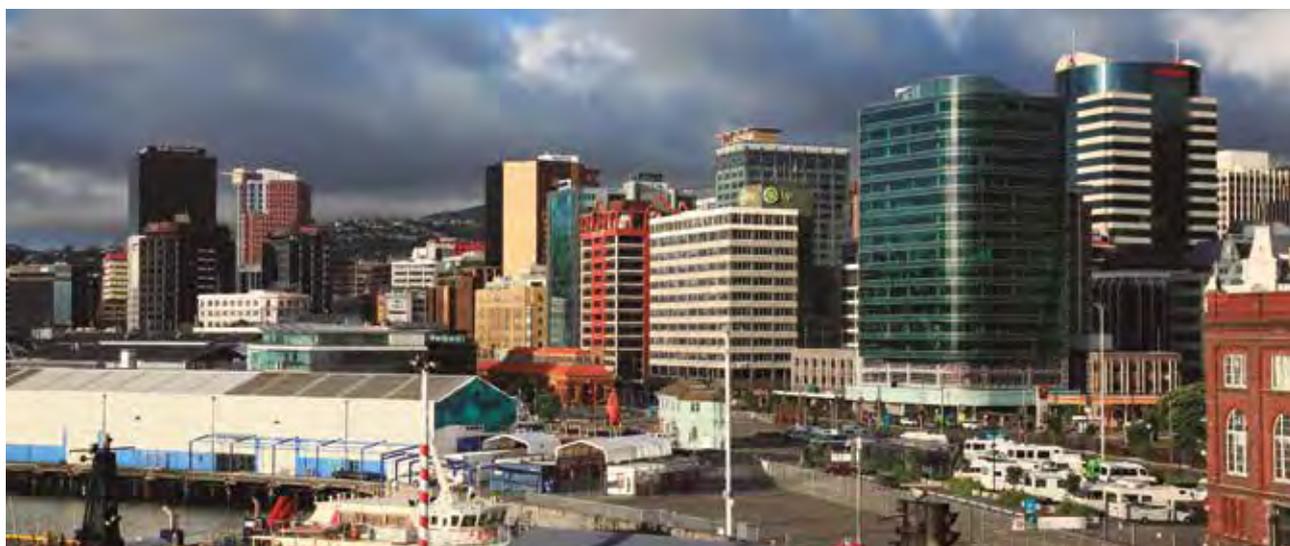
2.4
KEY MESSAGES FOR THE AGENDA OF INTERMEDIARY CITIES

1 SMS

RECOGNIZE THE CRUCIAL ROLE OF INTERMEDIARY CITIES AS A MAJOR GROUP OF URBAN SETTLEMENTS, for the achievement of Agenda 2030 and the New Urban Agenda. I-cities with visionary local leaderships and adequate support are key levers of local development, local democracy, social cohesion and enhanced cooperation between and among territories, focusing on the four pillars of sustainable development (social, economic, environmental and cultural).

2 SMS

REDEFINE NATIONAL URBAN POLICIES TO SUPPORT INTERMEDIARY CITIES IN FOSTERING BALANCED AND INCLUSIVE URBAN AND TERRITORIAL DEVELOPMENT. As regional hubs and anchors of regional development, i-cities act to counterbalance the polarization of urban systems that is fuelling spatial inequalities and artificial rural-urban divides in many countries. Equitable and effective national urban policies should be developed to address multilevel governance mechanisms, based on regular dialogue and collaboration. National urban policies should be supported by transparent and reliable funding mechanisms, to avoid leaving any cities or territories behind. In this regard, national and regional governments should guarantee the strong involvement of i-cities in the definition and implementation of their national urban policies.

3 SMS

UNLOCK INTERMEDIARY CITIES' POTENTIAL TO TAKE ON FULLY THEIR RESPONSIBILITY FOR URBAN MANAGEMENT AND DEVELOPMENT, THROUGH A FAIR DISTRIBUTION OF POWERS, FINANCES AND CAPACITIES. Adequate funding should be a priority, empowering local governments with new ways to 'square the circle' in order to manage sustainable development and fulfil their potential. This requires adequate human, financial and technological resources to make decisions that are closer to, and respond better to, the needs of local citizens and businesses. With clear mechanisms and legal frameworks, their human scale could be a lever for local participatory democracy with the effective involvement of local communities and public and private partners (business sector, civil society organizations, etc.) in local development strategies.

4 SMS

CAPITALIZE ON THE PROXIMITY AND HUMAN SCALE OF INTERMEDIARY CITIES BY STRENGTHENING URBAN PLANNING CAPACITIES AND LAND MANAGEMENT TO PREVENT URBAN SPRAWL AND REDUCE THE URBAN FOOTPRINT. This must be a priority in developing countries facing rapid urban growth in the coming decade, and a necessary action to avoid unplanned peri-urban growth and slum expansion, especially in risk-prone areas.

5 SMS

RAISE THE NATIONAL PROFILE OF INTERMEDIARY CITIES. I-cities should make themselves more visible by branding and promoting themselves as centres of innovation, intermediation, service provision, cultural heritage and prosperity, and should make clear to national governments that they are capable and ambitious.

6 SMS

FOSTER REGIONAL DEVELOPMENT BY ENCOURAGING CLOSER COOPERATION BETWEEN I-CITIES AND THEIR RURAL HINTERLANDS, AS WELL AS INTER-MUNICIPAL PARTNERSHIPS. This will create economies of scale for infrastructure and public services, strengthen the flow of goods and people within the region, and improve the management of natural resources. Floating populations, unequal distribution of resources and responsibilities within territories, and administrative isolation are pressing issues that i-cities need to tackle, making themselves heard by national governments while bolstering territorial cooperation and collaboration. This also requires the creation of adequate legal frames and technical tools to pool urban and territorial planning strategies, capacities and resources.

7
SMS

DEVELOP AMBITIOUS LOCAL ECONOMIC POLICIES TO CREATE NEW OPPORTUNITIES AND OVERCOME NATIONAL AND GLOBAL ECONOMIC CHANGES. Innovative policies can boost i-cities' economies and regional dynamics through the mobilization of local capacities and assets, and the promotion of 'short circuits' to support local social and collaborative economies. I-cities can do this by embracing the Third Industrial Revolution to help firms achieve economies of scale and overcome problems of distance and enable greater personalization and localization of the production of a wide range of goods and services that are currently imported. I-cities and national governments should take advantage of emerging clusters, trans-border, and regional economic corridors to anchor the role of i-cities in national and global economies. New technology, smart development and interconnectedness are all part of the future of i-cities and have huge potential to make them valuable actors on the global stage, and essential cogs in more innovative and productive national economies.

8
SMS

TACKLE GROWING INEQUALITIES BY DEVELOPING SOCIAL POLICIES THAT ENSURE AFFORDABLE ACCESS TO BASIC SERVICES, HEALTH AND EDUCATION. I-cities, despite their limited resources, must deal with greater pressures on housing and land tenure to ensure gender equality, respond to the demands of ageing populations, and create favourable prospects and opportunities for youth. Adequate social policies could help strengthen intermediary cities as buffers in the management of migration. This should also include enhanced resources and capabilities for those endemic issues and structural problems that tend to affect poorer communities and less developed economies and to which i-cities can be much more vulnerable, e.g. malnutrition, epidemics, HIV, poverty and discrimination.

9
SMS

REDUCE THE URBAN ENVIRONMENTAL FOOTPRINT TO FIGHT ENVIRONMENTAL DEGRADATION, CLIMATE CHANGE, AND THE THREAT OF NATURAL DISASTERS. Constituting a major group of cities worldwide, but also with the comparative advantage of human scale and valuable proximity to their hinterland, i-cities should contribute to the transition from a fossil fuel to a green economy model. Many i-cities, however, still have scarce resources and limited capabilities to face increasingly frequent natural disasters and the effects of climate change. They should, therefore, cooperate to pool their resources and knowledge to make adaptation and mitigation strategies more accessible and applicable, and advocate for resilience strategies at the national and global level.

10
SMS

ENSURE ACCESS TO AND PARTICIPATION IN CULTURE AND CULTURAL LIFE FOR ALL. Culture is a vital element of citizenship, social integration and coexistence. I-cities should build on their local identities as well as their cultural and heritage potential to promote a sense of place and identity, belonging and creativity. Central governments should integrate the cultural dimension of their cities into their sustainable development plans.

11
SMS

ADOPT THE 'RIGHT TO THE CITY' approach to ensure respect for human rights at the local level, stressing the necessary links with social inclusion, gender equality, enhanced political participation, quality public spaces, inclusive economy, environmental sustainability and the protection of common goods, for current and future generations.

RECOGNIZE THE CRUCIAL ROLE OF I-CITIES AS A MAJOR GROUP OF URBAN SETTLEMENTS

DEVELOP AMBITIOUS LOCAL ECONOMIC POLICIES TO CREATE NEW OPPORTUNITIES AND OVERCOME NATIONAL AND GLOBAL ECONOMIC CHANGES

RAISE THE NATIONAL PROFILE OF I-CITIES

CAPITALIZE ON THE PROXIMITY AND HUMAN SCALE OF INTERMEDIARY CITIES

FOSTER REGIONAL DEVELOPMENT BY ENCOURAGING CLOSER COOPERATION BETWEEN I-CITIES AND THEIR RURAL HINTERLANDS

ENSURE QUALITY INFRASTRUCTURE AND SERVICES THAT ARE RESILIENT AND ACCESSIBLE TO ALL
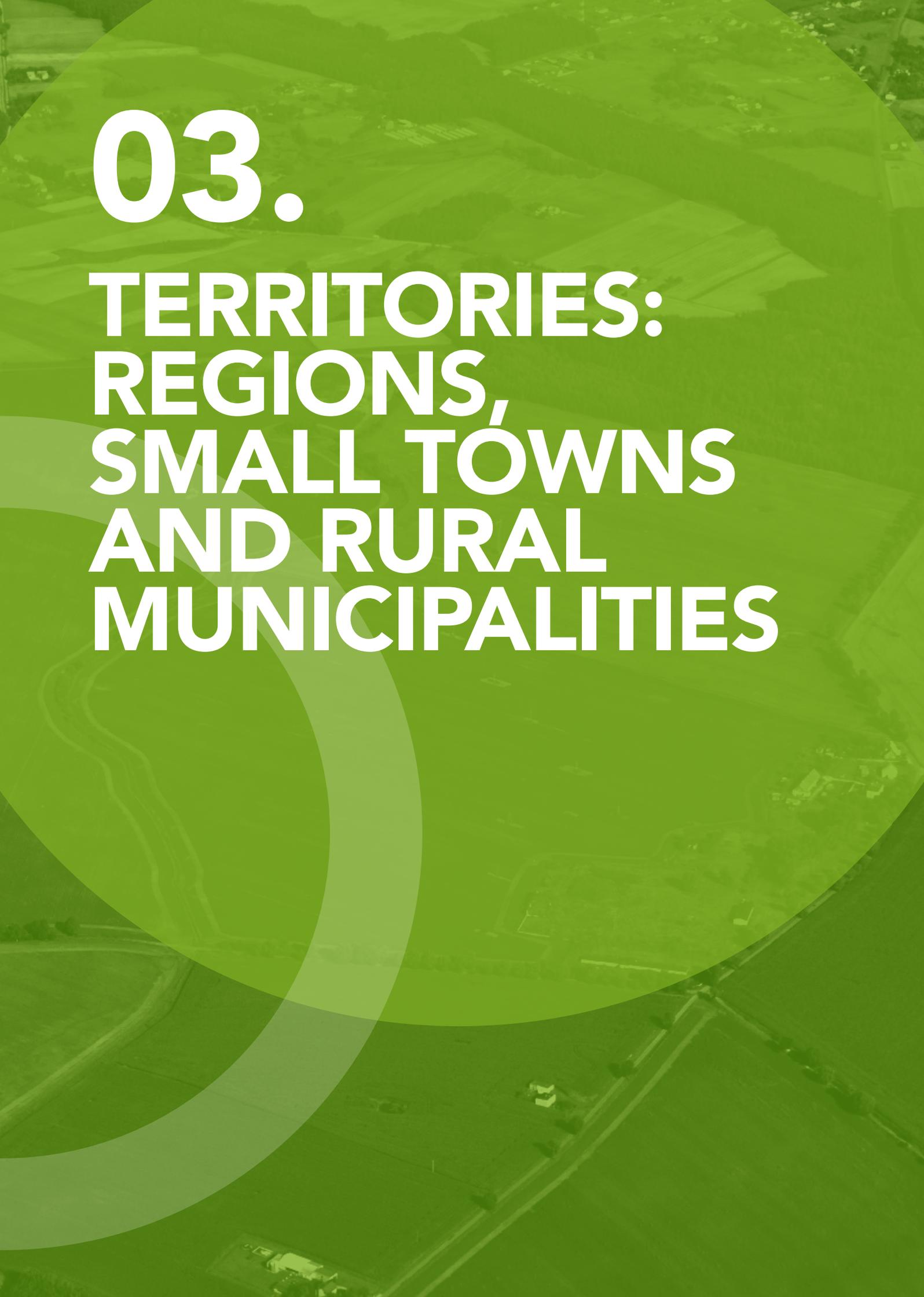
03.

TERRITORIES: REGIONS, SMALL TOWNS AND RURAL MUNICIPALITIES

TERRITORIES: REGIONS, SMALL TOWNS AND RURAL MUNICIPALITIES

There is considerable variation in the territorial unit categorization of regions, small towns and rural municipalities. This group includes, for example, territories characterized by markedly different economic and industrial specializations, and different degrees of reliance on agricultural, industrial or service activities.

Urban and rural areas both belong to this group, as well as territories that cannot easily be situated within the rural-urban dichotomy. Moreover, regions, small towns and rural municipalities display considerable heterogeneity within the political and administrative structures of the countries to which they belong.

There is no universally accepted definition of a 'small town'. Demographic and urban patterns around the world are so diverse that the definition should be seen in the context of the country in which the 'town' is located, and applied loosely in relation to the size of population of the settlement, i.e. above and below that which is considered 'small'.

In 2015, 3.35 billion people (45.9% of the world's population) lived in rural areas and 896.9 million (12.3% of the world's population, 22.7% of the world's urban population) in smaller urban settlements – small cities and towns. It is expected that by 2030, the rural population will have declined in absolute and relative terms (-718 million inhabitants and 40% of total world population), whilst the number of inhabitants of small towns will continue to expand at a moderate pace.

The other territorial entities analyzed in the chapter - regions - will also vary enormously in size depending on their institutional and geographical context, with populations ranging from a few thousand (e.g. the Åland islands in Finland), to tens of millions (e.g. certain Chinese provinces and Indian states).

Depending on their national legislation and context, settlements can be defined as 'urban' centres with just a few hundred inhabitants. This report defines small towns as any urban centre with fewer than 50,000 inhabitants. At the same time, it accepts the limitations of a definitional framework that focuses only on the demographic size of these settlements.[1]
Regions across the world are therefore better defined according to their level of government, i.e. intermediary between national and local governments, and their capacity to implement autonomous policies and deliver public goods.

12%
WORLD POPULATION
SMALL CITIES
(< 50,000)

896M
SMALL CITIES
POPULATION

46%
WORLD POPULATION
RURAL

3,946M
RURAL
POPULATION

197.7M
PAST GROWTH
(1995-2015)
RURAL AREAS

-718M
EXPECTED GROWTH
(2015-2030)
RURAL AREAS
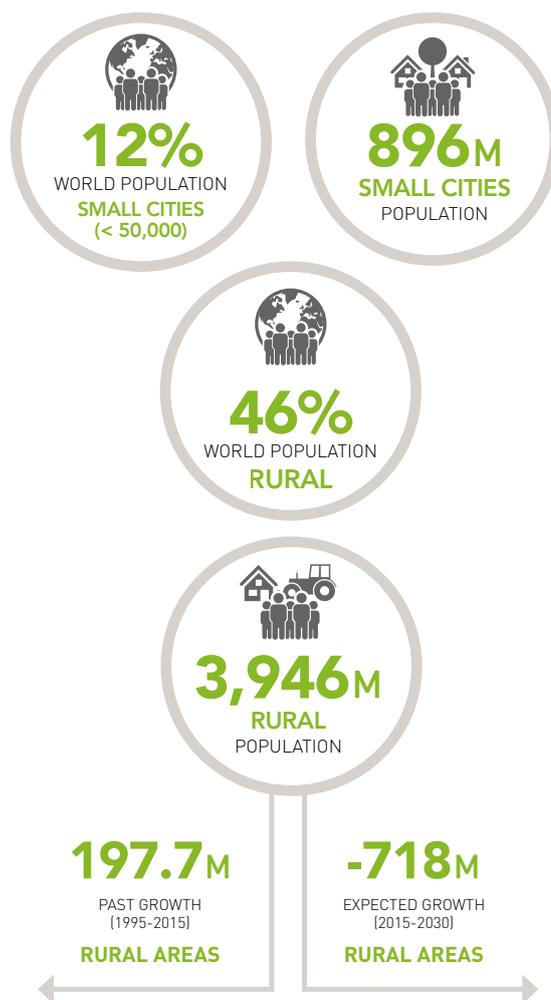
[1.] The European Observation Network (ESPON), for example, acknowledges three main perspectives that help conceptualize 'small towns' within urban and demographic systems: a morphological perspective, an administrative perspective and a functional perspective.

SMALL CITIES, TERRITORIES AND RURAL LINKAGES

Source: UCLG and UN-DESA

World's distribution of urban population residing in small cities by UCLG regions* (%)

|	%
WORLD	22.7
AFRICA	26.4
East Africa	35.7
Central Africa	13.0
North Africa	22.3
Southern Africa	18.2
West Africa	32.0
ASIA-PACIFIC	21.4
East Asia	13.9
South Asia	21.1
South-eastern Asia	46.3
Pacific	21.1
EURASIA	24.4
Central Asia	24.9
Caucasus	30.1
Belarus, Russian Fed., Ukraine	24.0
EUROPE	35.5
Eastern Europe	44.2
Northern Europe	29.1
Southern Europe	28.0
Western Europe	41.1
LAC	23.6
Caribbean	34.4
Central America & Mexico	24.0
South America	22.5
MEWA	15.4
Southern Asia	18.4
Middle East and The Gulf	14.3
NORTHERN AMERICA	10.8

Urban population residing in small cities by country, 2015 (%)

Percentage: 1-10 | 10-20 | 20-30 | 30-40 | 40-50 | 50-60 | 60 or over

World's distribution of rural population by UCLG regions* (%)

	%
WORLD	45.9
AFRICA	59.4
East Africa	74.2
Central Africa	56.1
North Africa	44.2
Southern Africa	55.4
West Africa	55.1
ASIA-PACIFIC	53.2
East Asia	39.9
South Asia	66.9
South-eastern Asia	52.5
Pacific	28.5
EURASIA	35.4
Central Asia	59.5
Caucasus	44.2
Belarus, Russian Fed., Ukraine	26.5
EUROPE	26.2
Eastern Europe	38.3
Northern Europe	18.7
Southern Europe	30.0
Western Europe	21.1
LAC	20.3
Caribbean	29.0
Central America & Mexico	26.9
South America	16.7
MEWA	32.2
Southern Asia	39.9
Middle East and The Gulf	28.5
NORTHERN AMERICA	18.0

Rural population by country, 2015 (%)

Percentage: 1-10 | 10-20 | 20-30 | 30-40 | 40-50 | 50-60 | 60-70 | 70-80 | 80 or over
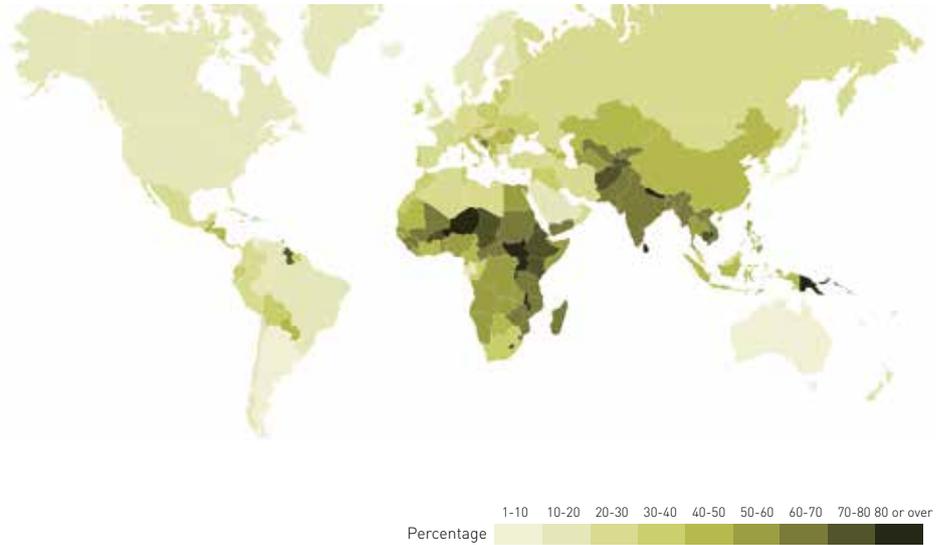
Average annual rate of change of urban and rural populations in countries by percentage of population residing in small cities, 1995-2015, 2015-2030

World, 1995-2015

Average annual rate of change of urban population (%)
Average annual rate of change of rural population (%)

Urban growth, rural decline — Urban growth, rural growth — Urban decline, rural decline — Urban decline, rural growth

Labels: RWA, ARE, LAO, BTN, BFA, UGA, HTI, CRI, IDN, NER, TCD, DOM, BLZ, NLD, URY, BGR

World, 2015-2030

Average annual rate of change of urban population (%)
Average annual rate of change of rural population (%)

Urban growth, rural decline — Urban growth, rural growth — Urban decline, rural decline — Urban decline, rural growth

Labels: NER, BFA, UGA, RWA, TCD, LAO, IDN, HTI, CRI, DOM, BLZ, ARE, NLD, URY, BGR

Urban population residing in small cities (%)
- 60 or over
- 50-60
- 40-50
- 30-40
- 20-30
- -20

UCLG regions*
- Africa
- Asia-Pacific
- Eurasia
- Europe
- Latin America & Caribbean
- MEWA
- Northern America

* For the UCLG definition of world regions and the countries they comprise, please refer to the Methodological Annex at the end of the report.

The socio-economic wellbeing of a significant proportion of the world's population – those in urban settlements included – is intrinsically linked to the dynamism and sustainability of their territories. Overcoming a rigid rural-urban dichotomy is a precondition for the achievement of many of the Sustainable Development Goals

◎

If they are empowered within an effective institutional framework and with sufficient policy support, these levels of government – regional governments, small cities and municipalities – have the potential to make a significant contribution

Photo: Ivan Ivankovic - Dubrovnik (Croatia).

(SDGs) and the New Urban Agenda. As acknowledged in the process leading up to Habitat III, many of the key components of the New Urban Agenda do, in fact, necessitate a wider territorial approach.[2] Thus, the participation of regions, small towns and rural municipalities is as important as metropolitan areas and intermediary cities to strengthen collaboration and integration along the rural-urban continuum.

If they are empowered within an effective institutional framework and with sufficient policy support, these levels of government – regional governments, small cities and municipalities – have the potential to make a significant contribution in the areas of socio-economic development and environmental sustainability; social inclusiveness and welfare; poverty alleviation and the protection of natural resources, at both local and higher levels of governance. These factors suggest that regions, small towns and rural municipalities warrant considerably more attention than they have thus far received and should feature more prominently in the economic, social and environmental agendas of developed and developing countries alike.

In fact, a more collaborative multilevel governance framework and integrated regional strategies could unlock the potential of local stakeholders and lead to more balanced urban and territorial development. Such strategies should be supported by a **territorial approach to development**, encouraging activities that are embedded in the area (i.e. stimulating endogenous growth), putting human values at the core of the local agenda, and mobilizing local assets.

The relevance of sub-national territorial units in development policy has increased significantly in past decades, partly as a consequence of globalization processes that have accentuated their centrality their centrality.[3] The emergence of an increasingly competitive, knowledge-intensive global economy on the one hand, and the territorial scale at which processes of growth, development and change have to operate on the other, imply that 'globalization is progressively increasing the importance of regional processes and the role of local actors in shaping development trajectories'.[4] Ultimately, not only have socio-economic growth and change trickled down to sub-national levels, they have also been catalyzed by a variety of localized factors – each of which is shaped by the unique characteristics and structure of the locality in which they occur.[5]

[2] The Toluca Declaration for Habitat III – Latin America & Caribbean (Toluca, 18-20 April, 2016): 'Incorporate into development planning schemes a focus on the integral and sustainable management of the territory, promoting equitable growth of regions and reinforcing links between urban, peri-urban, and rural areas, with the goal of establishing productive and harmonious relationships between the different areas'.

[3] Paul Smoke, 'Decentralisation in Africa: Goals, Dimensions, Myths and Challenges', *Public Administration and Development* 23, no. 1 (February 2003): 7–16; Andy Pike, Andres Rodríguez-Pose, and John Tomaney, *Local and Regional Development* (Abingdon, Oxon: Taylor & Francis, 2006), 3; Andrés Rodríguez-Pose, 'Economists as Geographers and Geographers as Something Else: On the Changing Conception of Distance in Geography and Economics', *Journal of Economic Geography* 11, no. 2 (1 March 2011): 347–56; Fabrizio Barca, Philip McCann, and Andrés Rodríguez-Pose, 'The Case for Regional Development Intervention: Place-Based versus Place-Neutral Approaches', *Journal of Regional Science* 52, no. 1 (February 2012): 134–52; UCLG, 'Decentralization and Local Democracy in the World: First Global Report by United Cities and Local Governments', 2008, GOLD - *Global Report on Decentralization and Local Democracy 1* (Washington, DC: World Bank, 2009); UCLG, ed., 'Local Government Finance: The Challenges of the 21st Century', GOLD - *Global Report on Decentralization and Local Democracy* 2 (Cheltenham: Edward Elgar, 2011).

[4] Andrea Ascani, Riccardo Crescenzi, and Simona Iammarino, 'Regional Economic Development: A Review', *SEARCH Working Paper* (Sharing KnowledgE Assets: InteRregionally Cohesive NeigHborhoods (SEARCH) Project, January 2012), 4.

[5] Ascani, Crescenzi, and Iammarino, Regional Economic Development.

3.1
REGIONAL GOVERNANCE

Regions are the political space in which cities and urban systems are embedded; and regional governments are pivotal to the promotion of sustainable development and the enhancement of territorial cohesion.

Over the past few decades, institutional reforms have enhanced the role of regions, the result of an emerging 'new federalism', as well as 'regionalization' processes within the framework of decentralization. Federated states (provinces or *Länder*) in federal countries, and regions (departments or counties) in unitary countries have been entrusted with the increasingly important task of promoting economic, social and environmental development in their territories.[6] The form that states, regions and intermediary governments around the world take is, however, extremely diverse. The nature and extent of devolved powers varies dramatically from country to country and even within countries, particularly where decentralization has been uneven, partial or implemented asymmetrically.

The following regional schematic description originates from a continental analysis based on different indicators. Federalism and regionalism have long been relevant in the Americas – with the exception of Central America and the Caribbean. Europe is experiencing significant diversification in terms of its regional units, because of the EU's institutional influence and the changes arising from an expanding membership which, today, includes a number of unitary or hardly decentralized states.

The situation in Asia and the Pacific has changed notably, mostly because of the progress made in China, Indonesia and the Philippines. With some scattered exceptions (Nigeria, Russia, South Africa and, more recently, Morocco), Africa, Eurasia and the MEWA region, on the other hand, have experienced a persistently weak level of regionalization overall.

Developments in the last few years have re-emphasized the significance of the regional level as a territorial, economic and social unit. However, regionalization and decentralization of resources have not been commensurate with the decentralization of responsibilities. The difference between federal and unitary states in terms of sub-

Over the past few decades, institutional reforms have enhanced the role of regions, the result of an emerging 'new federalism', as well as 'regionalization' processes within the framework of decentralization

national governments' fiscal autonomy and relevance is clear. In 2013 in federal states, sub-national governments collected, on average, 49.8% of public revenues (16.9% of GDP) and were accountable for 47.7% of public spending (17.6% of GDP). In unitary countries, figures drop to 19.6% for public revenues and 18.6% for expenditure, corresponding to 7.1% and 7.3% of national GDP respectively.[7] Sub-national governments' revenues and expenditure can, however, also be relevant in unitary countries (e.g. China, Vietnam, northern countries of Europe, Japan, Peru, Korea and Indonesia).

Regionalization has in fact progressed significantly. But in many countries, the real-life conditions of its implementation, in particular around the availability of financial resources and adequate capabilities, hamper the ability of regional authorities to fulfil their mandate. **Therefore an enabling legal and institutional environment, with a clear vision of responsibilities and powers for every level of sub-national government, as well as effective fiscal decentralization, is necessary to harness the potential of regional governments.**

[6.] Federal states have a dual constitutional order, with a central (federal) jurisdiction on the one hand and several (federated) territorial jurisdictions on the other. Every federated state is inherently autonomous and can generally determine its domestic regime (constitution) and political and administrative arrangement (own executive, legislative and judicial administration). These units, however, are subject to the federal constitution that determines the overall organization of the federal state. Unitary states have one single constitutional arrangement that applies to the whole population. This means the existence of one legislative power, whose decisions are applicable to the whole of the state's territory; one judicial administration with national jurisdiction; one executive power whose mandate extends from the central executive (e.g. presidency, ministries) down to all dimensions of territorial administration and throughout its political organization. The central government can delegate or transfer powers through decentralization to local governing institutional units.

[7.] Data from the Global Observatory of Local Finance is developed jointly between ULCG and the OECD. Their database can be freely accessed online at this address: http://www.uclg-local-finance.org/observatory.

Multilevel governance entails regular dialogue, engagement and influence and, therefore, mutual dependence as policy-making is spread across different levels

At the same time, in decentralized contexts, policy challenges and overlaps are inevitable. Consequently, a shift in the relationship between different levels of government and the creation of multilevel mechanisms for dialogue and negotiation is essential. This would improve coordination, help regulate division of responsibilities, compensate for differences and bridge asymmetries between different institutions that are currently hindering delivery of effective public policies.

An adequate **multilevel governance framework** would ensure that decentralization processes are as efficient as possible, i.e. that the responsibilities and mandates entrusted to sub-national governments match the resources and powers given to them – and that decentralization policies enhance the strengths of all actors equally across a country's territorial spectrum.

Multilevel governance entails regular dialogue, engagement and influence and, therefore, mutual dependence as policy-making is spread across different levels. Different countries have already been developing and using an array of multilevel governance mechanisms. These bridge gaps between different levels of government (e.g. in policy and objectives, planning and programming, funding, capacity and administration, information and/or accountability) and improve coherence. Such mechanisms have been both 'binding', e.g. legal mechanisms (contracts between central and regional governments), and 'soft', e.g. facilitating the involvement of different levels of government at all stages of policy-making. Horizontal coordination both at national level (between ministries and central government agencies) and among regional and local governments is likewise essential.

Horizontal coordination between and within regions and municipalities can facilitate the pooling of resources and sharing of services. These are then more widely accessible to consumers and users, as well as more financially sustainable, and the attractiveness and strategic positioning of the whole territory is enhanced. Cooperation between municipalities and regions has often provided solutions in sectors such as waste management, efficient mobility and public transit. It has also improved integrated planning to harness the optimum potential of increasingly interdependent regions, urban settlements and the rural economy. Finally, territorial cooperation has proven to be vital for the development of towns that are small and medium-sized, particularly when it comes to the provision of services for the wider area in which they are located.

Multilevel governance is the policy-making mechanism of choice for integrated, collaborating and networked territories, local governments and settlements. It can bring about a number of beneficial effects for local governance, but is hindered by certain persisting risks. **It is not, ultimately, a neutral concept. It should complement rather than be an alternative to better, more autonomous and ambitious self-government for regional and local authorities**. It can create new policy areas (e.g. innovation and sustainability), and new institutional voices (e.g. cross-level agencies, representation of civil society).

This approach can make conventional decentralizing and devolutionary agendas evolve towards a new model in which regions and local governments are self-reliant, interdependent and co-responsible for decisions which directly affect their communities and territories.

Building on the practices and examples that have already taken place across the globe, multilevel governance can help local governments move forward with their own agendas, and take part in national and international policy-making to shape new governance models that are better adapted to future challenges.

3.2
# REGIONS AS ENGINES OF TERRITORIAL DEVELOPMENT

Regions' potential for development can only be fully realized when the whole territorial spectrum is engaged.[8] In their role as the intermediary between national and local level government, regions have a vested interest in leading and coordinating territorial development strategies more efficiently. Their potential, however, cannot be limited to economic growth. Without understanding the complexities of development and its effects, growth opportunities for territories can easily be lost. Policy makers in regions and territories need to develop comprehensive strategies and visions that can harness the potential of regions and translate it not only into meaningful economic growth, but also more sustainable and inclusive social and environmental development.

Two parallel processes have paved the way for the new concept of **territorial approaches to development** (TAD). These are decentralization and regionalization processes on the one hand, and a revision of traditional top-down approaches to economic growth which are now increasingly held in question, on the other.

The aim of this new concept is to promote tailored regional strategies that integrate the needs and priorities of local actors and boost endogenous, integrated and incremental growth,

Two parallel processes have paved the way for a new concept of territorial approaches to development (TAD). These are decentralization and regionalization processes on the one hand, and a revision of traditional top-down approaches to economic growth which are now increasingly held in question, on the other
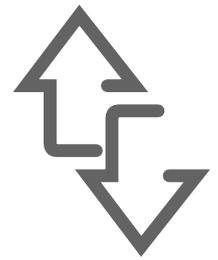
reconciling human and sustainable development.

For the full potential of TAD to be realized, it is important to focus on three dimensions: i) evolution of regional and national development strategies and their coherence; ii) localized economic development initiatives; and iii) effective environmental policies to ensure the protection and sustainability of natural life-support systems.

Regarding the first, there is a growing global trend towards the regionalization of development strategies, both in federal and unitary countries. In federal countries, the role of states/regions in regional planning is more consolidated. However, in unitary

[8]. OECD, ed., *Regions Matter: Economic Recovery, Innovation and Sustainable Growth* (Paris: OECD, 2009); Barca, McCann, and Rodríguez-Pose, *The Case for Regional Development Intervention.*

Photo: Ian Sane - Astoria, Oregon (United States).

The role of regions in sustainable development is recognized throughout the process of defining and negotiating the 2030 Agenda for Sustainable Development

states, it is more variable – from very active to passive – and there is often more limited room for manoeuvre (because of financial constraints). In the majority of examples analyzed, coordination and ownership of divergent strategies between different levels appears to be a persistent problem.

To encourage endogenous growth in all regions, national development strategies should better support regional dynamics, and transform the asymmetrical, often hierarchical, relationships between national and sub-national levels of government that continue to prevail; and move towards a more partnership-based approach to the design of policies and financing. On their part, regional and local government should help generate a bottom-up approach to scaling up regional dynamics.

These dual processes – from national to local and local to national – could help renew the approach of regional development policies, facilitating a growth in local initiatives, promoting new mechanisms and engendering a high level of institutional creativity.

With regards to the second dimension, the role of regions and local governments in economic development has been growing over the last few decades. In 2013, regional and local governments in OECD countries allocated an average of 35% of total public spending to economic affairs.[9]

Despite this, the potential for growth of many regions has often been constrained by top-down strategies and policies centred on the idea that economic dynamism in the main urban areas or most dynamic regions will yield benefits that eventually spill over into rural territories and less dynamic regions. However, in recent years, policy-makers and researchers have increasingly suggested that economic dynamism and the potential

for economic growth are not necessarily confined to large, urban agglomerations and existing dynamic regions. Rather, they argue that 'opportunities for growth exist in all types of regions',[10] and 'all [typologies of territories] have the potential to make substantial contributions to [national] economic growth'.[11]

Different policies and instruments are being developed to help business and local actors support endogenous development, modernize territorial economies, and incentivize innovation and knowledge-sharing. These include the creation of regional clusters (e.g. regional public incubators, networks of SMEs); 'local productive systems' that connect small farmers and enterprises in rural areas; the establishment of special economic zones (SEZ); cooperation with research centres (e.g. techno parks, smart specialization); regional specialization (e.g. tourism); economic partnerships between rural and urban areas; and improving access to infrastructure in areas where there is still deficiency, in particular in the field of transport and ICT (e.g. broadband access).

Regarding the third dimension, the role of regions in sustainable development is recognized throughout the process of defining and negotiating the 2030 Agenda for Sustainable Development. Most effects of climate change, moreover, take place at the supra-local level, and the consequences, e.g. floods, droughts and pollution, tend to affect more than one locality without necessarily having an impact on the entire country, especially in mid-sized or large countries.

In many cases, regional governments are responsible for the design and implementation of laws and policies in sectors that are essential to environmental sustainability. These include – but are not limited to – climate change; education and awareness-raising; renewable energies; biodiversity preservation; water management; the protection of wetlands, coastal areas, forests and natural parks; sustainable agriculture; green technology; and food security.

In fact, sub-national interventions are usually more adaptable to the geographic (e.g. ranges, valleys, hydrography) and biological (e.g. different habitats and ecosystems) components of a territory. Regional and local governments tend to perform better than national governments in the protection and conservation of their territories' ecological dimensions.

9. OECD, *Regions at a Glance 2016*, OECD Regions at a Glance (Paris: OECD, 2016); OECD, *Territorial Reviews: Colombia 2014*, OECD Territorial Reviews (Paris: OECD, 2014). See also the work of the joint UCLG-OECD Global Observatory on Local Finance: http://www.uclg-localfinance.org/.

10. OECD, *Regions Matter*.

11. Barca, McCann, and Rodríguez-Pose, *The Case for Regional Development Intervention*.

3.3
SMALL TOWNS, RURAL-URBAN LINKAGES AND REGIONAL DEVELOPMENT

Even in our current urban age, small urban centres and rural municipalities play a fundamental role in the development of surrounding rural regions. Yet, there is no universal measure of the impact of small towns on regional development. While many have become key components of positive development cycles, other smaller settlements face stagnation and decline. Unlike larger cities, however, most small towns and their economies still depend largely on their local physical and geographical contexts (normally a rural environment), and on the priority this is given within national policies and legislation.

Since small towns have inherently strong interactions and linkages with their surrounding rural environment, they tend to be negatively affected by those national policies and frameworks that rigidly divide 'rural' and 'urban' areas. A firm separation of the rural and the urban generally aggravates rather than supports households and businesses, for example. Thus, small towns tend to rely heavily on financial and technical support from higher tiers of government, in particular regional and national administrations.

However, small towns and rural municipalities have in many cases developed local governance systems. These are designed to maximize the advantages of their unique relationship with, and knowledge of, the local context, its opportunities and, most importantly, its challenges. In many senses, local governance systems are the crucial link in local democracy that connects public administration with people and communities in small towns and rural areas.

Given the diversity of urban forms, small towns can be located and engaged within a larger urban system in a number of ways. They can be loosely distributed on the outer fringes of a metropolitan area's sphere of economic, social and functional influence and serve as the last urbanized interface with the surrounding countryside. They can likewise be networked with other

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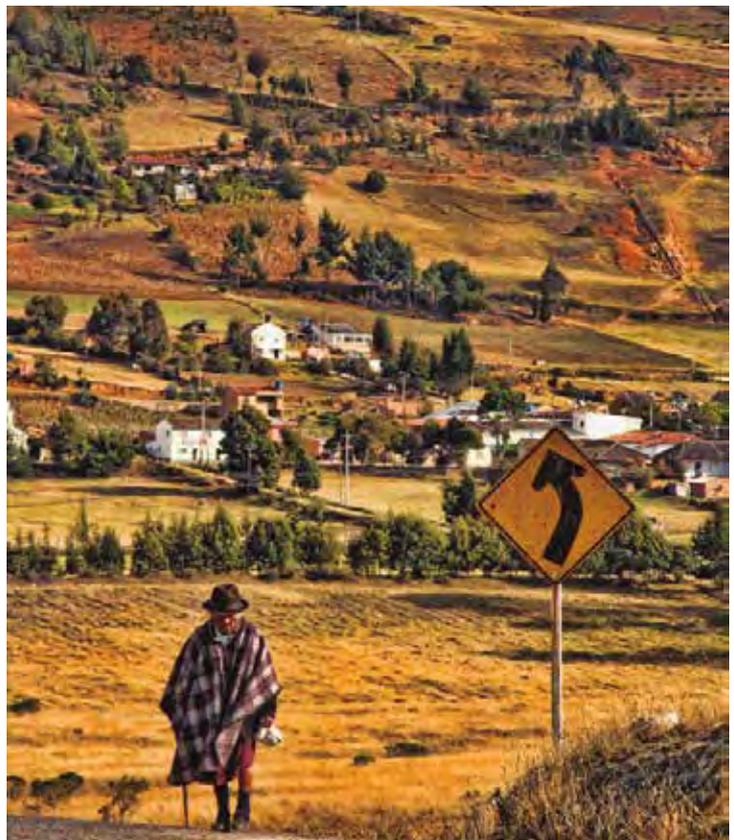
Photo: Gustavo Martínez - Chivata (Colombia).

⊙

It is only when settlements retain and invest locally in both farming and non-farming activities that small towns grow and stimulate the development of surrounding rural regions

intermediate settlements, with which they share 'functional complementarities'. These provide a larger rural-urban community with services and access that would otherwise only be available around larger urban areas.

Finally, small towns can be located in sparsely populated areas that rely heavily on the rural economy. In these cases, small towns have an additional pressure - and incentive - to seek cooperation with the rural environment and its socio-economic actors and stakeholders. This is to guarantee service provision and the effective management of available natural resources.

The economic trends of small cities vary, usually according to their level of economic dynamism. Many urban centres close to large

and prosperous cities may develop stronger economic bases. They attract new enterprises whose output mainly serves the large city, or meets the external demands generated by enterprises located in a large city.

They may also develop into dormitory towns, or at least be economically strengthened by having a proportion of their workforce commute to a large city. In general, the larger the urban centre's population, the smaller the proportion that is economically active working in agriculture; and the greater the involvement in manufacturing or services.

Since they are further away from large agglomerations, most small towns exhibit a mix of urban and rural characteristics. Many rural settlements have households that rely on non-agricultural jobs and seek employment in small towns. Meanwhile, many urban settlements have some rural characteristics – such as the importance of urban agriculture for low-income urban households.

Thus, less importance should instead be given to the rural-urban *divide* in development agendas and all settlements should be seen within a *continuum* of both with regard to population size and the extent of their non-agricultural economic base. This suggests a need to reconsider the long-established classification of all human settlements as either 'rural' or 'urban'.

Photo: Guillaume Baviere- Viñales (Cuba).

Small towns can contribute to regional and rural development in five main ways: i) as centres of demand/markets for agricultural produce from the rural region; ii) as centres for the production and distribution of goods and services to their rural region; iii) as centres for the growth and consolidation of rural non-farm activities and employment; iv) as centres attracting rural migrants from the surrounding region through demand for non-farm labour; v) as places managing natural resources in ways that respond to the needs of growing rural and urban populations. Current empirical evidence, however, shows great variations in the extent to which small and intermediate urban centres fulfil these roles.

A key difference between growing and declining settlements seems to be the relative diversity (or lack of) in their economic base. It is only when settlements retain and invest locally in both farming and non-farming activities that small towns grow and stimulate the development of surrounding rural regions. For example, in agricultural regions where production is dominated by large commercial farms and large volumes of cash crops bypass local centres, small towns may not play a significant role as 'market nodes'. Links with agricultural production are often the key to the economic success of small towns but there are various other drivers that can be just as important (e.g. mining, tourism, etc.).

Certain factors are key to stimulating productivity and rural development: firstly, favourable macroeconomic policies and sectoral priorities, including secure land tenure; secondly, recognizing the context-specific factors determinant in creating either opportunities or constraints for local development; and thirdly, adequate financial and fiscal tools which enable local governments to carry out their increasingly important and acknowledged role in regional development.

In high-income countries, where agriculture accounts for a very small proportion of GDP and employment, some small towns have been able to bridge the competitive gap that has separated them from larger agglomerations or metropolitan areas. They have done this by building a role for themselves within a knowledge-based, technologically-advanced economy. **In certain circumstances, they are partially re-writing the narrative that sees development and growth directly correlate to urban mass, size and compactness**.

The linkages and interactions between 'rural' and 'urban' have become increasingly

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Rural-urban linkages are essential as a space for the integration of two different worlds

strong and an important component of livelihood and production systems in most regions of the world. They are also central to the structural transformation of economies from largely agrarian with most of the population engaged in farming, to high employment in manufacturing and services, which accounts for most of a country's GDP.

Emerging approaches to rural-urban partnerships underline the opportunities for sustainable development that exist outside large urban centres. Rural-urban linkages are essential as a space for the integration of two different worlds. Here we see sharing of key resources (water, land, agriculture, forestland, etc.) and, as already mentioned, provision of key services and access to infrastructure and opportunities.

Rural-urban partnerships, in practice, exist in a number of forms. The creation of a whole new institutional framework, i.e. an organization dedicated to the partnership, is actually one of the least common arrangements. More often than not, this level of government does not in fact have adequate resources – both financial and administrative – to foster the full potential of the partnership. More fluid, flexible forms are therefore required, in most cases, for rural and urban actors to maximize the returns of their cooperation.

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Rural-urban partnerships are essential to mobilizing actors and stakeholders from involved communities and engaging them in common goals and a shared vision, at the same time providing the necessary institutional, political and economic resources to achieve this
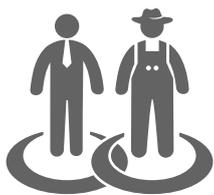
Rural-urban partnerships are equally shaped by external factors: the institutional environment and the potentially disruptive role of regulatory and political barriers; lack of trust between different institutions and stakeholders; and policy fragmentation. Positive factors, on the other hand, include clearly defined objectives; a context-specific understanding of rural-urban linkages and interactions; and, perhaps most importantly, democratic participation and leadership. The implications for governance are clear: local governments need adequate support. They cannot build local sustainable development if there is no synergy with national and supranational levels through regular and systematic dialogue.

Rural-urban partnerships are essential to mobilizing actors and stakeholders from involved communities and engaging them in common goals and a shared vision, at the same time providing the necessary institutional, political and economic resources to achieve this. Such partnerships have a direct impact on regional development as galvanizers of participation. Moreover, they have an important role to play in the governance of regional and rural-urban relations. Successful partnerships will address the effectiveness of existing policies and governance institutions and the potential benefits of these for their communities.

The global agenda for regional development will have to systematically pursue a more comprehensive territorial approach. This must not marginalize small towns and their rural environment, but rather build on their privileged connection with the territory; their unique model of social relationships and institutionalized trust; as well as their immediate proximity to natural resources. These are all elements essential to the social, alimentary and environmental sustainability of territories and urban settlements.

Photo: Paulo Fassina - Mongolia.

3.4
KEY MESSAGES FOR THE AGENDA OF TERRITORIES

1 SMS — **REGIONAL GOVERNMENTS PLAY A CRUCIAL ROLE IN BALANCING TERRITORIES, LINKING URBAN, PERI-URBAN AND RURAL AREAS AND PROMOTING SOCIAL COHESION AND ENDOGENOUS EQUITABLE DEVELOPMENT**. They have essential functions for territorial planning, economic development, poverty reduction, food security, provision of strategic infrastructures and environmental management, for example. Regions can assist and cooperate with small towns and municipalities by providing technical and financial support and capacity building. On another scale, small towns are also key actors for local development and providers of essential services, with strong interactions and linkages with their surrounding rural areas and intermediary cities. Therefore, their involvement in the implementation of Agenda 2030 and the New Urban Agenda will be of the highest priority.

2 SMS — **URBAN SETTLEMENTS ARE NOT ISOLATED UNITS. THEY ARE EMBEDDED IN TERRITORIAL SPACES AND ARE PART OF TERRITORIAL SYSTEMS**. A comprehensive national regional development strategy, supported by sustainable spatial management, coherent urban and sectoral policies and multilevel governance, is essential for the success of the New Urban Agenda. This will help set national objectives, promote equitable regional growth and strong urban systems, and strengthen the rural-urban continuum, in order to establish productive relationships and harmony between the different territories. National regional policy should also recognize the importance of small municipalities to reduce the fragility and precariousness of the environment in which they work.

3 SMS — **INTEGRATED REGIONAL STRATEGIES CAN CREATE A PATHWAY TOWARDS MORE SUSTAINABLE, INCLUSIVE AND EFFICIENT DEVELOPMENT**, by promoting activities embedded in the territory (endogenous growth). This must put human values first, mobilize local potentialities and assets, and strengthen cooperation between territories and urban areas to boost complementarities and synergies. This could reduce the specialization and competition between territories and cities encouraged by globalization which aggravate inequalities, the depletion of natural resources, and unbalanced development between and within regions, as well as harness untapped sources of growth related to innovation and the improvement of people skills.

4 SMS — **AN ENABLING ENVIRONMENT IN WHICH REGIONAL AND LOCAL GOVERNMENTS CAN EXPERIMENT, INNOVATE AND CAPITALIZE ON THEIR RESOURCES** is an imperative for national development that harnesses local potential. This requires adequate legal and institutional frameworks that define, for each level of sub-national government, a clear vision of responsibilities and powers, effective fiscal decentralization and financing capacities and adequate equalization mechanisms to bridge the gaps between regions. The limited financial autonomy of regional and local governments is a severe constraint on their ability to drive local development.

5 SMS — **MULTILEVEL GOVERNANCE CALLS FOR A PARADIGMATIC SHIFT IN THE RELATIONSHIP BETWEEN DIFFERENT LEVELS OF GOVERNMENT**. Several decades of uneven reforms have shown there is no optimal level of decentralization and implementation and competences are strongly country-specific. At the same time, policy overlap is inevitable in decentralized contexts: complete separation of responsibilities and outcomes in policy-making cannot be achieved and different levels of government are interdependent. Public management thus requires multilevel governance in all cases, i.e. the reinforcement of coordinating mechanisms which help bridge the gaps (in information, capacity, funding, policy, administrative, objectives and accountability) that hinder delivery of effective public policies.

6 SMS **COLLABORATIVE GOVERNANCE AND COOPERATION SHOULD ALSO BE ENCOURAGED BETWEEN REGIONS, BETWEEN REGIONS AND LOCAL GOVERNMENTS, AND BETWEEN SMALL TOWNS.** This should be through an adequate legal framework and financial incentives which promote collective solutions and enhance synergies between territories, for example through inter-municipal cooperation, instead of ineffective inter-territorial competition. Cooperation between territories, including supranational and transboundary cooperation through alliances or networks, can also be used to make substantive contributions to development beyond immediate borders.

7 SMS **INTEGRATED REGIONAL AND LOCAL STRATEGIC PLANS NEED STRONG PARTICIPATION AND INVOLVEMENT OF TERRITORIAL NETWORKS AND LOCAL STAKEHOLDERS**. This is to advise on the formulation of economic development strategies, land and/or spatial planning, infrastructure planning (e.g. transport, trunk infrastructures) and sectorial policies (e.g. agriculture, education, health, environment, etc.). All levels of government (from national to regional to local), civil society, economic sectors, professionals and academia should be involved in more cohesive territorial development, using simple tools and technologies. This should take into account functional complementarities, increasing economic interdependencies and population movements between rural-urban areas and regions (e.g. permanent and temporary migrations, floating populations). Small cities and municipalities have the advantage of human scale to enhance participative and consultative processes with citizens and reduce the lack of local relevant data in many countries.

8 SMS **A TERRITORIAL APPROACH TO DEVELOPMENT HELPS CAPITALIZE ON LOCAL AND REGIONAL POTENTIALITIES** afforded by locations and populations, strengthening inclusive value chains, generating local employment opportunities and empowering local stakeholders to inform the design of policies that are reflective of local realities. Permitting (i.e. allowing and assisting) these territories to engage in active local economic policies helps ensure that economic growth (and, by extension, the socio-economic benefits associated with it) is not concentrated in a small handful of geographic areas, but rather distributed in a more territorially equitable way, which is crucial for national development. Supporting small towns and rural municipalities' economic activities and improving their connections to regional and national markets will also contribute to the added-value generated, retained and reinvested locally – in agriculture and non-agriculture activities – encouraging the development of small towns and surrounding regions. Particular attention should be paid to food security and strengthening cooperation with those rural areas, as a way to ensure better quality of food, support farmers and SMEs, and develop shorter economic circuits while protecting biodiversity.

9 SMS **REGIONS CAN BE THE APPROPRIATE SCALE TO DEAL WITH KEY TRUNK INFRASTRUCTURES AND SERVICES TO IMPROVE CONNECTIVITY, STRENGTHENING TERRITORIAL INTEGRATION AND BALANCE** particularly in regions with isolated and dispersed human settlements. Long-term investments remain a strategic need and require innovative approaches to overcome increasing public budget constraints. Empowered regions can contribute to the pooling of national and local, public and private resources through new partnership models adapted to their context. Investments associated with integrated territorial planning can strengthen regional-urban local government partnerships to improve synergies for the provision of sustainable infrastructure for mobility, access to broadband and ICT, and social services (e.g. health, education).

10 SMS **INTEGRATED TERRITORIAL DEVELOPMENT IS EQUALLY CRITICAL TO SUPPORT ENVIRONMENTAL SUSTAINABILITY.** Collaborative regional and local government land plans with a participative approach should help protect natural resources (e.g. water sources, watershed management, wetland and coastal protection) and biodiversity. Moreover, they should address the main natural threats (e.g. river management for flooding, deforestation, desertification). Equally, they can foster climate-friendly policies in the rural hinterland of urban areas (e.g. protect green rings around cities to act as ecological buffers, create ecological corridors to safeguard biodiversity, improve transportation networks to reduce CO_2 emissions); safeguard agricultural land to enhance food security; contribute to improved waste management; and generate natural capital for resilient and productive territories.

MULTILEVEL GOVERNANCE CALLS FOR A PARADIGMATIC SHIFT IN THE RELATIONSHIP BETWEEN DIFFERENT LEVELS OF GOVERNMENT

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INTEGRATED REGIONAL AND LOCAL STRATEGIC PLANS NEED STRONG PARTICIPATION AND INVOLVEMENT OF TERRITORIAL NETWORKS AND LOCAL STAKEHOLDERS

04.
CONCLUSIONS

1.
INTRODUCTION

The year 2015 gathered significant **momentum for a convergence of forces towards the transition of our societies to a more sustainable and inclusive long-term development cycle.**[1] The international community reached a consensus that this new cycle will at the same time necessitate a shift in economic and social systems that are inclusive and oriented towards sustainability. These are to eradicate poverty, reduce inequalities and support development within planetary boundaries.[2] The transformative potential of this transition is subject to much and lively debate.

The adoption of the UN Agenda 2030 and the Paris Agreement on Climate Change that stemmed from the COP 21 are a clear political recognition that we live in a new era – the 'Anthropocene' – where humanity exerts a dominant influence on our planet's environment. Moreover, inequalities have reached extreme levels and our future economic systems must now have environmental safeguards.[3]

This change is taking place at precisely the moment when the majority of the world's global population find themselves to be urban citizens. People are spread across a variety of settlements, ranging from small towns, through to intermediate cities and large metropolitan areas. If UN projections are correct, the size of the urban population is set to double over the next four decades to 2050, by which time as many as seven billion (out of a total population of 9.5 billion) people may be living in urban settlements. Given this scale, it is thus clear that the answers to problems at the level of cities and territories will pave the way for global solutions to global problems.[4]

Previous chapters have described the challenges facing different levels of human settlements and necessary solutions. In this concluding chapter, we place these in the new context being redefined through the international agreements that cohere under the Sustainable Development Goals (SDGs) for 2030, the Paris Agreement, and the New Urban Agenda.

Our conclusions explore the key interlocking trends that will pave the way to a sustainable future, at the same time considering different solutions for current urban and territorial challenges. Finally, we present UCLG's policy recommendations to its membership, partners, the rest of the local government community, and international institutions.

* Notes and bibliography of the Conclusions are at the end of the chapter.

The answers to problems at the level of cities and territories will pave the way for global solutions to global problems

2.
THE GLOBAL CONTEXT

The international summits and agreements of the past few years are an unprecedented opportunity to take stock of the progress made since the Earth Summit in 1992, Habitat II in 1996, and especially the adoption of the Millennium Development Goals (MDGs) in 2000, as a programme of action to deliver against the renewed development consensus. It has been an enormous achievement to foster an **international consensus based on fundamental preconditions for a peaceful and prosperous world**. Since the early 1990s, the recommended approach to national development has rested on **democratization of the state and civil society** to ensure that political and civil rights are fully expressed and guaranteed. This process, rooted in the **Universal Declaration of Human Rights**, has sought new economic and social models consistent with the precepts of **sustainable development**.

Moreover, an overview of the post-1990 UN development agendas shows that the global policy community **has progressively recognized the important role of sub-national governments** in the implementation of global policy agreements. The recent suite of policy agreements – Sendai, Addis Ababa, Agenda 2030 and the SDGs, and COP 21 – consolidates these changes arriving at a much clearer understanding of the multilevel governance (MLG) implications of inclusive and sustainable development. For local and regional governments, as well as the international community as a whole, the universal agendas adopted last year point to the transformations that are urgently needed to address the unprecedented economic, socio-spatial and environmental changes and challenges unfolding in the early 21st century. These actions and accords are interconnected and should be seen **as a common global development agenda.** However, while these agendas define actual institutional and governance arrangements, it must be emphasized they do not properly address the magnitude of the demographic transition towards a more urbanized world – nor the staggering implications of this for the development agenda. If the New Urban Agenda fails to adequately address this issue, it will have far-reaching and devastating consequences.

In this regard, the current juncture can also be seen as a period of unique opportunity. For the first time in human history, we have the capacity to eradicate poverty and hunger. There is an emerging view that we are entering an era in which the technology exists to reorganize the economy to ensure that everyone has access to food, health, education and other basic services. **Moreover, thanks to increasing automation, we can all enjoy more leisure time and life-long learning, while becoming contributing members to self-reliant communities and a broader political life**. This perspective is reflected in the cultural rise of the 'sharing economy', the 'maker culture', open-source learning, and co-production as a fundamental cultural principle of identity, belonging and aspiration. These trends are particularly significant in large urban agglomerations. The embrace, for the first time, of new social media and mobile sociality and economic transactions by young people from all world regions and cultures is a phenomenon that reveals an ever more interconnected, 'crowd-sourced' and responsive urban ecosystem.

The new international consensus necessitates certain structural changes. It centres on the need for a more intelligent approach that recognizes the centrality of well-informed, accountable and proactive public institutions, willing to take the lead in establishing societal consensus and broader civic participation. At deeper levels of society where technology, demographic change, cultural awareness and new economic business models intersect, **the next few decades are an ideal opportunity to radically reconfigure social structures, economic opportunities and cultural systems of belief and attachment**. Local and regional governments can lead in the formulation of bottom-up solutions and take advantage of their proximity to create a new model of 'shared governance'.

Currently, however, this is constrained by structural and institutional lags at different levels. The world financial crisis that began in 2007 is widely held in international policy circles to mark the end of one era and the start of a global transition to another. 2009 was the first year since the Second World War (WWII) that the global economy actually shrank (in terms of GDP). **There is considerable debate amongst policy analysts about whether a new long-term development cycle will emerge or if large parts of the global economy will sink into long-term stagnation**.

However, the equivalent of the Bretton Woods Conference in the middle of the 20th century, to agree on a new world economic order that restores regulatory controls at macroeconomic levels, has not yet taken place. National economies are even more vulnerable to indebtedness and speculative capital flows. The financialized era, debt-driven models of economic growth and the commodification of public goods affect national and local economies alike. This is seen in the ever more frequent food and housing crises around the world. They also precipitate financial aftershocks that heighten insecurity and inequality. Phenomena that are linked to the evolution of economic systems, the new international division of labour and means of production, have further fuelled a crisis of employment, enlarged wealth disparities, and fertile conditions for disaffection and social unrest.

At the same time, the current model of growth is unable to stop over-consuming non-renewable and renewable resources and harmful emissions that are exacerbating climate variability. In essence, humanity is

There is an emerging view that we are entering an era in which the technology exists to reorganize the economy to ensure that everyone has access to food, health, education and other basic services

shaping contemporary society in a way that is increasingly unequal and significantly exceeds the capacity of our planet to renew its natural life-support systems. The processes by which it is doing so co-exist with dynamics that see almost half of the global population eke out an existence on less than USD 2.50 a day.

The world is faced with the negative consequences of unsustainable consumption. Majorities in the Global South can barely make ends meet and are trapped in poverty, while in the Global North more and more people are vulnerable to falling into precarious existences if they lose or fail to get a job. This, combined with different levels of institutional weaknesses, represents a threat to the achievement of the new development agenda for 2030. Indeed, across the world, public institutions appear powerless to implement a new paradigm of socially inclusive and sustainable development. They seem often to be trapped in obsolete institutional constraints that stifle experimentation and innovation. Declining levels of public welfare; over-burdened or insufficient infrastructure systems resulting from partial state disinvestment; ineffective public regulation of markets' dominance; and weak planning, aggravate the crisis of legitimacy of public institutions.

Consequently, most governments are investing in capacity-building, performance-management improvements, information technologies and forms of MLG that enhance administrative efficiencies. At the same time, there has been a marked shift in the understanding of the importance of a more effective, capable, and confident state, in the last decade in particular. These developments coincide with a 20-year trend towards decentralization and the replenishing of democratic participation as a cultural

Unless urban and territorial action is taken to combat inequalities and climate change and its impact, the massive gains made in the last century will be swept away, worsening the contemporary challenges of poverty, inequality and environmental degradation

expectation and institutional prerequisite for responsive governance. This trend also pervades the current global debate, as the draft of the New Urban Agenda shows.

The necessary shift from an ineffective exclusionary and unsustainable model of socio-economic development to a more sustainable and equitable one is increasingly being referred to as the next 'great transformation'.[5] While limited progress is being made at the global level to define the terms of the next long-term development cycle within the bounds of our planetary capacity, we are seeing – as this report has highlighted – **an encouraging proliferation of sustainability-oriented 'experiments' in urban settlements and territories across the world.[6] The evolutionary potential of these may be just as significant as any agreement at the UN level**. Their spread and scale may be significant enough for them to represent the emergence of a new mode of urban and territorial governance. Specifically, the structural limits of the contemporary global economic model and system have been exposed, along with their underlying unsustainable production, which in turn relates back to consumption preferences and behaviour.

The blight of rising inequality, as opposed to simply poverty, is now firmly on development agendas, and there is a recognition that unless urban and territorial action is taken to combat inequalities and climate change and its impact, the massive gains made in the last century will be swept away, worsening the contemporary challenges of poverty, inequality and environmental degradation. The future of humanity is contingent upon the

way in which urban and local challenges will be addressed. **This is why it is so important to examine what is now emerging within our urban settlements and territories in order to discern the potential dynamics of a new, inclusive and sustainable socio-economic order**. To this end, the evolutionary potential of the present moment needs to be understood for possible transition pathways in the future.

Discussions and policy processes throughout UCLG regions and various local government networks show a strong willingness amongst local and regional governments' leaders to proactively address the deep institutional challenges. This is essential to jointly devise local solutions to complex inter-sectoral problems such as inequality, social exclusion, environmental pressures and changing local and regional economies.

The report's structure and analysis mirror the cross-cutting nature of these issues: how socio-economic informality and marginalization; the lack of infrastructural interconnectedness; and environmental resilience affect metropolitan areas, intermediary and small cities and rural areas. These all pose challenges that local and regional governments must address according to the particular needs and strengths of their territory and communities.

The next section summarizes some of the key issues relating to the different levels of sub-national government spelt out in previous chapters. After a brief reminder of the substantial transformative dimensions of the new global agendas, the conclusions move on to a novel policy perspective. This reinforces the importance of an integrated territorial development approach (TAD) to involve people and local communities. It identifies the different drivers of change that can ultimately bring about the necessary transition for a sustainable future in metropolitan areas, intermediary cities (i-cities) and mixed rural-urban areas. It also refers to the reforms needed in national institutional frameworks and policies to tap the potential of territories. In so doing, it builds on two critical dimensions: the establishment of a new social contract with citizens, founded on the 'Right to the City'; and the appropriate financing of the urban and territorial objectives of an emerging global urban agenda. It concludes, finally, with a series of recommendations for all actors willing to support change, sustainability and inclusiveness in local, national and global governance systems.

3.

METROPOLITAN AREAS, CITIES AND TERRITORIES: MAIN OUTCOMES

The aim of the GOLD IV report is to put local and regional authorities at the centre of the New Urban Agenda, thus strengthening its links with the 2030 Agenda and the Paris Agreement on Climate Change, and translating its normative horizon into practical policies that will transform human settlements, with the involvement of citizens and communities.

In light of this, the analysis moves away from traditional sectoral approaches, favouring instead a broader territorial approach that builds on the vision, experiences and practices of local and regional leaders in charge of metropolises, i-cities, small towns and regions.

Starting with an analysis of the expansion of metropolitan areas that is reshaping the world's urban landscape, the report underlines – in its first chapter – some disturbing contrasts that characterize most of these urban agglomerations.

These are: concentrations of wealth and poverty; strong opportunities but increasing social exclusion; promises of better quality of life versus inadequate housing; congestion, pollution and in developing countries marginalized slums. Metropolises are considered 'engines of growth' and, as such, play a central role in our societies, but have not yet resolved key issues related to governance, democratic management and financing.

Many metropolitan governance systems around the world are in fact being reformed and upgraded. Reforms, however, are rarely flawless and often involve trade-offs on different issues. This experience demonstrates that there is no 'one-size-fits-all' solution.

This being said, the analysis proposes some basic principles that tend to bolster democratic and collaborative metropolitan governance systems. These are: local democracy, accountability, subsidiarity, effectiveness, adequate resources and financing instruments to foster a polycentric and balanced development, as well as 'equalizing' financial mechanisms for more cohesive and harmonized metropolitan areas.

At the core of the main issues for metropolitan areas lies the need for metropolitan leadership that embraces experimental alternatives and seeks new management and cooperation paradigms. Furthermore, leaders need to move from

Metropolises are considered 'engines of growth' and, as such, play a central role in our societies, but have not yet resolved key issues related to governance, democratic management and financing

fragmented sector-specific decision-making to a strategic approach that takes into account the systemic tensions between inclusion, environmental policies and the need for sustained growth.

The report insists on the democratization of metropolitan governance and the need for a larger role for both local organizations and citizens, well beyond formal electoral channels. Indeed, a buoyant local democracy is a precondition for the emergence of a new form of metropolitan governance, able to recognize and mitigate the tensions and contradictions inherent in complex urban societies. It should be supported by clear participatory mechanisms that facilitate the active engagement of civil society, especially excluded and disenfranchised groups, including immigrants.

Although not entirely new or risk-free, the strategic planning approach is presented here as a promising model on which to build such an integrated vision for the whole metropolitan area, linking the different dimensions of urban sustainable development.

It offers an opportunity to plan and decide collaboratively across the many territories that are involved, preserving a participatory approach that includes local stakeholders and civil society. Citizens and their effective participation can ultimately help overcome the asymmetric distribution of power that is inherent in the policy-making arena and the productive ecosystem of metropolitan areas. **Strategic participatory planning can be seen as a powerful tool to move towards the idea of a 'co-creation' of the city.**

Metropolitan areas, often recognized as 'engines of growth', function as drivers of national (and even international) economies by providing critical advantages and externalities to the local and national economies within which they are embedded. Their role has been central to the economic transformation of many emerging and developing countries in recent decades.

These dynamics are closely related to their characteristic quest for competitiveness and to attract investments and international firms, and are fuelled by the financialization of urban economies. The deregulation of financial markets; the appetite of institutional investors for fixed assets; the privatization of public spaces and services; and the securitization of mortgages and municipal bonds, have substantially reshaped metropolitan economies, creating new and entrenched challenges.

As part of these challenges – and as a 'negative externality' of this competitive approach – the report highlights a pattern of exclusionary dynamics (e.g. gentrification and marginalization) that shapes metropolitan areas and leads to unsustainable development pathways.

This could trigger the emergence of a 'two-speed' city, with prosperous areas, on the one hand, and zones with a disadvantaged population, on the other hand (a reality that is structural in the Global South). In this context, one of the biggest challenges facing metropolitan areas today, as highlighted in the report, is how to **combine 'attractiveness' strategies with an agenda that preserves inclusiveness and sustainability.**

Another dimension that is becoming a cornerstone of metropolitan policies is environmental sustainability. To various degrees, cities around the world are contributing to and even taking the lead in environmental sustainability, implementing initiatives in many different areas. This is both individually and through their participation in global networks such as the Global Covenant of Mayors for Climate and Energy.

Although such initiatives have proven successful, the commitment of local governments is often hindered by several obstacles relating to, for example, funding, institutional settings, regulations and legislation, technology and knowledge. As these issues cannot be unilaterally addressed by cities, there is a need for a stronger collaboration framework between all levels of government, the private sector and civil society.

Key dimensions of environmental sustainability and social inclusion need to be

A buoyant local democracy is a precondition for the emergence of a new form of metropolitan governance, able to recognize and mitigate the tensions and contradictions inherent in complex urban societies

addressed within a comprehensive, holistic framework of action. Indeed, the quest for a greener production and consumption system has severely tilted the balance towards the economic side of this 'greening' approach. The de-politicization of the issue – or 'greenwashing' – has focused attention (and resources) on the competitiveness and affordability of the 'green' paradigm, neglecting the social and spatial issues that this may engender at the metropolitan scale.

Metropolitan areas and cities in general face a critical situation when it comes to the provision of housing and basic services. Indeed, as mentioned in the report, across developing countries, there are still 2.4 billion people lacking access to improved sanitation facilities and 1.9 billion people using unimproved or potentially contaminated water sources, many of them in urban areas. There is an urgent need for robust policies that facilitate access to land and housing – most importantly control over land-use and real-estate regulations by local governments. Furthermore, new mechanisms to ensure that the management and delivery of public services is performed in a coordinated manner, striking a balance between inclusion and financial sustainability, are crucial.

In the context of growing difficulties for central governments to preserve their welfare systems, the **notion of local governments – and metropolitan governments in particular – as key actors in the 'regulation' of an urbanized society and pillars of local**

I-cities are still largely neglected by development agendas

democratic quality is becoming more and more central. This is particularly so given their growing responsibilities for the social, economic, environmental and cultural dimensions of urban life.

A review of people-centred approaches, focusing on rights and quality of life at the city level, suggests that the 'Right to the City' approach represents a comprehensive framework to integrate recognized human and social rights for all urban inhabitants with the different expectations and goals set by the SDGs and the New Urban Agenda. This is supported by deeper local democracy and stronger involvement of citizens in the co-production of the city.

In its second chapter, the report focuses on i-cities, which – historically – have contributed significantly to the territorial cohesion and development of their respective regions and countries. This is as regional centres and providers of administrative and social services, conventionally linked to local economic activities. However, despite their demographic (they are home to 20%

Photo: Seba Della y Sole Bossio - Allahabad (India).

Many i-cities have been able to capitalize on their economic, social and cultural relations, elicited by urban proximity and human scale

of the world's population) and territorial relevance, as well as their pivotal role within their national urban systems, i-cities are still largely neglected by development agendas. Meanwhile their role and functions are being challenged in many countries by the transformation of national and global economies.

Indeed, the internationalization of finance and other trade sectors; the growing exposure of national economies to worldwide competition and structural reform, as well as the radical changes in production systems, have subjected i-cities to unprecedented pressures.

The traditional role, location and scope of i-cities in **national urban systems** are being functionally redefined in the context of evolving national and global systems of cities. The pace of urbanization is reshaping traditional systems of cities, which are more networked and less hierarchically based on functional linkages and interdependence. In this context, i-cities throughout the world now face common challenges inherent in the increased asymmetry of performance, both between i-cities and metropolitan areas, and between i-cities themselves. Indeed, many i-cities have developed advanced clusters serving major cities, or evolved into urban corridors that sometimes even straddle national boundaries.

But for others, particularly those located outside or on the periphery of more dynamic regions, the reality is one of stagnation or decline. While capital gains are concentrated in growing urban systems and economically dynamic regions, shrinking cities are being affected by a depreciation of their assets and declining investments. Increasing socio-economic differences between metropolitan regions, i-cities and rural regions contribute to growing inequalities, elicit migration to larger cities, and accelerate the marginalization of peoples and territories – a situation that benefits none of these areas.

As is suggested in the report, tackling this urban dualism requires diversified policies and investment strategies between 'core' and

'non-core' cities, to correct imbalances within countries and regions. **Inclusive national urban and spatial policies are necessary to counterbalance increasing inequalities, promote robust and well-balanced urban systems and enhance territorial cohesion.**

This being said, many i-cities have been able to capitalize on their economic, social and cultural relations, elicited by urban proximity and human scale, developing shorter and more efficient economic flows; supporting local markets and production; and improving inter-municipal cooperation in service and infrastructure provision. They have begun the transition to more knowledge and technology-driven manufacturing and services and have become attractive cultural and touristic centres.

At the same time, other i-cities are struggling to turn their comparative advantages into economic development opportunities. Although there are no simple or immediate solutions to the problems they face, the report highlights a series of strategies that can be turned into leadership opportunities.

For example, fast-growing i-cities in developing regions need to prioritize flexible and integrated urban planning approaches; land-use management (including secure land tenure); and the reform of urban governance systems, financial administration, and basic services. This is to underpin decent living standards for everyone, based on human rights principles.

I-cities that go through structural reforms in the face of economic downturns should focus on re-education and re-skilling; the participation of local communities; strong political and business leadership, as well as embrace innovation and new technologies. In this context, specific policies include: creating a culture of cooperation; promoting effective decentralization; making the transition towards environmentally sustainable models; taking advantage of the ongoing transformation of the global economy; and putting the 'Right to the City' at the heart of the i-city agenda.

As is suggested, although it is difficult to anticipate future scenarios and opportunities for i-cities, changing models of production, consumption and social organization give reason for optimism.

Finally, the report explores the role of territories (regions, small towns and rural municipalities), whose dynamism and sustainability condition the wellbeing of a

Overcoming a rigid rural-urban dichotomy is a precondition for the achievement of many of the SDGs and the New Urban Agenda

significant share of the world's population – including those in urban settlements.

Overcoming a rigid rural-urban dichotomy is a precondition for the achievement of many of the SDGs and the New Urban Agenda. As acknowledged in the process that is paving the way for Habitat III, many of the key components of the New Urban Agenda require, in fact, a wider territorial approach. The involvement of regions, small towns and rural municipalities, therefore, is as critical as that of metropolitan areas and i-cities, to strengthen collaboration and integration along the rural-urban continuum.

The growing relevance of regions has been strongly emphasized in the recent past, as a result of an emerging 'new federalism' as well as 'regionalization' processes within the framework of decentralization. This being said, the decentralization of resources has not always been adequate.

Indeed, the report emphasizes a clear-cut difference between federal and unitary states in terms of sub-national governments' fiscal autonomy and relevance. While regionalization has in fact progressed significantly, the concrete conditions of its implementation – and, in particular, the issues concerning the autonomy, availability of financial resources and capabilities – are in many countries hindering the strength and effectiveness of regional authorities in the fulfilment of their mandate.

To ensure the efficiency and adequacy of decentralization processes, the report highlights the need for an adequate (MLG) framework as the policy-making mechanism of choice for collaborative and integrated development strategies. An enabling legal and institutional environment, with a clear vision of responsibilities and powers for every level of sub-national government, as well as effective fiscal decentralization, are necessary to harness the potential of regional governments.

National and regional development policies are going through major transformations

As mentioned, national and regional development policies are going through major transformations, having to adapt to the growing relevance of regions; respond to the pressures of the global economy, and integrate consistently into reformed national institutional frameworks.

As intermediary between national and local levels of government, regions can clearly benefit from leading and coordinating territorial development strategies more efficiently. There is a growing global trend towards the regionalization of development strategies, both in federal and unitary countries. While in federal countries, the role of states and regions in regional planning is more consolidated, in unitary states, it is more variable – from very active to passive – and often more limited (because of financial constraints). In many countries, however, the inconsistency of decentralization policies and limited local capacities hamper the potential of regional governments in shaping development strategies.

The policies that have emerged since the end of the last century to support sub-national economic development are, however, increasingly place-based, and revolve around 'regional endogenous development' and competitiveness. These new approaches tend to address and bolster the emergence of proactive and dynamic regional actors, able to mobilize local assets and tap into unexploited local potential.

The report highlights the fact that opportunities for growth exist in all types of regions, and that localized approaches improve territories' resilience in the face of a volatile global economy, and lead to a more equitable distribution of the benefits of economic growth, both within and between territories.

As regards the role of regional governments in environmental policy and protection, the relationship between regional and sustainable development has grown all the more apparent throughout the process of definition and negotiation of the different UN development agendas. As we have seen, regional governments are responsible for the design and implementation of laws and policies in sectors that are essential to environmental sustainability.

Most climate change effects take place at the supra-local level. Sub-national interventions are usually more adaptable to the geographic (e.g. ranges, valleys, hydrography) and biological (e.g. the different habitats and ecosystems) components of a territory. Thus, the environmental commitment of sub-national governments has often been hindered by a lack of adequate support from central government.

As suggested in the report, the linkages and interactions between the 'rural' and the 'urban' have become increasingly strong. As the relationship between urban and rural areas evolves, the borders between urban and rural areas are becoming increasingly blurred, as the two become ever more interdependent.

As a consequence, there is a need to revise the long-established classification of all human settlements as 'rural' or 'urban', since this rural-urban dichotomy tends to undermine – rather than support – households and businesses in smaller towns.

Emerging approaches to rural-urban partnerships demonstrate the opportunities for sustainable development that exist outside large urban centres. Rural-urban partnerships are essential to mobilizing actors and stakeholders from involved communities, engaging them in the achievement of common goals and a shared vision and, at the same time, providing the necessary institutional, political and economic resources.

Such partnerships have a direct impact on regional development as galvanizers of participation. Moreover, they have an important role to play in the governance of regional and rural-urban relations. Successful partnerships address the effectiveness of existing policies and governance institutions and the potential benefits of these for their communities.

The broad territorial approach adopted in the report has enabled the identification of a **series of cross-cutting concerns** that are highly relevant across all territorial units (i.e. metropolitan areas, i-cities, territories). Through an in-depth analysis of contemporary development challenges, the report suggests the fundamental need for a paradigm shift in national development strategies, revising top-down approaches to move towards

more 'territorialized' and partnership-based approaches.

The report calls for better coordination between national, regional and local policies to strengthen the value of interconnectedness and cooperation – rather than competition – between territories, metropolitan areas and i-cities.

As argued throughout, more cooperative relationships between different levels of government and territories – as the basis of a more integrated and balanced urban system and territorial cohesion – can only be achieved through a radical transformation of our governance culture. This is a notion that needs stronger consideration in the New Urban Agenda.

Even if MLG is a necessity that can benefit local and regional governance in a number of ways, it carries certain risks. MLG should be seen as a **complement, and not an alternative, to a better, more autonomous and ambitious self-government for regional and local authorities**. An adequate MLG framework would ensure that decentralization processes are as efficient as possible.

However, this model should respect some basic principles – **subsidiarity, local democracy and autonomy** – to guarantee that regions and local governments are self-reliant, interdependent and co-responsible for decisions that directly affect their communities and territories.

In most countries, an ongoing 'democratic transition' is eliciting administrative and fiscal territorial decentralization; strengthening the role of local governments; and supporting democratization through participative democracy and innovative city governments.

However, across the whole territorial spectrum, governance reforms have delegated an increasing number of responsibilities to elected local authorities, often without dedicating commensurate resources and powers to them to adequately fulfil their mandate and tap into their respective comparative advantages.

When it comes to local economic development, the advent of the 'third' industrial revolution, based on new digital technologies and in which agglomeration factors and economies of scale have a much lower importance, could diminish the 'tyranny' of mass production and reward economies and societies built on proximity rather than distance, and human needs rather than mass consumption.

The 'Right to the City' approach can be the foundation of a 'new social contract', leading to societies that are more democratic, sustainable and inclusive

The expansion of the service sector, including direct services to the consumer, and the growing integration of different stages of the product cycle (especially production, use and maintenance), are creating new market opportunities for certain functions that could either be better performed locally or traditionally carried out in a household environment (e.g. eldercare, early childhood care). The pace and scale of change gives rise to untold opportunities in our ever-transforming societies.

There is an overall and urgent need to find alternatives that enable us to **simultaneously promote a prosperous economy, social inclusion and environmental sustainability**. In this regard, the report proposes a series of steps. These include: taking advantage of the ongoing transformations of the global economy, in order to support a model of open innovation and place-based factors and foster improved job creation and economic opportunities; imagining an 'open' and inclusive urbanism that avoids marginalization; facilitating universal access to basic services and urban mobility; and promoting effective financing models to counterbalance the financialization and commodification of urban economies, as well as the volatility of the land market.

In many places, such dynamics and tensions have prompted the demand for a 'Right to the City', the claim for a collective space in which residents can directly participate in the creation of the city they aspire to. In fact, as suggested in the report, the 'Right to the City' approach can be the foundation of a 'new social contract', leading to societies that are more democratic, sustainable and inclusive, and in which cities and territories are co-created and co-managed by the people that live in them.

4.

GETTING READY FOR THE TRANSITION TOWARDS A SUSTAINABLE URBAN AND TERRITORIAL AGENDA: KEY CONCEPTS

The SDGs, Paris Agreement and New Urban Agenda represent a vital new international development consensus that recognizes that economic growth must be sited within the bounds of environmental sustainability, while at the same time be more inclusive so as to reverse inequality and foster cultures of peace-building and cosmopolitanism.

All these imperatives are extensions of the fundamental rights established in the 1948 Universal Declaration of Human Rights. Figure 1 provides an overview of the three primary components of these new development agendas, embedded in a commitment to realize and preserve human rights across the world.

Figure 1 **Dimensions of sustainable and integrated development**

Source: Adapted from Pieterse, 'Recasting Urban Sustainability in the South'
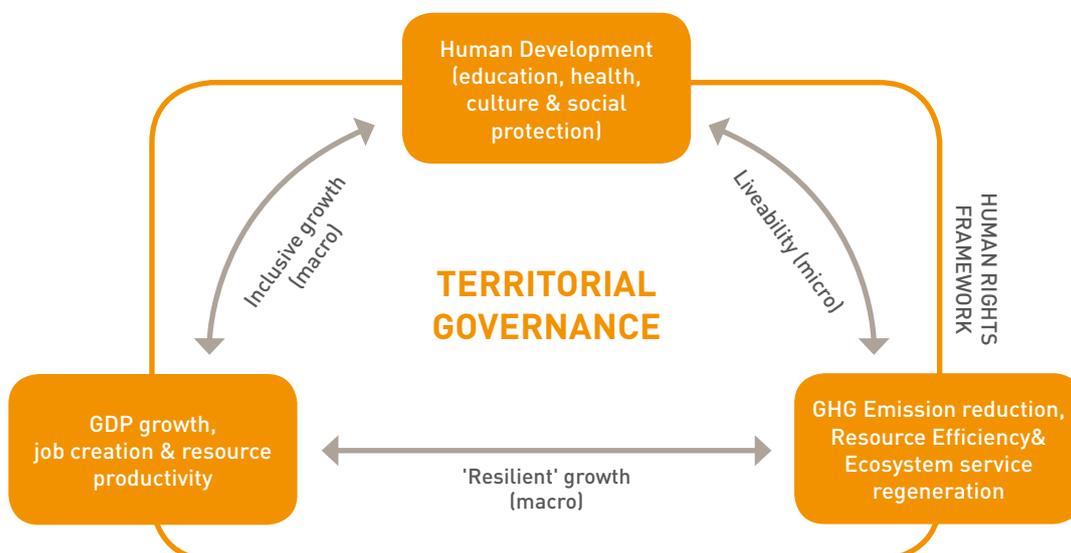
Human development

At the heart of the new development agendas are people and their capabilities, cultural rights, identity and wellbeing. The evidence is irrefutable that the quality of life of nations and cities cannot be improved sustainably without substantial investments in people's rights, livelihoods, dignity and universal access to essential services like education, health and social protection. As stated in the SDGs, 'no one should be left behind'. Social protection measures should be adopted in all countries, and particularly the less developed among them where socio-economic vulnerability and the challenge of resilience and sustainability inevitably affect the poorer and more marginalized majority.

Inclusive economic development

As signalled in Goal 8 of the SDGs, economic growth is a precondition for development. The quality of this growth, however, needs to fundamentally change so that it is inclusive, generates employment opportunities, while also reducing environmental impact through the dematerialization of value chains.

Over the medium term, national, regional and local governments will have to become proactive in fostering sustainable growth coalitions that actively seek to incubate, nurture and promote inclusive and sustainable economies, businesses, clusters and innovation systems. **Local governments will need to play a catalytic role in the sustainable economy by adopting, for example, an inclusive and dynamic approach to infrastructure investment**. This is consistent with Goal 9 of the SDGs (for resilient infrastructure, inclusive and sustainable industrialization and innovation) and Goal 11 (for inclusive, safe, resilient and sustainable cities and human settlements).

Environmental sustainability

Environmental constraints demand a fundamentally new approach to the relationship between the natural, economic and social worlds to reduce the quantum of GHG emissions and ensure the regular regeneration of our ecosystems. This demands a radical reduction of natural resource consumption per unit of economic output. **The implication for production and consumption is clear, and has a profound effect on how settlements occupy territory and interact with natural systems**. Four systemically interrelated interventions and

As stated in the SDGs, 'no one should be left behind'. Social protection measures should be adopted in all countries

experiments are emerging in cities around the world. If implemented in an integrated way, they can result in highly resource-efficient urban outcomes: sustainable energy, including radical resource-efficient transformation of vehicles, infrastructures, buildings, and factories; spatial restructuring of the urban morphology to achieve greater densities – and a richer mix – of housing, jobs and amenities at the neighbourhood level; human-scale sustainable design that creates conditions for 'soft' mobility (pedestrianization, cycling) at the city-neighbourhood scales, and for 'passive' heating, cooling and lighting at building level; promotion of sustainable behaviours, promoting waste recycling awareness, the use of public transport, walking, cycling, urban food growing, changing diets, and the creation of parks, among many others.

Human rights

All development policy frameworks operate within the norms and values of the many international conventions that exist on human rights. These frameworks can be seen as the legal and political interface that mediates the potential trade-offs and tensions between economic development imperatives, requirements of equity, and the environment. A policy framework aware and respectful of diverse human rights, is one that resonates with the recent spatial articulation of rights through **the 'Right to the City'** global movement. This report analyzes extensively the positive impact that the values and objectives enshrined in the 'Right to the City' can have on cities and territories as living ecosystems.

On the global stage, there is renewed policy clarity on what needs to be done: the SDGs, the Paris Agreement and the New Urban Agenda crystallize this awareness. However, very few actors have a clear idea of how to transition from the *status quo* to this much-awaited 'new normal'.

In most cases, the new responsibilities of sub-national governments have outweighed their financial capacity to meet them

It is under the aegis of adaptive experimental modes of urban governance that cities and territories can become the laboratories of the future

Long-standing vested interests; the weakness of global governance institutions to leverage compliance; scarce coordination in promoting the necessary changes so as to not jeopardize economic competitiveness, are all constraining the global agenda and limiting the manoeuvrability of committed actors. The imperative is to foster both the institutions and a clear agenda for implementation. The major challenges ahead can only ultimately be met by effective action.

Governance for a sustainable transition

As emphasized in previous chapters, decentralization of powers and functions to sub-national levels has been a general trend across many regions since the post-1970s period of globally uneven economic growth.[7] This, however, has not always been complemented by a commensurate level of funding. In most cases, the new responsibilities of sub-national governments have outweighed their financial capacity to meet them. To respond to this situation, local and regional leaders across the world are experimenting with many alternative modes of urban and territorial governance. This trend is likely to continue well into the future, as these leaders search for decisional models and institutional designs that allow them to take on the challenges and

complexity of the emerging urban landscape. The chapters in the report have analyzed in detail the emergence of consultation-based, collaborative governance models in many metropolitan areas – and, in particular, the role that civil society and its organizations can play in the creation of a more transparent, participative and inclusive governance (see also the chapter on Metropolitan Areas of the full report).

At the core of adaptive governance reform is a commitment to experimentation and innovation. An urban experiment should be '[a]n inclusive, practice-based and challenge-led initiative designed to promote system innovation through social learning under conditions of deep uncertainty and ambiguity'.[8]

It is under the aegis of adaptive experimental modes of urban governance that cities and territories can become the laboratories of the future, and the hallmark for the current global transition towards sustainable and inclusive development.

Two patterns have so far emerged. The first is a peculiar 'algorithmic' urbanism that backs the ever more common 'smart city' agendas. This is a perspective that has attracted massive investment but also criticism as a corporate-thinking greening of splintered urbanism, and is advocated and adopted all over the world. The second is a more heterogeneous and creative urban experimentalism, committed to city-wide and open-source inclusiveness, with specific attention to cooperation and rural-urban co-existence.

Local and regional governments have an important role to play in stimulating and supporting urban and territorial innovation which embodies and commits to the principles mentioned above. Transitions towards a more sustainable and inclusive future, however, are different in each context. **The narratives that drive urban and territorial transitions are a product of different power relations and understandings of what needs to be transformed, how and why**. There is no single best practice, political strategy or universally applicable formula that leads to a seamless, incontrovertible transition to a better sustainable urban future.

In the next section, we explore some of the substantive elements (and challenges) of these dynamics.

5.
A TERRITORIAL PERSPECTIVE ON A NEW DEVELOPMENT AGENDA

The relevance of sub-national territorial units in development policy has increased significantly in past decades, partly as a consequence of globalization processes that have accentuated and galvanized their centrality.[9] As argued in the chapter on Territories and Small Towns, 'globalization is progressively increasing the importance of regional processes and the role of local actors in shaping development trajectories'.[10]

These phenomena are taking place within the framework of decentralization and regionalization across all world regions. This has reinforced the role of metropolitan areas as 'engines of development', redefined the functionality of i-cities as nodes of territorial development, as well as the role of regions in taking a more proactive role in development strategies.

These trends create conditions to promote a paradigmatic shift in the approach of national development strategies. The concept of a **territorial approach to development** (TAD) is emerging as an operational tool to boost endogenous, integrated and incremental growth strategies at local levels that reconcile human and sustainable development.

Chapter 3 of the full report posits TAD, focusing not just on the origins and different applications of the concept, but also its prospective role in the emergence of coherent regional planning and development strategies worldwide. This is so as to empower sub-national governments and take full advantage of their proximity to territory. TAD is instrumental to supporting the transition towards a sustainable future that could only be achieved with the **strong involvement of people, local communities and institutions to co-create their cities and territories**.

This process should be activated by the construction of broad local alliances of actors founded on a **shared vision** that triggers a set of **levers of change**. This vision is consistent with the goals of empowered local governments and inclusive local communities advocated throughout the report.

It builds on a simple thesis. Irrespective of whether it is highly developed or socio-economically constrained; serves an array of complex functions for a whole metropolitan area, or is a small town between rural and urban environments, a city can be conceptualized as being constituted by different interdependent **operating systems**.

These act as key levers of change: governance; infrastructure and services; economic development; social and cultural assets; and planning. Inclusive growth and social and environmental sustainability should be mainstreamed throughout all these operating systems.

This conceptualization (see Figure 2) allows policy-makers and all urban and territorial stakeholders to have an overview of the policy actions needed to promote

Figure 2 **Interdependent territorial operating systems**

Source: Pieterse, 'Building New Worlds'

Local Social Infrastructure: Education, health, food, housing, public space, spirituality, culture & sport

[SUSTAINABLE] INFRASTRUCTURE

Regional Bio-Physical Infrastructure: Energy, water, waste, sanitation, transport, roads, ICTs, eco-system services

[DEMOCRATIC] GOVERNANCE & POLITICS

[RIGHTS-BASED] SOCIO-CULTURAL DYNAMICS

[INCLUSIVE] ECONOMY

[JUST] SPATIAL FORM & ENVIRONMENT

Formal competitiveness integrated with informal, livelihoods, social & the green economy

Land markets and use: compact, mixed-use, integrative & public-oriented

endogenous development, inclusiveness and environmental sustainability, as defined in and pursued by the new global agendas.

Lastly, after a brief analysis of each of these levers, the section addresses strategic planning as a holistic and powerful approach to create local coalitions of stakeholders and align operating systems on a truly transformative path.

Governance operating systems

Governance denotes the full range of institutions and actors enrolled in a variety of processes to manage the affairs of a given territory. Governance is distinct from government in that it pertains to the 'relationality' between elected and administrative governmental entities and organizations within civil society and the private sector.[11] A governance operating system is co-constituted by the infrastructure, economic, socio-cultural and planning operating systems described below.

As previous chapters illustrate, layers of MLG organizations constitute the local and regional government institutional arena. The increasing complexity of the urban and regional landscape – metropolitan regions, urban corridors, metropolitan areas, i-cities, supra-municipal institutions, small towns

and regions – calls for a particular focus on MLG in order to ensure spatially balanced and polycentric development.

Certainly there is a friction between the urban phenomenon and regionalization process to have characterized the 21st century. This has challenged the capacity of existing institutional frameworks to support new forms of interaction and make them evolve towards a multilevel, collaborative or 'shared' governance approach.

Sub-national governance systems are anchored in local and regional governments that should ideally fulfil a leadership, agenda-setting and mediating role amid competing priorities and interests. The starting point for effective local government should be the criteria established in international guidelines on decentralization and strengthening of local authorities, adopted by the UN-Habitat Governing Council in 2007.[12]

As has already been stated, democratic and collaborative urban and territorial governance systems should always rest on local democracy and subsidiarity and be granted adequate capabilities and resources to set up 'equalizing' financial mechanisms and foster solidarity within cities and territories – a plea for which is made repeatedly throughout the report.

This is a necessary precondition to transform the operating systems of urban settlements and territories in the direction of integrated and sustainable development as envisioned in the SDGs and to ensure sub-national capacity to promote the 'Right to the City'.

Governance systems should ideally be complemented by a variety of participatory mechanisms that allow citizens and collective interest groups (community-based organizations and social movements) to play an active role in local and regional affairs.

Both of these domains – representative democratic processes and participatory governance – can be enhanced to ensure transparency and accountability and improve the quality and responsiveness of sub-national governments. The need to support a heterogeneous and proactive civil society will be further analyzed within the strategic planning approach – since strong local coalitions moulded by a shared vision are essential for genuinely shared governance. This will also be addressed further on in the discussion on the establishment of a new social contract in cities and territories, a principle that strengthens the SDGs, the Paris Agreement and the New Urban Agenda, and in turn the impact of their objectives.

Infrastructural operating systems

Social and economic life cannot function without flows of energy, water, transportation, waste management and data through human settlements. These constitute the socio-technical metabolism of settlements. Expert knowledge accumulated over the past century about how to manufacture, install and operate large infrastructure has been premised on a number of assumptions. These are: i) fossil fuel energy sources are infinite or, at least, sufficient for a certain level of development; ii) space needs to be designed around the needs of mobility and, during the last century, a car-based understanding of it; iii) the state has a duty to ensure the roll-out of universal infrastructural grids that could optimize economies of scale and achieve the ideal form of modern urban spatial organization, while preserving the universality principle for access.[13]

The first two assumptions have had a profound effect on the spatial form of human settlements, which are increasingly marked by sprawl and extensive land use.[14] The last is being more and more questioned by public goods commodification trends. **The new** global agreements and agenda represent a growing awareness of the obsolescence and negative effects of the premise upon which infrastructural development was built.

As mentioned before, towards the end of the 20th century, the commodification of public assets favoured the emergence of a 'splintered urbanism' and fragmented infrastructural investments. This produced a growing spatial fragmentation, social exclusion and dramatic inequality in access to infrastructures.

This trend, which started three or four decades ago, has now produced a profound crisis in infrastructural provision, coverage and maintenance, which is particularly serious in developing countries. These features have worsened because of real-estate trends over the last two to three decades that encouraged gentrification processes in many cities. Shopping mall-centred, retail-driven commercial hubs contribute to these trends, further exacerbating the splintering effects of privatization of infrastructures and the public space.

In the context of the SDGs, the New Urban Agenda and climate change mitigation and adaptation imperatives, it is more urgent than ever to revise these trends and adopt an alternative approach. The market-driven, fragmented infrastructure model is now seriously in question and, in many contexts, already deemed unsustainable in the short term.

As the report argues, considering the city-wide and regional scale of network infrastructure systems, the complex institutional implications of such a paradigmatic shift require national governments, agencies and sub-national governments, as well as their communities,

Shopping mall-centred, retail-driven commercial hubs contribute to these trends, further exacerbating the splintering effects of privatization of infrastructures and the public space

The primary challenge facing local governments is to understand the economic forces and dynamics that shape their territories

to collaborate and produce joint, co-owned and properly sequenced reform plans. State oversight is essential but also requires the strong involvement of and ownership by sub-national governments and local communities for a more balanced urban and territorial development. This process needs to build on polycentric approaches, to avoid extreme polarization in urban systems and the marginalization of peripheral territories in the quest for better, inclusive and efficient infrastructure development.

Economic operating systems

The economic operating system involves the production, consumption and market structure that allows for the exchange of goods and services. This spans formal and informal institutions and usually supposes a degree of coordination or interrelationships between them. This is particularly important since formal economic systems across the Global South, for example, absorb less than half the available labour force.[15] The rest live off the informal economy or are at worst completely disconnected from any gainful economic activities.[16] In the broader context of an ever-deepening global integration of national economies and value chains, it becomes more difficult for national and sub-national governments to protect jobs, provide support to the working poor and create employment. In the current system, such actions are paradoxically perceived as undermining competitiveness.[17]

Local and regional governments already spend significant time and effort on local economic development strategies, competitiveness ranking, reducing the cost of doing business, and so forth. As argued in the chapter on Metropolitan Areas, by thinking about the economic system in more dynamic multi-dimensional terms as the outcome of vertical and horizontal coordination, it

becomes possible to explore how to reconcile the imperative for growth with a deeper understanding of the interconnection of formal, social, collaborative and informal economic practices.

The primary challenge facing local governments is to understand the economic forces and dynamics that shape their territories. Only then can they build an agenda on how to best use the routine investments and regulatory powers of the state to promote the transition from an 'extractive' economy to a sustainable one.

At the heart of this agenda is a new focus on the promotion of resilient infrastructures and more labour-intensive forms of service delivery, especially in low-income countries, as explored in more detail below.

Socio-cultural operating systems

As highlighted in various sections of this report, **social policies and infrastructures should be at the heart of urban and territorial development strategies. This is essential to guaranteeing inclusiveness and a 'citizenship rights' approach**.

Decent housing; basic services delivery (e.g. water and sanitation, transport, etc.); and education and healthcare facilities, should be a strategic priority, also acknowledging cultural identity and amenities as anchor points for the wellbeing of a thriving community.

Complying with a people-centred and people-driven vision of the SDGs, cities, towns and regions everywhere should reconnect infrastructure nodes with community life; promote gender equality to protect women's rights, child and youth development, and eldercare; support ecosystem regeneration through the enhancement of open space systems operated by local community organizations and other micro-economic activities; and preserve the social clustering elicited by neighbourhood improvement, slum upgrading, mobility, education, health, sport and recreation.

The chapters on Metropolitan areas and I-Cities strongly focus on the right to housing, universal access to basic services, and culture, and argue that these basic rights are as important for a fully-fledged citizenship as the right to education, health and social protection. Although not all local and regional governments have direct responsibility for all these essential dimensions (they are often shared domains with central government), they are part of a broader approach built on social and human rights, endorsed by the UN,

to ensure an adequate standard of living.[18]

Current economic trends tend to reinforce and exacerbate social and spatial inequalities, and deepen the marginalization of various groups in the city, actively eroding the prospect of their rights being fulfilled. As mentioned in the full report's chapter on Metropolitan Areas, if these issues are not adequately addressed, two out of five urban dwellers will not have access to decent housing and adequate basic services by 2030, and will have to resort to informal settlements.

With regards to culture, **the co-creation of cities and territories requires the strong involvement of citizens in culture and creative activities, in a way that respects and celebrates citizens' diversity and promotes togetherness.** The transition to an inclusive and sustainable society depends also, if not primarily, on a cultural revolution that can drive the demand for more sustainable production and consumption.

This is why UCLG, in conjunction with UNESCO, in the run-up to the 2012 World Summit on Sustainable Development, called for the inclusion of culture as the fourth pillar in the sustainable development model first endorsed at the Earth Summit in 1992.[19] Ultimately, culture shapes what societies and citizens understand by development and determines how people act in various settings, be they familial, community, social networks, city and/or nation.

Planning and land-use operating systems

Planning allows cities to make their own growth expectations compatible with the preservation and valorization of their economic, social and environmental assets. As emphasized in the previous chapters, planning is a key instrument to manage urban and territorial development, social inclusion, environmental sustainability and functional diversity. This is by revitalizing the public space; rationalizing mobility and local infrastructure; organizing non-urbanized land; and taking advantage of key resources, such as historical heritage and the natural environment. The SDGs and the New Urban Agenda devote considerable attention to 'participatory and integrated planning' to build inclusive and sustainable cities (SDG 11.3).

With regards to land management, given the centrality of land markets in urban development, **it is crucial that local governments adopt clear and effective laws and regulations to mediate the functioning of**

such markets. Moreover, they need to counter the emergence of intense socio-spatial gaps and inequalities usually associated with social fragmentation and sprawl-based development patterns. However, local and regional governments do not always have the necessary political or institutional capacity to engage markets so that the institutions and actors that currently control them are oriented towards a more sustainable path.

Realizing the right to housing, sustainable and integrated human settlements demands a very different approach to land-use and land-value capture. For instance, land use in conditions of scarce availability must be optimized through densification and use multiplication, in order to foster stronger economic and social synergies and positive agglomeration dynamics.

Furthermore, the regeneration of natural systems, especially ecosystems, should be central to the repurposing of land uses, to ensure optimal integration between natural and built environments. In most societies, land also has an important cultural significance. By dealing with claims for land justice and restitution, access to land can become an important driver of the social recognition and inclusion of historically marginalized groups.

The land-use operating system will prove particularly important in ensuring the viability of local finance-raising strategies. The material application of the New Urban Agenda, moreover, will be accelerated through the 'smart' calibration of renewable energy systems; intelligent mobility systems; sustainable economic clusters; mixed-use precincts; all underpinned by regional innovation systems. These investments will impact land markets significantly, while offering an unprecedented opportunity to optimize land-value capture instruments and further finance the urban transition towards sustainability.

Wherever local authorities have the power and capacity to deploy land-use management instruments, they can greatly improve the public resources at their disposal

It is impossible to enhance the social value of land – as required by the 'Right to the City' – without rigorous spatial analysis

Wherever local authorities have the power and capacity to deploy land-use management instruments, they can greatly improve the public resources at their disposal through smart taxation instruments – reaping the benefits of land-value increases due to public investments and strengthening planning and market regulation. The complex implications and conditions that refer to the financing of these levers of change are examined in detail in Section 8.

Strategic planning: a powerful governance lever for an integrated approach

At the apex of the local and regional governance planning system is a long-term **integrated development strategy**. This is to put into practice the structural transformation envisaged in the SDGs and the New Urban Agenda, within a 15-20-year timeframe.[20] As emphasized in previous chapters, local and regional leaders need to move away from fragmented sector-specific decision-making to a more **strategic approach**. This must take into account the systemic tensions between inclusion and sustainability, and the necessity of economic growth.

Strategic planning, as argued throughout the report, is a powerful way to engage institutions, businesses, community bodies and citizens, as well as other levels of government, in a common project about governing cities and territories. Regions, cities and metropolitan areas are building experience in strategic planning to create consensus and foster strong local coalitions in support of a long-term vision for all stakeholders. Their agreement and cooperation on *status quo* conditions and future prospects and trajectories is pivotal to defining what needs to be done in the short, medium and long term.

Strategic plans should be founded on a holistic understanding of demographic and environmental changes, economic structure, labour market shifts, and the operating systems (both formal and informal) active

in a given area. A strategic plan should be supported by an **integrated infrastructure plan** and the above-mentioned **spatial development plan**: if consistently integrated, these can generate a land-use regulation approach that enables innovation, integration and value generation for public interest (see Figure 3).

None of these instruments – the life cycles and effects of which span several decades – can be meaningful, credible or robust unless they are produced by local authorities with substantive engagement from non-state actors and other tiers of government.

Transitions towards a more socially inclusive and sustainable economy will depend on the extent to which strategic plans secure a number of profound infrastructural shifts. This needs to be combined with an effective human capital (i.e. education) strategy for the local authority area. For example, as developed in the full report's chapter on Metropolitan Areas, local governments should consider renewable energy systems that blend grid infrastructure networks, decentralized mini-grids and off-grid generation capacity when those are the only affordable options.

This potentially transformative trajectory will require coordinated infrastructure planning; aligned fiscal investments; the encouragement of renewable energy firms and social enterprises (including informal sector economy); training and support systems to allow new technological approaches to mature and find social and cultural resonance. Similarly, transforming local mobility systems to ensure inter-modal operability for consumers will go a long way to make local areas more fair, accessible, socially diverse and efficient.

This is all the more true if these strategies are combined with an expansionary focus on efficient and affordable public transport, and coordinated with micro-entrepreneurs and the informal sector. These plans should deploy new infrastructure and planning regulations to support non-motorized mobility. The effectiveness of these actions, moreover, can be enhanced if these participatory dimensions take place within an actual MLG architecture that is both horizontally and vertically integrated.

Spatial plans should not be conceived as traditional master plans or blueprints, but rather as a landscape analysis of land uses, histories, heritage values, cultural norms, natural systems (even disappeared

Figure 3 **Institutional elements of developmental local governance**

Source: Adapted from UN-Habitat and UNECA, Towards an Africa Urban Agenda
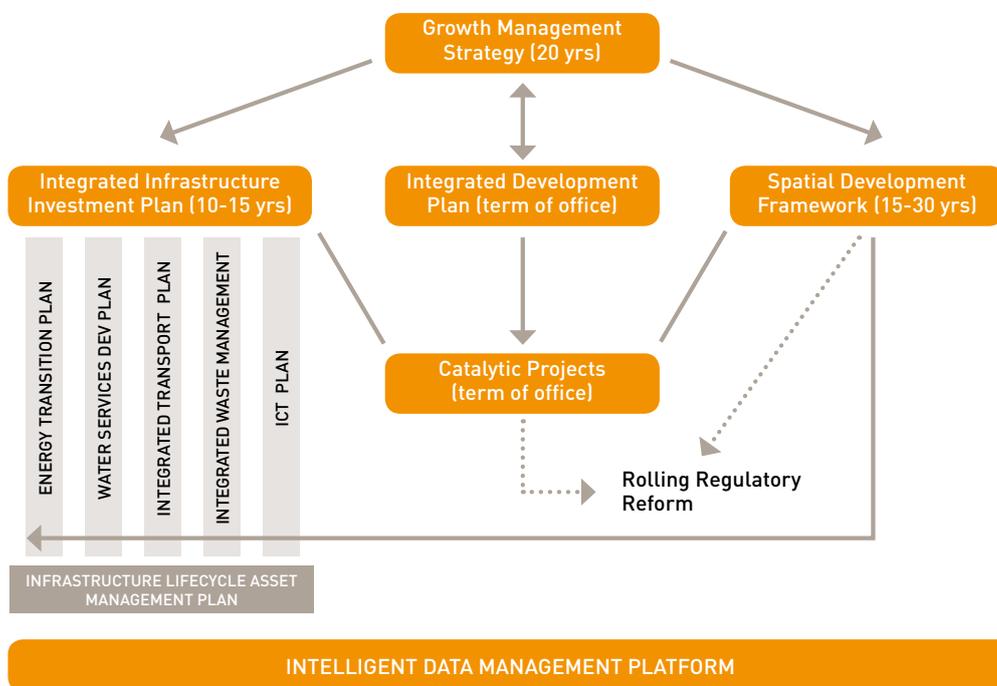
or degraded ones). They should of course consider the built fabric and extent to which it contributes to common, public spaces, and democratic public life.

It is impossible to enhance the social value of land – as required by the 'Right to the City' – without rigorous spatial analysis. In fact, engagement with the spatial dynamics of a city is an effective way for citizens and communities to energetically engage with the dynamics of their micro-environments at a neighbourhood scale.

It also provides important entry points to analyze and discuss the imperatives of spatial justice by looking at how various parts of the city, towns and territories have access to infrastructures and services, economic opportunities and social and cultural assets.

These policy tools empower elected local authorities not only to formulate plans for their term of office, but also to shape a portfolio of catalytic projects that contribute to a longer-term transition narrative. Of course, not all strategic plans are successful in either formulation or implementation. Development priorities are contested, and there is a risk that certain governmental or corporate interests

negatively affect or jeopardize meaningful citizen participation.

The range of services and actions of most local authorities are often too vast and too dull to meaningfully engage citizens and media. In the contemporary media-driven polities of our era, it is vital for local authorities to co-generate a compelling narrative about the identity and future of a city, region or town. This discourse needs broad-based public support and legitimacy. On the one hand, a few high-profile projects that are vested with a lot of political and symbolic capital are perhaps the easiest way to generate this kind of consensus-driven approach.

They are often the source of useful resources for local and regional political leaders and contribute to building unity and common purpose in a community. These catalytic projects, on the other hand, should not be based on sheer self-promotion or place marketing. Strategic planning can only be truly effective and radically change the prospects and development trajectories of a community when it provokes imaginative responses to local structural problems and reflects the cultural ingenuity of local creativity, talent and solidarity.

6.

NATIONAL URBAN AND TERRITORIAL POLICIES: IMPERATIVES OF MULTILEVEL SHARED GOVERNANCE

As argued in the report's chapter on Territories local action is already half the institutional story. To support the paradigmatic shift towards TAD, urban settlements and territories also need vertical alignment and coordination with other tiers of government. If national sustainable development is to succeed, a massive cultural and institutional transformation is required to replace traditional, nationally-driven, top-down public policies and sectorally-segmented plans. This is in favour of a more coherent, polycentric and distributed model that harmonizes national priorities and frameworks with local and regional expectations and initiatives.

MLG frameworks acknowledge that there are numerous interdependent actors with an interest in the functioning and future prospects of a given area, town, city or region. Both the horizontal and vertical dimensions of the MLG system can typically be analyzed from a sectoral perspective (e.g. health, transport, energy, housing, among others). However, given the high degree of interdependence between urban sectors, as well as rural and urban environments, high-performance territories must build on cross-sectoral mechanisms for coordination.

As Chapter 3 on Territories shows, different levels of government will inevitably have overlapping roles, functions and responsibilities. There is no one-size-fits-all model, and what gets devolved, how and to whom, is a very specific feature of each individual sector. The final outcome is not a well-ordered picture consistent with a conventional hierarchical structure, but rather a fluid, variable mix that needs to be constantly (re-)negotiated and facilitated.

This section sets out how the new multilevel architecture can function to deliver on the SDGs and the New Urban Agenda. In keeping with the overarching thesis, it sets out the generic elements of a multi-actor local governance system that serves as the primary driver of national mechanisms, which are discussed later.

Multilevel governance (MLG): national dimensions

Urban and regional strategic planning frameworks also have huge repercussions for the way in which a country plans and defines its overall development policies. Strategic planning at the local level affects (and should contribute to) the development of comprehensive national urban and rural

policies, national regional and spatial plans, and sustainable national infrastructure investment programmes.

These are all key components of what the UN prescribes as a national sustainable development strategy (NSDS). The NSDS is a core recommendation of 'Future We Want',[21] the outcome document of the 2012 United Nations Conference on Sustainable Development, and builds directly on the proceedings and results of the 1992 Rio Summit (see Figure 4).

These mechanisms oil the wheels of vertical MLG systems: national governments, through regular dialogue with other tiers of government, foster negotiation across the national territory. **They also institutionalize a bottom-up national planning and coordination system that supports the achievement of the SDGs and enables an effective flow of national resources to local and regional levels.**

Because of patterns of uneven development across national territories, ongoing negotiations about differential investments and support will need to be conducted to ensure the overall territorial system moves towards the goal of a balanced development rooted in place-based specializations and complementarities. This indicative framework provides the minimum institutional requirement to make MLG work in practice. However, as argued in the full report's chapter on Territories:

'[M]ultilevel governance (MLG) is the policy-making mechanism of choice for integrated, collaborating and networked territories, local and regional governments. Furthermore it can bring about a number of beneficial effects for local governance but is hindered by certain persistent risks. It is not ultimately a neutral concept. Its quest for integrated concertation and efficient policy-making can be at odds with local and regional authorities' demand for democratic legitimacy or more relevant inclusion in traditional top-down policy-making logics – a goal that is more resonant with federalist ambitions'.

The need for a strengthened MLG framework is a view shared by the emerging global consensus. The SDGs reflect the spirit of the broader sustainable development agenda enshrined in the 1992 Rio Summit. The outcome of that event was Agenda 21, which established the normative and programmatic framework for the role of nations or countries in sustainable development.

Chapter 8 of Agenda 21, in particular, calls on countries to adopt their NSDS, building upon and harmonizing the various sectoral economic, social and environmental

Figure 4 **Enabling national institutional mechanisms**
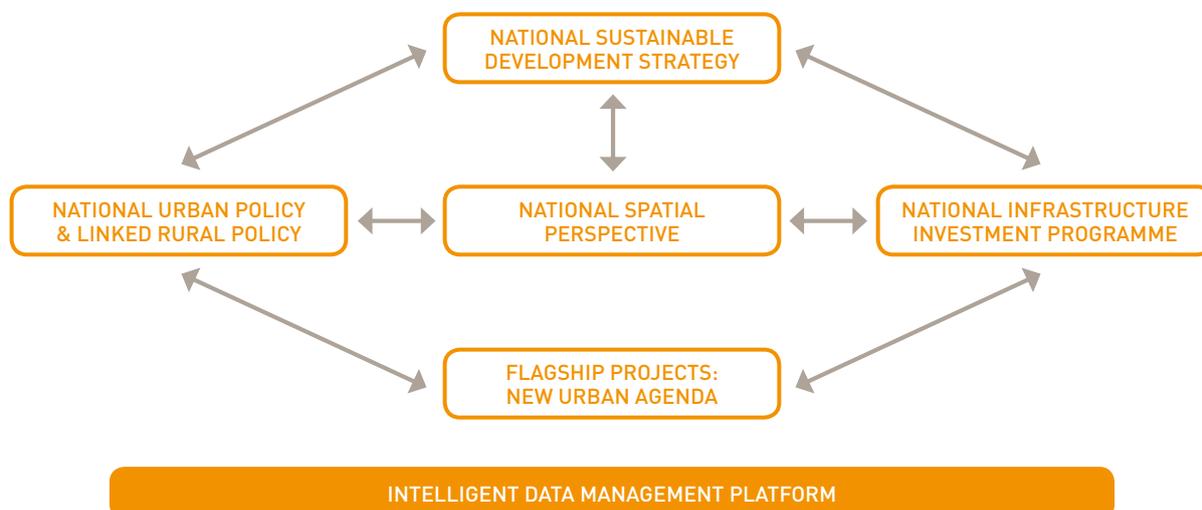
National development strategies should be defined in a coherent and coordinated manner with national urban, rural and spatial policies, and regional infrastructure investment strategies

policies and plans that are operating in the country. Paragraph 21 of the 2030 Agenda Resolution, moreover, acknowledges 'the importance of the regional and sub-regional dimensions, regional economic integration and interconnectivity in sustainable development. Regional and sub-regional frameworks can facilitate the effective translation of sustainable development policies into concrete action at national level'.[22] As these global reference documents show, there is strong awareness that national policies alone are not enough and require a local expression.

National urban, spatial and infrastructure policies

Ideally, national development strategies should be defined in a coherent and coordinated manner with national urban, rural and spatial policies, and regional infrastructure investment strategies. They should take into account macroeconomic indicators to establish the connection between urbanization and demographic dynamics and the overall process of national development.

Specifically, '[n]ational urban policy should help to harness the benefits of urbanization while responding to its challenges through the development of a much broader, cross-cutting vision of an urban landscape'.[23]

This assumes that national offices in charge (ministry, department, ad hoc units) are employed to generate the evidence and coordinate the intersections of economic and investment policies and other related public policies, with spatial changes (i.e. urbanization and ruralization), thus altering demographic patterns and national and sub-national strategies.

The unique value of a national urban policy (NUP) is that it is able to project better

urban outcomes by clarifying how sectoral policies connect and are best aligned. An NUP can then have concrete impacts on what the dimensions of an enabling institutional environment – including MLG institutions – might look like and create the basis for transferring a greater proportion of funds to the regional and local scales.

Accordingly, 'a national urban policy complements rather than replaces local urban policies by embracing urbanization across physical space, by bridging urban, peri-urban and rural areas, and by assisting governments to address challenges such as integration and climate change through national and local development policy frameworks'.[24]

It is important that national policy instruments create mechanisms that can ensure a dynamic understanding of how the different typologies of settlements (metropolitan areas, i-cities, small towns and rural areas) intersect and are co-dependent, with a view to how the coordination of national and local policies can optimize synergies.

With this in mind, NUPs typically contain five dimensions: i) a sound diagnostic of the drivers of urbanization and uneven development patterns at the national, regional and local levels; ii) a strategic agenda to deploy infrastructure and service provision, connecting urbanization and structural transformation; iii) context-specific guidelines for MLG arrangements; iv) effective monitoring frameworks that can ensure transparency and accountability; and v) a methodology for sustained policy dialogue across the different levels of government, institutional (public, civic and market) and sectoral divides.

A number of practical outcomes can be achieved once an NUP is mainstreamed. Some of the salient ones are:

1. establishing a technical and political consensus on an NUP, including the objective, added-value, contents, scope and timeframe;
2. establishing a participatory mechanism to facilitate policy dialogues between national and sub-national levels, as well as state and non-state actors, to engage from the outset all key stakeholders in the NUP process;
3. creating a national and shared vision/strategy for urban policies, with clear objectives, targets, responsible institutions, and implementation and monitoring mechanisms;

4. reviewing and adjusting existing national legal, institutional and fiscal frameworks and guidelines of all sectors in light of the agreed strategy;

5. agreeing on the devolution of national resources to the local level, whether regional, metropolitan or town-wide;

6. setting in motion various capacity-building interventions (human, institutional, financial and technical) at all levels of government;

7. maximizing the use of technology to help evidence-based decision-making;

8. establishing a global mechanism – such as an intergovernmental panel – to ensure follow-up and stimulate policy-relevant research to support NUPs and the implementation of the New Urban Agenda.

An important caveat is shown in Figure 4, that there should ideally be an equivalent policy that deals with rural areas and, ultimately, that the national level needs to have a coherent understanding of the territory, rooted in the evidence and arguments for both urban and rural policies.

Both institutional and academic analyses have pointed to the place-bound dynamics of globalization.[25] The flipside of this is the growing inequality between countries as well as increasing spatial inequalities within cities and regions.[26]

Similar patterns of spatial economic inclusion/exclusion are manifest in national territories. This is highlighted in previous chapters. As regards the global agendas – Sendai, the Paris Agreement, etc. – it is clear that negative environmental impacts differ across national and regional territories.[27] A shared understanding of how space-economy dynamics intersect with demographic patterns, land-use change and other spatial indicators, is imperative. Without this, it will be much harder to reach an agreement about priorities and how to optimize connections within a polycentric system, fostering specialization but not abandoning the goals of balanced development.

Another pillar of national strategies that requires a coordinated approach with urban, spatial and land policies is infrastructure investment. **In the near future, the ability to assimilate growing urban populations in productive, peaceful and healthy cities is contingent upon their access to urban infrastructure and services** (energy, transport, sanitation and housing, among others). In addition, infrastructure systems

A shared understanding of how space-economy dynamics intersect with demographic patterns, land-use change and other spatial indicators, is imperative
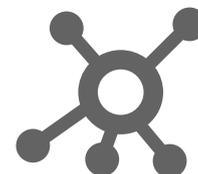
and standards can make an enormous difference for an economy's overall inclusiveness and environmental impact.

Energy is perhaps the most common example. Many countries continue to rely mainly on fossil fuel-based energy sources for base-load energy (e.g. coal) and mobility systems (e.g. mostly oil-based). Changing the energy mix of a country or regional bloc can bring huge efficiency gains. Nordic countries, as well as China, Germany, Morocco, Rwanda, Costa Rica, Uruguay, South Korea and Ethiopia, among others, have demonstrated the importance of national infrastructure plans to accelerate these reforms.[28]

The ways in which these investments shape sub-national regional economies is key. **Through adequate national funding mechanisms, governments can contribute to articulating and aligning national and local-level plans and investments, raising important questions about MLG implications.**

New technological opportunities that favour localized production and coordination of service provision can be even more cost-effective and efficient. National infrastructure strategies can be an ideal deliberation space for different levels of government and stakeholders to strike a deal on these issues. This is particularly important in poorer countries, where the national government often has to underwrite all infrastructure revenue collection and local governments have neither the capacity nor the autonomy to access international financial markets.

A consistent MLG framework provides a basis for intergovernmental negotiations about how national investment priorities will manifest at the regional and local scale, and ensure consistency with local planning and development instruments.

Lastly, NUPs and spatial and infrastructure strategies should be publicly available through open data policies, encouraging interest groups and citizens to continuously improve the evidence base, analysis and choices.

An open-source data management system that provides insights into the differential spatial dynamics of the territory and sub-regions is invaluable for accountable and responsive MLG. This also helps enhance transparency, accountability and legitimacy about public sector decisions across sectors and territories.

The New Urban Agenda must be consistent with the SDGs and therefore break with a 'business as usual' approach. The deep institutional and political changes needed for the public sector and key social partners to deliver on the promises of Agenda 2030 are contingent upon the legitimacy and confidence of institutions and actors.

Legitimacy tends to flow from participatory policy processes that are genuine and meaningful. Confidence grows when diverse social actors can see the tangible effects of the new agenda's consistent implementation. The SDGs and targets are so numerous that all countries and governments will have to identify and pursue priority flagship projects that embody the new agenda. These projects must be carefully selected and substantive in nature.

Local and regional governments within this framework must act strategically, continuously learning, adapting and innovating, and marshalling the diverse institutions and interests of a given territory towards the shared goals of sustainable development. Such local state actors will be able to lead and foster strong leadership, action and knowledge networks spanning diverse institutions across society, and consolidate durable partnerships that are fully equipped to deliver on democratically-defined mandates.

In summary, **the MLG approach must spell out the principles and mechanisms to ensure an interdependent aligned function that is consistent with the imperatives of democratic decentralization and subsidiarity**. Furthermore, MLG must address transnational coordination; multilevel functional arrangements between spheres of government and associated agencies; and differentiated sub-national institutions; thus ensuring overall integration and transparency. Sustainable settlements require sub-national regional priorities and greater localization, in order to foster citizenship and democratic community control.

Local and regional governments within this framework must act strategically, continuously learning, adapting and innovating, and marshalling the diverse institutions and interests of a given territory towards the shared goals of sustainable development

Photo: Alexander Fisher – Almaty (Kazakhstan).

7.

A SOCIAL CONTRACT EMBEDDED IN SHARED GOVERNANCE

Shared governance

MLG between different levels of government – as discussed in previous sections and chapters – is not enough on its own to achieve the goals of the emerging global agenda. As important is shared governance between the state and a variety of social and private actors. In fact, the accountability that flows from shared governance is the only real guarantor that the institutional elements of MLG will fulfil their potential.

Nevertheless, it would be naïve to assume that local and regional authorities and their social partners will eagerly embrace this agenda. It actually necessitates breaking with the *status quo*, at the same time adopting uncharted institutional formats that could be perceived as a loss of power and control.

Formal democratic systems arguably exist to order and regulate power so as to avoid undemocratic outcomes. Democratic elections for different political parties that represent diverse ideological and programmatic agendas go a long way to calibrate the values and aspirations of citizens and those political representatives they elect.

Nonetheless, **evidence from regions around the world shows that citizens can be disenchanted because their expectations are not always met by the political system.** It is for this reason, among many others, that modern political processes need to extend beyond formal systems to cultivate an empowered citizenship, democratic CSOs and thriving social movements.

Since the early 1990s, the global movement towards participatory democracy has been characterized by countless policy attempts to extend formal political representative processes beyond the ballot box. This has tried to include all instruments that give citizens and their organizations an opportunity to shape public policy. The spirit of this was strongly present in the Habitat Agenda adopted in 1996.[29]

As underlined in the report's chapter on Metropolitan Areas, however, even when political systems incorporate a formal commitment to participatory governance, a number of vested interests can still jeopardize processes and produce exclusionary and retrograde outcomes.[30] In this regard, strong, independent movements able to mobilize around a rights-based agenda are a precondition for participatory politics.

That said, as a consequence of this steady evolution towards more inclusive and participative politics, over the last decade a new discourse on the 'Right to the City' has taken hold in an ever-growing number of countries and cities, and should be the beating heart of the New Urban Agenda.

'Right to the City'

The 'Right to the City' is a rallying cry from a variety of social actors to put a strong and wide-ranging normative framework at the centre of the New Urban Agenda. As a discourse and movement it seeks to consolidate the first, second and third

For the necessary political reforms to happen, the agenda needs popular support

generations of established rights as defined in the 1948 Universal Declaration of Human Rights and the 1966 UN covenants, among many other key reference documents.[31]

Exacerbating spatial inequalities and deepening marginalization of various groups have so far impeded the fulfilment of basic rights (e.g. access to health, housing and property) in many regions around the world. Against this backdrop, the 'Right to the City' seeks to establish a new 'common order' that promises to protect and expand the commons and strengthen the social and environmental functions of the city.

In this sense, **it develops as an inalienable right for all those who reside in a settlement, irrespective of nationality or status.** Concretely, 'the Right to the City is a collective and diffuse right that belongs to all inhabitants, both present and future generations, analogous to the right to environment enshrined in international agreements on sustainable development, which states interpret through their own national laws and jurisdiction'.[32]

Its all-encompassing nature is evident in the catalogue of components identified in the UCLG Global Charter-Agenda for Human Rights in the City and the World Charter for the Right to the City.[33]

The following lists its core features: a city free of discrimination; a city with inclusive citizenship granting equal rights to all the residents, enhanced political participation, equitable access to shelter for all, goods, services and urban opportunities; a city that prioritizes the collectively defined public interests, quality public spaces, cultural diversity, inclusive economies, secure livelihoods and decent work for all; a city that respects rural-urban linkages, protects biodiversity, natural habitats and surrounding systems, supporting city-regions' and city-towns' cooperation.

For the necessary political reforms to happen, the agenda needs popular support. This implies large-scale mobilization and advocacy by coalitions of committed stakeholders. It is therefore important to link the aspirations of the 'Right to the City' to far-sighted, tenacious and patient efforts to raise awareness among popular classes and excluded groups.

When they are organized, these constituencies have the potential to bring about change, be proactively engaged in policy formulation, acting in their own interests by fostering alternative forms of development, and using legal strategies to reinforce these cultural processes while including and involving more citizens and collectives.

Thus, the 'Right to City' will only take hold if there is explicit political commitment by local and national governments to entrench its agenda in law, with supportive policies. It is crucial that local authorities who champion it recognize the constitutive importance of a rich, vibrant, plural, democratic and expansive public sphere.

A large, constructively 'noisy' public space needs a buoyant civil society and a high degree of tolerance for diverse (or even competing) forms of democratic expression.

Ultimately, the 'Right to the City' reflects a political vision, a new horizon. It offers a set of comprehensive actions that can help put cities and towns on the right trajectory to progressively and autonomously fulfil this vision.

Beyond the political ideals, it will require unwavering commitment to shared governance and the co-production of the urban space as an institutional landscape of regions, cities and towns.

Co-production of cities and territories

Co-production has emerged as a key theme in the broader governance politics of basic service delivery, especially for the urban poor and in the cities of the Global South. It highlights a persistent reality: many local authorities are endowed with the responsibility for basic service delivery in their jurisdictions but are typically unable to meet the scale of the demand, especially when they are not provided with sufficient resources to do so.

This can be due to a lack of capacity, institutional means or political will, or a combination of these. In such situations, oppositional 'claims-making' politics can only go so far before needing to identify effective practical mechanisms for actual equitable service delivery.

This is the context in which various slum-dweller movements and federations, often organic in nature, will have to operate and produce different forms of political engagement.

In terms of access to basic services – the bedrock of the poverty reduction agenda of the SDGs and the New Urban Agenda – co-production denotes collaborative processes between social movements and the local/regional government to engage systematically.

This is necessary to figure out a shared understanding of the scope and scale of both the problems they face and potential responses. Co-production should begin with evidence of the challenges and obstacles that hinder or impede service delivery, as well as possible social policies to overcome these.

Movements, communities and groups should be a primary source of information and knowledge in this regard. The collection of reliable data about a given community is both a source of power and a mechanism to embed the social movement in the community. It also gives relevant movements an entry point to return and mobilize households to participate in service planning and implementation processes.

Accordingly, 'the reasons favouring co-production, including the need to build strong local organizations, able to demonstrate alternatives that have local popularity and scale, draw in multiple resources and

Ultimately, the 'Right to the City' reflects a political vision, a new horizon. It offers a set of comprehensive actions that can help put cities and towns on the right trajectory

strengthen local organizational capacity for planning and implementation[34]. As discussed in the chapter on Metropolitan Areas, the work of Shack/Slum Dwellers International (SDI) and the Asian Coalition for Housing Rights (ACHR) are powerful examples of this approach.[35]

This form of co-production is just one part of a much larger area of shared governance that draws from: i) strategy, plans and monitoring systems at the city-wide or neighbourhood scales; ii) service delivery processes; iii) advocacy and agitation; and iv) social learning. Table 2 provides a synoptic summary of these possibilities.[36] The discussion then moves on to the equally important enabler of sustainable and inclusive local development that is finance.

Table 1 **Co-governance instruments at the local level**

BUILDING BLOCKS	POTENTIAL CO-GOVERNANCE MECHANISMS
1. Strategy and planning	• Macro long-term strategic. • Spatial development frameworks. • Local and neighbourhood level plans.
2. Service delivery innovations	• Participatory service delivery planning, budgeting, management and monitoring. • Joint delivery systems at the local level. • Public auditing mechanisms. • Digital crowd-sourcing of service delivery problems and bottlenecks. • Digital feedback mechanisms (e.g. sensors). • Dedicated financial and training resources.
3. Advocacy and agitation	• Ensure open spaces for public consultation. • Ensure legal protection for civic actors. • Ensure right to information, a free press and freedom of expression.
4. Social learning mechanisms for innovation	• Establish and support regional innovation systems. • Promote a culture of public debate to foster a shared dialogue and life-long learning.

8.

FINANCING URBAN AND TERRITORIAL DEVELOPMENT

The call for action launched by the New Urban Agenda addresses the key issue of financing the public goods, infrastructure and public services necessary to ensure inclusive and sustainable urban development.[37] **This challenge is further complicated by unfavourable macroeconomic conditions, including a slow-down in emerging markets where investment needs are in fact the greatest.**

In an era of global economic 'financialization' in which profits accrue not through trade or commodity production but financial channels, the finance sector has a crucial role to play.[38] Urban development has not escaped this phenomenon,[39] and increased financial flows to the city scale, new allocations and reformed terms for the extension of finance are all needed.

At its core, **this means redefining the role of the finance sector in economic development. This has context-specific dimensions.** But unless the global finance sector has deep pockets to support sustainable cities, the current phase of urbanization will continue to be associated with the misallocation of capital, truncated development opportunities and the incubation of systemic risks.

Framing the supply and demand challenge

Finance is a means to economic and social ends.[40] The process of ensuring adequate flows of finance to the world's cities and territories has to be tailored to the higher-order goals of poverty alleviation, social inclusion and ecological restoration, as described in the SDGs and the Paris Agreement.

The stability of the global finance sector depends upon this success. In other words, the global finance sector itself has a vested interest – not direct or short-term nor fully understood yet – in achieving the New Urban Agenda and low carbon economies.

Current investment in support of the SDGs is USD 1.4 trillion per annum. This represents a funding gap of USD 3.9 trillion a year, with the greatest deficits being for power supply, climate change mitigation and education.[41] **Raising the money to address this funding need is important but it is not, on its own, sufficient.** Attaining the SDGs will mean overcoming the structural challenges that currently impede the flow of investments to rapidly urbanizing cities of developing countries and to localized human needs.

According to different sources, between 2013 and 2030, an estimated USD 57 trillion will be required to address the global infrastructure finance gap. This implies an additional USD 1.16 trillion to be added to the USD 2 trillion that has, on average, been invested annually in infrastructure in the past 18 years.[42]

According to the Cities Climate Finance Leadership Alliance: 'global demand for low-emission, climate-resilient urban infrastructure will be in the order of USD 4.5 trillion to USD 5.4 trillion annually from 2015 to 2030'.[43]

The critical need of cities in the developed and developing world is for 'public good' infrastructure, and public finance has an important role to play in establishing the template for sustainable urban development, into which private finance can be invested.

The SDGs will not be realized unless a greater portion of USD 100 trillion held in pension funds;[44] USD 140 trillion in banks; USD 100 trillion in bonds, and USD 73 trillion in equities is mobilized.

The problem is that these funds do not, at the moment, find their way to the projects or the regions that are prioritized by the SDGs. Only 2% of the money globally held in pension funds is invested in infrastructure, and only 2% of total foreign direct investment (FDI) currently flows to the least developed countries. While there is anecdotal evidence of a 'quiet revolution' towards a more developmental and sustainable global finance sector, structural barriers still remain.[45]

Overcoming these obstacles so as to generate a flow of global finance to the regions in which urbanization is most rapid and where needs are most acute, requires financial sector innovation.[46] To be successful, this must go beyond simply ensuring greater compliance with the prevailing criteria for 'bankability' or socially responsible investment. It must reform both the supply of and demand for urban finance.

For the global finance sector, the risk is that a series of piecemeal projects, each compliant with the narrow requirements of successful finance, will combine to create dysfunctional urban systems. **Cities shaped by this type of finance are predisposed to fail.**

Crucially, the risks generated by an increase in this 'finance as usual' approach will be embedded in the long-term infrastructure that is so difficult to change. This will constitute a future burden for asset owners, financiers and insurers and contribute to a progressive haemorrhaging of economic opportunities in the world's urban centres and regions. Recognizing new types of capital, both human and ecological, and new metrics for rendering this capital productive in local economies, is a part of the supply-side reform that is needed (see Box in this page).[47]

On the demand side, there is a need for more 'effective demand' from the

NEW SUPPLIES OF GLOBAL FINANCE[48]

The rise of Asian (principally Chinese) funding sources is frequently over-reported. But it does offer new opportunities for developing country cities that have struggled to access finance from OECD banks. China invested roughly USD 13 billion a year in the African continent from 2011 to 2013. The Green Climate Fund, which itself offers the potential for financial sector reform, will similarly need to find ways of engaging sub-national actors if it is to gain real traction beyond mega-projects in the context of the world's poorest but most rapidly urbanizing cities.

communities and concerns that are key to functional cities, as well as ensuring that the portfolio of investment opportunities is more coherent in terms of advancing sustainable and inclusive cities.

This coordination of demand is best done at the local scale, by actors that understand the unique assets and challenges of their territories and are able to ensure that money is well-spent. It is, for example, local actors that have the legitimacy to ensure that land development is responsive to changing market and social dynamics, particularly where negotiations involve traditional authorities. Equally, they are best-placed to gauge and realize the potential for land-value capture.

For this reason, creating the governance and financial management systems that enable fiscal devolution is an important first step in scaling the allocations from national budgets to the local level and ensuring greater complementarity between public funds and private sector finance. Creating sub-national fiscal capacity is not a trivial undertaking, and has to be prioritized as part of financial

Public finance has an important role to play in establishing the template for sustainable urban development
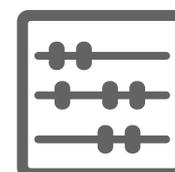
The disconnect between the needs of cities of developing countries and the rules that dictate the allocation of finance represents a chronic form of market failure

innovation efforts at the national scale, and a broader commitment to MLG.

To be successful, the desired 'effective financing framework'[49] must be designed according to the socio-economic needs and means of the urban residents it is seeking to assist. Affordable housing, for example, needs to have a finance package that the target market can afford and a spatial framework that renders the housing attractive.

There are, however, profound and under-acknowledged obstacles to the formation of an 'effective financing framework'[50] and 'joint mobilization of all stakeholders',[51] that currently impede the flow of both public and private sector money in support of sustainable and inclusive cities as imagined in the SDGs.

Historically, **capital allocations have often failed to ease coordination problems, as was identified in the chapters on Metropolitan Areas and Intermediary Cities**. The disconnect between the needs of cities of developing countries and the rules that dictate the allocation of finance represents a chronic form of market failure that is at the heart of the urban financing challenge.

Unless a combination of development assistance and public funds can overcome the structural problems to these features of urban development, 'finance for [sustainable] development'[52] will not realize its potential, with the political, social and environmental risk of not achieving the SDGs or upholding the Paris Agreement. Seen through this lens, there is considerable unquantified risk in the decisions that currently inform the finance sector's operations, and the need for change is urgent.

Effective reforms will necessarily give greater attention to the local context and generate locally appropriate co-benefits. In the process, they will mobilize 'endogenous wealth', through land-based finance and

reformed local taxation, to unlock new development opportunities, as demonstrated in cities such as Medellín, Colombia, for example.[53] As the chapter on Metropolitan Areas presents, there are a whole range of mechanisms that capture rising values: public land ownership and trading; local general taxation; added-value capture mechanisms; development levies; planning approval fees; or negotiated investment pools, among others.

When ensuring that the decision-making process remains transparent and inclusive, such instruments are essential to keep up with the growing needs in infrastructures.[54] Besides, **mechanisms of horizontal fiscal equalization have been used to support tax revenue-sharing throughout a metropolitan area to deliver combined services or economic development programmes.**[55]

It is worth distinguishing the aspects of financial sector reform that warrant attention in three broad contexts: 'least developed cities' without legitimate local governance or formal finance sectors; 'developing' cities with local governance and financial sectors but poor alignment between the two; 'developed' cities with mature infrastructure and financial governance.

Least developed cities without legitimate local governance or formal finance sectors

Only 4% of the 500 largest cities in developing countries have been able to access international financial markets, and 20% could access national markets.[56] As discussed in preceding chapters, barriers to access differ across towns, i-cities and metropolitan areas. African and Asian cities are expected to add 2.4 billion urban residents between 2015 and 2050. Unless infrastructure and services are properly financed, the inability to assimilate these people into urban operating systems will become a source of significant social and political risk.

Many cities are trapped in a low-investment, low-return equilibrium, as fiscal resources are constrained by the lack of formal employment; low per capita income; dependence on inter-household remittances that tend to escape the fiscal net; weak local capacity to collect taxes and charge users of public services, combined with low accountability.[57] At the height of the commodity boom, citizens in ECOWAS countries, for example, spent less than 1% of their household income on local taxation and tariffs.[58]

Low per capita income hinders conventional user-pay fee systems for infrastructure in these cities. Since the 1960s, Gross Capital Formation (an indicator which is also sometimes called Gross Domestic Investment) has been less than 22% in Africa, whilst in East Asian countries it has risen to 42%.[59] The under-investment in urban infrastructure in African cities is highlighted in the case of Nairobi, where the local government spends less than USD 14 per person per year on capital formation.[60] In general, Africa faces an estimated 40% infrastructure financing gap.[61] Private finance in many of these cities is either absent or prone to chronic market failure due to weak local budgets, the lack of guarantees (e.g. freehold land as collateral), and absolute poverty. Cities in the least developed category attract very little FDI and are often described by financiers as 'high-risk', while their citizens are deemed 'unbankable'.

The conjoined finance-governance deficit and resulting lack of public infrastructure profoundly impedes development. Unless the New Urban Agenda's call for an 'innovative and effective finance framework'[62] is addressed in developing country cities, there is little prospect of achieving the SDGs.

To meet this urgent need in the medium term, cities in this category need access to financing (e.g. through lending on the bond market). But in the short term the focus should be on managing a greater portion of national budgets to support local governments and an effective marshalling of donor resources,[63] as well as designing services and infrastructures that are commensurate with the available finance and governance capacity, including through institutional and technical innovation.

As one analysis points out, 'there are clear ways to create more and better infrastructure for less'[64] and donor funding in particular has to commit to identifying and supporting these options.

A key problem for traditional finance is one of information. The underlying principle is that enhanced understanding of the local context reduces risk, opens new finance opportunities and enables public and private finance to fulfil its catalytic role in supporting development. The importance of what the UN-Habitat is calling 'multi-actor' systems is not only to enfranchise new citizens, but also to provide access to the type of market intelligence that will enable the judicious allocation of public funds and the opening up of new private finance markets.

It is national governments that must compile national investment strategies that involve the local level and ensure consistency with urban and rural policies
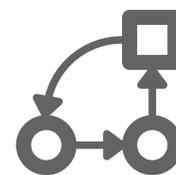
National governments will be required to continue to play a role in these cities as part of MLG arrangements. Not only should national treasuries and ministries of finance continue to support local governments through specific funding mechanisms (such as municipal banks or local devleopment funds), but they also need to support local authorities in their interactions with the private sector so as to secure reasonable finance terms.

This is particularly true for intermediary cities that do not yet have the types of balance sheets or rate-paying citizens to access capital markets. In these cities, national transfers assist in breaking the 'low-investment, low-return' equilibrium.[65] Whilst local decision-makers are best placed to coordinate the spatial and technological specificity of investments, it is national governments that must compile national investment strategies that involve the local level and ensure consistency with urban and rural policies.

Photo: Jeff Attaway - Dakar (Senegal).

More inclusive strategies towards public sector investment and public procurement for municipal services have the potential to create virtuous cycles of work creation

As part of the MLG approach, the formation of National Committees on Local Finance capable of transcending conflicts between spheres of government and supporting financial devolution is essential in developing countries.[66] Such committees need to be clear on locally appropriate timeframes for devolution, the process for creating accountability and effective fiscal governance at the local scale, and means of assessing the proportions of budget that should be devolved. Equipped with an observatory on local finances, these committees will be able to base their dialogue with levels of governments on concrete reliable data.

Cities with emerging local governance and finance sectors

In these cities local governments have at least partial responsibility for decision-making and a measure of influence over the allocation of public funds. Yet in developing countries, local governments receive on average between 8% and 12% of national resources. This is incommensurate with their contribution to economic growth.[67]

The primary need is to increase the proportion of national resources spent locally so as to reflect the urban contribution to the economy; enhance access to the urban financing (through lending or access to the bond market); and spend available money more effectively. **This requires strengthening sub-national fiscal systems so as to draw-down a greater share of national budgets to local levels and strengthening local revenues with a diversity and dynamic set of sources (tax, non-tax, user charges)**.

Similarly, local authorities, should explore different modalities to enhance local sources of revenues, for example, through land added-value capture. **Where local authorities possess inventories of land**

and are able to deploy a capital account in a manner that enhances land values through investments in public goods, they can harness a portion of these increases to levy additional investments. In Rosario (Argentina) municipal urban regulation sees the municipality able to retain the value of property increases, especially in coastal areas, resulting from its investment.[68]

Shared governance approaches mentioned above must be fully recognized by the finance sector. The goal for local authorities should be to harness their balance sheets to become creditworthy enough to access borrowing, e.g. bond market and public or commercial banks, with or without the under-writing of central government. More inclusive strategies towards public sector investment and public procurement for municipal services have the potential to create virtuous cycles to attract investments, create jobs, improve household incomes and better respond to the needs of communities. Such efforts forge the type of social contracts that mitigate risk ('de-risk') and at the same time enable private sector investment.

Fiscal constraints in these cities imply that public authorities need to be strategic in the manner in which they allocate available funds (e.g. through long-term and integrated planning).[69] A sustained flow of finance to items and activities in these cities that have conventionally been construed as risky public goods is only possible through long-term commitment by the public sector to invest in infrastructure, together with deliberate efforts to funnel private sector finance into cities. Off-take agreements – if structured through transparent public procurement policies – have the potential to create low-risk markets and crowd-in investments in urban energy supply, transport, water and sanitation, waste management.[70] Creating the capacity within local government to negotiate with the private sector on behalf of urban public goods is critical.

Given that these emerging cities should not pursue the same urban development pathways as cities in OECD countries, there are few precedents for decision-makers to draw on. Private sector banks, for instance, are seeking new partnerships that will enable them to co-invest in public goods in response to the global emphasis on the sustainability of projects in national policies.[71]

Sound local financing systems, combined with long-term public investment plans and stronger capacity to contract with

private partners, could provide enhanced sources of financing and partnership with communities.

Cities with mature infrastructure and financial governance

In developed countries, where the partnership between citizens, local governments and the private finance sector is mature, policies are aiming at anticipating structural changes, by sustaining existing living standards while replacing ageing infrastructure and transitioning to less resource intensive development. Aligning the allocation of the deep pools of capital held by public and private funds with the best available information on current and future risks and opportunities represents important first steps.[72]

Finance in these cities has a responsibility to anticipate the changing demographic profile of its citizens (e.g. care economy for ageing population) and protect ecological assets (e.g. to face climate change or flood buffering and the management of coastal surges). New metrics for gauging the return on this capital are needed to go beyond narrow notions of financial return on investment. The challenge lends itself to new social compacts between local authorities and residents that usher in technological innovation and develop competitive advantage.

Similarly, the emergence of social impact investing and social impact bonds illustrates the fact that sustainable cities depend on more than profitable businesses and work opportunities. This is shown by the shift of the Swiss Sustainable Finance initiative and their introduction of 'exclusions' – criteria that disqualify projects for environmental, social and governance (ESG) reporting that, in their current format, have proven insufficient.

In some instances, the transition to new technologies requires parallel service delivery systems that need new forms of financing (e.g. finance cooperatives, crowd-funding). For example, the 'prosumer' energy cooperatives pioneered in German towns in which residents are both producers and consumers of renewable energy, and Denmark's 'right to invest' programme in which energy companies have to allow a portion of local citizen investment in their operations, hint at the potential for new models. Public-private investment partnerships have an important role to play in transitioning to these modes of service delivery. [73]

Sound local financing systems provide the basis for securing access to community and external sources of finance

There remains an important role for financial regulators in ensuring that new finance partnerships are accountable and that financiers and cities do not succumb to stranded or toxic assets.[74]

The case for finance sector reform

Against the backdrop of the current phase of urbanization, the economic benefits of inclusive, compact and coordinated cities are a compelling case for change.[75] However, mobilizing the necessary USD 5-7 trillion per annum over the next 15 years, and allocating it effectively within cities, is contingent upon reforms to address the barriers to finance associated with the financing of public-private goods and 'unbankable' projects at the city scale.

Sufficient resources are available, but the appetite for the required reallocation of capital is, 'essentially a matter of public choice… At stake is the potential to shape a financial system fit for the 21st century with the purpose of serving the needs of sustainable development'.[76] The commitment to devolve a greater portion of national resources to sub-national levels needs to be supported by the creation of endogenous local finance systems, motivated however by the understanding that such allocations tend to support economic growth and inclusive development.[77]

The New Urban Agenda will not be achievable by a simple financial liberalization or extension of the type of finance that has replicated environmental destruction, urban sprawl and social exclusion as part of urban development. The supply of finance has to be tailored to local contexts and its success will hinge on a clear vision of the outcomes that need to be financed.

This ambition goes beyond an extension of conventional project finance and requires a new sense of the social, institutional, spatial and infrastructural components of

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The New Urban Agenda will not be achievable by a simple financial liberalization or extension of the type of finance that has replicated environmental destruction, urban sprawl and social exclusion

cities that are being built. It also necessitates new partnerships between the agents of global capital and local actors familiar with opportunities and risks within specific cities, as well as skilled and equipped to manage complex multi-stakeholder contracting.

In this context of increasing financialization, the long-term success of the finance sector is contingent upon its

ability to invest in functional, inclusive and healthy economies in territories and cities.

The traditional finance sector's limited ability to invest in urban infrastructure, low-carbon technologies and essential public goods has resulted in the type of capital misallocation that has historically precipitated crises. At the core of this issue lies an information problem, embedded in uncertainty and unfamiliarity about many of the geographies, governance arrangements, technologies and economies that desperately need finance but which do not, at the moment, frame their demand for investment in the way that financiers require.

The imperative of reforming the global finance sector in order to reflect the multiple implications of urbanization (which, at the moment, includes anthropogenic global warming) makes the case for a 'global finance think-tank' committed to redressing information asymmetries and supporting new flows of finance to urban infrastructure and services.

Photo: Kate - Quito (Ecuador).

NOTES

1   Perez, 'Unleashing a Golden Age after the Financial Collapse'; Swilling, 'Economic Crisis, Long Waves and the Sustainability Transition'.
2   Rockström et al., 'A Safe Operating Space for Humanity'; Scoones, Leach, and Newell, *The Politics of Green Transformations.*
3   WBGU - German Advisory Council on Global Change, *Humanity on the Move.*
4   For more information on worldwide urban trends, see the report's introduction.
5   WBGU - German Advisory Council on Global Change, *Humanity on the Move.* This also resonates in a limited sense with the debates at the 2016 World Economic Forum on the theme of the '4th industrial revolution'.
6   Evans, Karvonen, and Raven, *The Experimental City.*
7   UCLG, *Decentralization and Local Democracy in the World*; UCLG, *Local Government Finance*; UCLG, *Basic Services for All in an Urbanizing World*; Harvey, 'From Managerialism to Entrepreneurialism'.
8   Sengers, Berkhout, and Raven, 'Experiments in the City'.
9   Smoke, 'Decentralisation in Africa'; Pike, Rodríguez-Pose, and Tomaney, *Local and Regional Development*; UCLG, *Decentralization and Local Democracy in the World*; UCLG, *Local Government Finance*; Rodríguez-Pose, 'Economists as Geographers and Geographers as Something Else'; Barca, McCann, and Rodríguez-Pose, 'The Case for Regional Development Intervention'.
10 Ascani, Crescenzi, and Iammarino, 'Regional Economic Development'; World Bank, *World Development Report 2009*; Yusuf, Wu, and Evenett, *Local Dynamics in an Era of Globalization.* See also the OECD's *Territorial Review* series and other publications on regional development.
11 'Governance, as distinct from government, refers to the relationship between civil society and the state, between rulers and the ruled, the government and the governed. Central to this relationship is the idea of credibility, of both politicians and governing institutions. The paths to improvement in credibility and legitimation of government lead through accountability, transparency, responsiveness, real participation, empowerment of groups in civil society and public', in McCarney, Halfani, and Rodríguez, 'Towards an Understanding of Governance', 95–96.
12 See the *International guidelines on decentralization and strengthening of local authorities*, issued by UN-Habitat in 2007 and later complemented in 2009 by the *Guidelines on access to basic services for all.* These two documents should be read with the recently adopted *International Guidelines on Urban and Territorial Planning* (2015).
13 Graham and Marvin, *Splintering Urbanism.*
14 Angel, *Planet of Cities.*
15 International Labour Organization, *The Changing Nature of Jobs.*
16 OECD, *Is Informal Normal?*
17 UNRISD, *Combating Poverty and Inequality.*
18 International Covenant on Economic, Social and Cultural Rights (UNGA A/Res/21/2200), adopted in 1966 and which entered into force in 1976. For Housing, see also UN-Habitat's Istanbul Agreement and Habitat Agenda (paragraph 61). For the right to water and sanitation, see UN Resolution A/Res/64/292, 28 July 2010.
19 UCLG, 'Culture: Fourth Pillar of Sustainable Development'.
20 Borja et al., *Local and Global*; Landry, *The Creative City.*
21 The General Assembly's resolution which adopts the document is available online at: http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/66/288&Lang=E.
22 UN General Assembly, *Transforming our world: the 2030 Agenda for sustainable Development,* A/Res/70/1, 21 October 2015, available online at this address: http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E.
23 United Nations, 'Policy Paper 3: National Urban Policy', 4.
24 Ibid., 5.
25 Sengers, Berkhout, and Raven, 'Experiments in the City'.
26 See also, Sassen, *Expulsions.*
27 Taylor and Camaren, 'Strengthening Climate Resilience in African Cities'.
28 UN-Habitat, *Urban Patterns for a Green Economy.*
29 Paragraph 181 of the 1996 *Habitat Agenda* calls for the establishment and strengthening of participatory mechanisms.
30 See the chapter on Metropolitan Areas in the full report, *The Role of Civil Society and Non-Governmental Organizations in the Governance of Metropolitan Areas.* See also, Mansuri and Rao, *Localizing Development.*
31 A useful overview of the lineages and dynamics of the 'Right to the City' movement can be gleaned in http://www.righttothecityplatform.org.br/, http://www.uclg-cisdp.org/en/right-to-the-city/ and in United Nations, 'Policy Paper 1: Right to the City and Cities for All'.
32 Ibid.
33 Both documents are available online. The UCLG *Global Charter-Agenda for Human Rights in the City*: http://www.uclg-cisdp.org/en/right-to-the-city/world-charter-agenda/1; the *World Charter on the Right to the City*: http://www.righttothecityplatform.org.br/.
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36 These points are further elaborated in Chapter 6 of UN-Habitat, *World Cities Report 2016.*
37 UCLG Committee on Local Finance for Development, 'UCLG Inputs to Habitat III on the Discussion on Local Finance'.
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39 Guironnet and Halbert, 'The Financialization of Urban Development Projects'.
40 Mazzucato, 'Financing Innovation'.
41 UNCTAD, *Investing in the SDGs.*
42 Dobbs et al., *Infrastructure Productivity.*
43 Cities Climate Finance Leadership Alliance, 'The State of City Climate Finance 2015', 14.
44 This figure is contested. In UNCTAD, *Investing in the SDGs*, is reported that USD 20 trillion is held in 'pension funds domiciled in developed countries'.
45 UNEP, 'The Financial System We Need. Aligning the Financial System with Sustainable Development'.
46 Cities Climate Finance Leadership Alliance, 'The Bangkok-Johannesburg Blueprint'; UN-Habitat, 'Mexico City Declaration for Habitat III'.
47 Mazzucato and Shipman, 'Accounting for Productive Investment and Value Creation'.
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54 Bahl, Linn, and Wetzel, 'Governing and Financing Metropolitan Areas in the Developing World'.
55 Note that this is, however, hardly applicable in contexts of low political and fiscal autonomy where equalization mechanisms are generally implemented by the state through additional transfers to less-endowed municipalities.
56 For more information, see Hogg, 'Financing Sustainable Cities'.
57 UNCTAD, *Investing in the SDGs*.
58 AfDB, UNDP, and OECD, *African Economic Outlook 2016*.
59 Ibid.
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61 Warren, 'Spanning Africa's Infrastructure Gap'.
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65 Clark and Moonen, 'The Role of Metropolitan Areas in the Global Agenda of Local and Regional Governments in the 21st Century'.
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68 See Chapter 1 of the full report on Metropolitan Areas.
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72 Mazzucato, 'From Market Fixing to Market-Creating'.
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05.

THE AGENDA
OF LOCAL
AND REGIONAL
GOVERNMENTS
FOR HABITAT III
AND BEYOND

THE AGENDA

The central message of GOLD IV is that local and regional governments must be empowered to take a leadership role in the implementation of global development agendas, in particular the New Urban Agenda.

Local and regional governments are best placed to lead, since every community, settlement and territory must 'co-produce' a response that is context-specific in order to fulfil the agendas' ambitions. This response must address the challenges of poverty, rising inequality, insecurity, environment depletion and climate change.

Moreover, the recommendations of the New Urban Agenda need to apply to all types of human settlement, all spaces and territories in which people live, in order to truly build livelihoods and citizenship. The New Urban Agenda should reinforce the aims of the SDGs; the COP 21 commitments on climate change; the Sendai Framework for Disaster Risk Reduction; and the Addis Ababa Action Agenda (AAAA) on financing for development. It is imperative that it is grounded in the principles of the Universal Declaration of Human Rights (1948) and the UN International Covenants on Civil and Political Rights, and Social, Economic and Cultural Rights (1966). It should at the same time build on the UN International Guidelines on Decentralization and Access to Basic Services, and Urban and Territorial Planning.

Effective decentralization and the progressive endowment of powers, resources and capacities to local and regional governments is a precondition for unlocking the full potential of these key actors. Only then can the SDGs and the New Urban Agenda be achieved. There can be no 'transformed world' without first transforming the cities and settlements in which we live.

The following recommendations build on the research and consultations with local and regional governments that formed part of the report's preparation. They also draw upon the recommendations of the Global Taskforce of Local and Regional Governments in the Habitat III process. They encompass the reforms that must be immediately implemented to support countries, local and regional governments and other stakeholders in the New Urban Agenda to take action.

The first set of recommendations on 'local action' addresses how sub-national governments can contribute to the achievement of the SDGs, the Paris Agreement, the Sendai Framework and the New Urban Agenda. The second set of recommendations on 'national action' focuses on national legal, institutional and policy reform. The final set of recommendations on 'global action' tackles three of the most potent enablers of national and local development: global governance, international financing and decentralized cooperation. All the recommendations seek to empower local and regional governments to take their rightful place at the head of a new international agenda for inclusive and sustainable development.
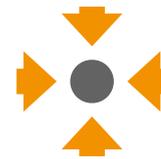
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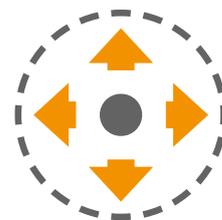
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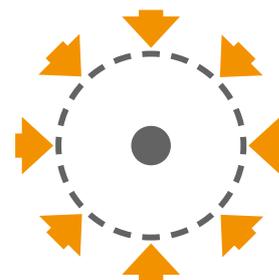
GLOBAL ACTION

## REALIZATION ON THE GROUND OF THE NEW URBAN AGENDA

1. Improve the strategic management capacity of local and regional governments.
2. Boost participation by fostering a buoyant and autonomous civil society to co-create cities and territories.
3. Harness integrated urban and territorial planning to shape the future of cities and territories.
4. Ensure access to quality and resilient infrastructures and basic services for all.
5. Foster local economic opportunities to create decent jobs and social cohesion.
6. Put the 'Right to the City' at the centre of urban and territorial governance.
7. Lead the transition towards low carbon, resilient cities and regions.
8. Promote local heritage, creativity and diversity through people-centred cultural policies.

A NEW MULTILEVEL GOVERNANCE SYSTEM

1. Renew institutional frameworks to promote shared governance and effective decentralization.
2. Build coherent and integrated national urban and regional policies in consultation with sub-national governments.
3. Rethink sub-national financing systems to reconcile financing with sustainability.
4. Involve local and regional governments in the follow-up of the SDGs, the Paris Agreement and the New Urban Agenda, supported by accurate territorialized data.

LOCAL AND REGIONAL GOVERNMENTS' RIGHTFUL PLACE AT THE GLOBAL TABLE

1. Include organized local and regional government networks in the governing structures of international development institutions.
2. Create new instruments to finance local sustainable infrastructure, services and housing.
3. Support decentralized and city-to-city cooperation, learning and knowledge-sharing to foster innovation.
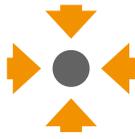
LOCAL ACTION:
REALIZATION ON THE GROUND OF THE NEW URBAN AGENDA

As a result of the growing links between global and local challenges, **local and regional governments now play a greater role in the regulation of the urban fabric and territories, and the protection of the commons**. As such, they often lack the resources to meet these new challenges, putting pressure on their ability to fulfil pre-existing responsibilities. To contribute to what in the SDGs is termed a 'transformed world', local and regional governments across all world regions must be proactive and commit to the following actions:

1.

IMPROVE THEIR STRATEGIC MANAGEMENT CAPACITY

Local and regional leaders must develop new capacities and modes of leadership to respond to and take advantage of new opportunities that are opening up for the achievement of the SDGs and the New Urban Agenda, for example:

- Implement shared governance to renew local democracy; develop new governance models sensitive to a range of factors, including gender, to foster equality and based on human rights; and protect human dignity and wellbeing.
- Make innovation a way of life by establishing partnerships for innovation, creating interactive spaces for planning and experimentation (e.g. city labs); use new ICT to promote e-governance, collaborative decision-making, quality and coverage of local data; and improve transparency and accountability.
- Develop a strategic management approach to deal with local finance and assets effectively, and utilize them as a lever for resource mobilization; strengthen capacities to negotiate with the private sector on behalf of urban public goods and frame their

interventions within public interest rules; improve the management of risks and crises.
- Attract the best people to protect the common good by developing inspiring careers in public office; investing in training local public servants, and promoting their involvement in peer-to-peer learning and knowledge networks (e.g. learning platforms); respect the labour rights of public servants and public service providers.
- Draw up a code of conduct, with independent control mechanisms and bodies to fight corruption.
- Build solidarity between cities and territories and enhance inter-municipal cooperation; foster partnerships between and within cities and their hinterlands'; create economies of scale; and ensure food security and protect natural resources, thus strengthening rural-urban partnership.

2.

BOOST PARTICIPATION BY FOSTERING A BUOYANT AND AUTONOMOUS CIVIL SOCIETY TO CO-CREATE CITIES AND TERRITORIES

Participatory democracy, shared public services, cooperative housing, and collaborative and solidarity-based economies contribute to a new governance approach. Local and regional leaders should:

- Empower citizens to fully participate in local political, social, economic and cultural life, and thus create adequate conditions, mechanisms and means (spaces, funds, etc.) for effective participation (e.g. participatory planning and budgeting); promote citizen-based monitoring of public policies and public release of local data; and develop public spaces and fora for public interactions and innovation; support the autonomous organization of civil society and communities; and ensure broader transparency and accountability.
- Co-create societies starting from cities and territories, and facilitate effective local and regional partnerships with civil society, the business sector and academia to make progress towards the co-creation and co-management of the cities and territories.
- Involve all stakeholders in service provision for all; promote co-production; hold policy dialogues with key stakeholders (i.e. civil society, central governments, service

operators, trade unions); draw up local charters defining levels and standards of services, roles and responsibilities, rules of accountability as well as long-term and sustainable financing and management models.
- Implement social housing programmes and support citizen initiatives for alternative decent housing: civil society initiatives can contribute to the co-production of affordable housing (e.g. community land trusts, the social production of habitat, and housing cooperatives).
- Recognize informal settlements as a legitimate and historical means of urban production in developing countries and work with slum dwellers to integrate informal areas in the urban fabric.
- Encourage the 'civic economy' and invest in collaborative, social and care economies, improving decent work and livelihoods for all; involve citizens and local communities in activities such as voluntary action in services, shaping new economic models and sharing innovations; create new economic opportunities (e.g. shared mobility, accommodation, agriculture, collaborative financing/crowdfunding, cultural products, cooperatives).

3.

HARNESS INTEGRATED URBAN AND TERRITORIAL PLANNING TO SHAPE THE FUTURE OF CITIES AND TERRITORIES

Strategic planning is an essential component of management. It integrates spatial planning, land use, economic stability, infrastructures and other dimensions that are key responsibilities of local and regional governments. Local and regional governments should:

- Shape cities and territories according to the needs of their inhabitants; engage in long-term **strategic participatory planning**, working with all local stakeholders and social movements to create a shared vision of cities and territories for the next 10-20 years.
- Use flexible and dynamic planning to promote better quality of life, urban density, multi-functionality, socially-mixed neighbourhoods, connectivity and safe public spaces; invest further in rapidly growing cities; ensure infill and planned extensions; and prevent slum expansion, especially in risk-prone areas.

- Utilize land-use plans and regulations as a strategic tool to manage urban sprawl; reduce disaster risk; foster social inclusion; value local culture and heritage; reduce land and housing speculation and guarantee security of land tenure.
- Ensure updated land and real-estate registers and enable mobilization of land and property added-value capture by local authorities to finance local investments.
- Build integrated and polycentric metropolitan areas and undertake comprehensive planning that integrates the whole metropolitan functional area to ensure equal access to infrastructures, services, works and amenities for all.
- Develop closer cooperation between regions, cities and rural municipalities for planning to generate economies of agglomeration.
- Agglomeration, strengthen the role of intermediary and small cities; ensure inter-connectivity and developmental sinergies; and relieve urbanization pressures on natural resources.

4.

ENSURE ACCESS TO QUALITY AND RESILIENT INFRASTRUCTURES AND BASIC SERVICES FOR ALL

Access to basic services is a human right that should be guaranteed for all. Local and regional governments should expand services and, at the same time, reduce the environmental impact of urban infrastructures. To 'square the circle', they must be given powers to experiment with innovative approaches:

- Design infrastructure plans alongside land-use plans, including long-term investment strategies; coordinate between metropolitan and neighbouring local governments to ensure that basic service infrastructure accompanies and guides urban growth.
- Improve the management and delivery of public services; devise transparent management models adapted to local contexts and prevent public service 'deserts' in rural areas; facilitate innovative partnerships for co-production and co-management of services with socially responsible businesses and local communities (e.g. through public-private partnerships, PPPs), and public-private-people partnerships, PPPPs).
- Promote the affordability and financial sustainability of public services; develop

mechanisms to guarantee minimum access levels, and make basic services affordable to all (e.g. through social tariffs, cross-subsidies and safety nets); ensure adequate cross-subsidies to balance service budgets between structurally profitable and unprofitable services (e.g. electricity versus waste management).

- Explore new models of service co-production and support small-scale and informal basic service delivery for the most vulnerable; investigate technological options (small, independent systems, off-grids for renewable energy and street lighting adapted to local contexts); small-scale and informal basic service delivery, particularly in informal settlements, can also be an option if local governments contribute to guarantee quality and underpin coordination with official operators to limit gaps in provision and protect public health.

5.

FOSTER LOCAL ECONOMIC OPPORTUNITIES TO CREATE DECENT JOBS AND SOCIAL COHESION

Local and regional governments should have the necessary policy powers and resources to control economic development levers and take advantage of an ongoing transformation of the global economy to boost endogenous economic development:

- Harness local human capacities and assets by supporting local investment and entrepreneurship.
- Support a broad range of local economic initiatives to adapt local economies to global challenges and improve their resilience; facilitate access to new technologies (e.g. clusters with Small, Medium and Micro-Sized Enterprises - SMMEs, innovation and knowledge economy, cultural economic activities).
- Implement local-level public procurement systems that include social and environmental responsibility criteria; create opportunities for local enterprises, particularly SMMEs, to contribute to local economic development and job creation.
- Promote labour-intensive growth strategies with the participation of business and local communities to create more jobs and livelihood opportunities; and offer training to harness local human resources and foster higher productivity.

- Promote circular economies to encourage reuse and recycling; and short economic circuits to foster economic development in surrounding areas.
- Promote the 'civic economy' and acknowledge and integrate the informal economy (e.g. recognize informal workers, simplify registration procedures, provide incentives for payment of taxes, facilitate access to regulated public space, services and infrastructures, create spaces for social dialogue, improve the labour rights of informal workers).

6.

PUT THE 'RIGHT TO THE CITY' AT THE CENTRE OF URBAN AND TERRITORIAL GOVERNANCE

Growing inequalities create new forms of poverty and exclusion. Local and regional governments face the daily responsibility of tackling socio-spatial exclusion and promoting social justice, integrating migrants, preventing discrimination and urban violence, and protecting social rights to ensure prosperity and wellbeing:

- Reduce poverty and inequalities at the local level by identifying deprivation, and targeting policies efficiently (e.g. social assistance, youth programmes, elderly care, disability programmes, food security), taking into account each group's specificities and improving reach-out policies.
- Support housing policies and ensure the full and progressive realization of the right to adequate housing for all by developing inclusive and supportive housing policies for people on low incomes (e.g. through public supply of affordable land and public financing for social housing).
- Work with communities to upgrade slums; regenerate poor neighbourhoods; recognize and support the social production of habitat; ensure secure tenure for the most vulnerable; and prevent forced evictions.
- Complement social targeted policies with the recognition of the indivisibility and universality of human rights as expressed in the **Global Charter-Agenda for Human Rights in the City**.
- Facilitate access to newcomers (e.g. migrants and refugees) to rights and services; strengthen integration and inclusion policies and strategies (e.g. in employment, education, health, housing, and culture).

7.

LEAD THE TRANSITION TOWARDS LOW CARBON, RESILIENT CITIES AND REGIONS

Greener cities and territories are the key to a sustainable future. Local and regional governments must move towards sustainable production and consumption patterns and act to mitigate and adapt to climate change:

- Be vectors of awareness, change and knowledge for citizens, creating an educated and responsible public that respects its environment and grows to demand a healthy, sustainable, resilient and clean city and territory.
- Reduce the ecological footprint of cities, particularly of urban infrastructure and public services (e.g. transport, public lighting, buildings, water, sanitation, waste, heating and green spaces).
- Increase the use of renewable energies, climate change mitigation and adaptation initiatives; and ensure the responsible management of natural resources, taking into account its effects on the urban ecological impact and rural environment.
- Integrate environmental and natural risk prevention into planning processes, following the principles of the Sendai Framework for Disaster Risk Reduction.
- Invest in the renewal of obsolete infrastructure and the expansion of public services, according to the principles of the Paris Agreement, the SDGs and the Sendai Framework, promoting territorial cooperation, the integration of smarter technology, and resource-efficient implementation.
- Encourage urban agriculture and nature-based solutions and projects stemming from civil society, especially through subsidies and by creating truly enabling conditions.
- Adapt transport systems and promote public multimodal transport and low-carbon mobility.

8.

PROMOTE LOCAL HERITAGE, CREATIVITY AND DIVERSITY THROUGH PEOPLE-CENTRED CULTURAL POLICIES

Culture is a vital element of citizenship, integration and co-existence. It should be seen as the fourth pillar of sustainable development. All citizens have the right to culture. Cities and territories should promote active cultural policies, in particular:

- Draw up and implement cultural policies and activities that ensure the right of all citizens to access and take part in cultural life, and guarantee good governance of cultural policies.
- Build on the cultural and heritage potential of cities and territories to promote a sense of place, identity and belonging; and integrate culture and heritage in urban planning.
- Recognize cultural diversity as a prerequisite for innovation, co-responsibility and peaceful resolution of conflicts.
- Acknowledge and promote creativity as an aspect of human experience and a source of progress.
- Integrate heritage and culture in urban planning, for example through the application of appropriate cultural impact assessment methods.
- Integrate the cultural economy into local economic development strategies.
- Promote exchange and learning through cultural activities and spaces to support new urban activities that are consistent with sustainable production and consumption.
- Reconnect culture and education to support the acquisition of cultural skills and knowledge; and develop digital tools for cultural transmission, innovation and bridging cultures.
- Adopt and promote the **Agenda 21 for Culture**.
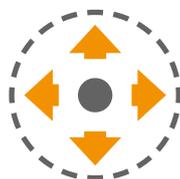
NATIONAL ACTION:
A NEW MULTILEVEL GOVERNANCE SYSTEM

Local leadership will only flourish if there is a national enabling environment for local and regional governments adequate legal frameworks and resources, as well as a transformation of top-down approaches.

Moreover, it can only succeed if the uneven decentralization found in many countries and regions is urgently addressed. National governments should:

1.

RENEW INSTITUTIONAL FRAMEWORKS TO PROMOTE SHARED GOVERNANCE AND EFFECTIVE DECENTRALIZATION

- Create an effective system of multilevel governance (MLG), according to the principle of subsidiarity; recognize the interdependence of different spheres of government; and build solidarity by linking levels and responsibilities. Subsidiarity must be supported by a clear definition of local jurisdictions and responsibilities.
- Ensure an enabling environment for local and regional governments – with adequate political, administrative and fiscal decentralization – where local and regional governments can experiment, innovate, and capitalize on their resources and the potential afforded by their locations and populations.
- Reaffirm and apply the International Guidelines on Decentralization and Access to Basic Services for All, adopted by the UN Habitat Governing Council in 2007 and 2009, as the pillars of a MLG framework.

2.

BUILD COHERENT AND INTEGRATED NATIONAL URBAN AND REGIONAL POLICIES IN CONSULTATION WITH SUB-NATIONAL GOVERNMENTS

- Move urban and territorial policies up the national agenda to harmonize the dynamics of urbanization with overall processes of national development.
- Facilitate regular coordination between central government ministries and agencies, representatives of local and regional governments, civil society and the private sector, as part of the MLG approach, to harmonize national, urban and territorial development policies; integrate from the beginning local and regional governments in the design of public policies.
- Foster a leading role for regional and local governments in defining regional development policies, particularly supporting regions and cities with limited capacities.
- Ensure coordination between strategic infrastructure and regional plans; and improve the design and co-financing of strategic infrastructures to make national and regional development strategies more coherent and supportive of local initiatives.

3.

RETHINK SUB-NATIONAL FINANCING SYSTEMS TO RECONCILE FINANCING WITH SUSTAINABILITY

- Ensure appropriate fiscal decentralization and equitable sharing of national resources to reach, in the next decade, a minimum percentage going to local governments (e.g. 20% of the total public budget) so they can meet their devolved responsibilities.
- Give local and regional governments adequate fiscal powers and capacities to mobilize part of the wealth created in their territory through diversified tax resources, non-tax revenues, including land-based finance, and user charges.
- Provide appropriate instruments for local governments to be able to capture part of the land and property added-value and generate finance for infrastructures in growing urban areas; control the 'eviction' effects of growing real-estate prices and taxes on the poorest communities, in order to avoid segregation processes.
- Ensure appropriate, regular and predictable transfers to complement local budgets, including equalization mechanisms to support lagging regions, and an adequate redistribution of resources across the whole territory.
- Collaborate with local and regional governments to redefine financing strategies; and regulate the role of private finances to support sustainable cities, channelling long-term investments to enhance basic infrastructures and public goods through incentives and specific development funds for sustainable regional/urban development.
- Improve local and regional governments' access to responsible borrowing through municipal development banks or funds; and to private finance through appropriate mechanisms such as bonds and PPPs.
- Enact policies and establish legal frameworks to attract national and

international investments, both sustainable and inclusive, in local development and infrastructures. In less developed countries, donors' support should focus on supporting cities and regions with weak financing profiles through grants to increase their capacities and allow them to access borrowing in the future.

- Facilitate local and regional governments' access to climate financing and ODA to enhance their investment capacity, through a range of adapted financial tools such as direct loans or guarantee mechanisms combined with capacity building at the local level.
- Establish national participatory mechanisms to oversee proportionate allocations to regional and local governments; gather consolidated public sub-national finance data.

4.

INVOLVE LOCAL AND REGIONAL GOVERNMENTS AND THEIR ASSOCIATIONS IN THE FOLLOW-UP OF THE SDGS AND THE NEW URBAN AGENDA, SUPPORTED BY ACCURATE TERRITORIALIZED DATA, LEARNING TOOLS AND OPPORTUNITIES

- Create national mechanisms for participatory followup of the SDGs, the Paris Climate Agreement, the New Urban Agenda, the Sendai Framework, and the AAAA. These mechanisms should involve all levels of government, civil society, the private sector and academia.
- Strengthen the role of sub-national governments and local stakeholders in generating data for urban and territorial governance; national governments should support sub-national levels and local stakeholders in the generation of localized data, linking them to the operationalization of indicators, joint planning, and implementation and evalution across all spheres of government and territories.
- Strengthen the role of Local and Regional Government Associations to support, monitor and promote the implementation of the SDGs through their constituency.
- Evaluate and share experiences, and promote practical tools for implementation.

GLOBAL ACTION: LOCAL AND REGIONAL GOVERNMENTS' RIGHTFUL PLACE AT THE GLOBAL TABLE

For global policies and agreements to properly harness local experience and commitment, the place of local and regional governments in international policy-making needs to change. They must be part of a structured consultation as a recognized and organized global constituency rather than subject to *ad hoc* consultation processes. The efforts of local and regional governments to organize and produce informed inputs must be acknowledged as part of the decision-making process by taking the following steps:

1.

INCLUDE ORGANIZED LOCAL AND REGIONAL GOVERNMENT NETWORKS IN THE GOVERNING STRUCTURES OF INTERNATIONAL DEVELOPMENT INSTITUTIONS

For decades, the international movement of local and regional governments has steadily contributed to shape international development agendas by participating in debates, showcasing practices and implementing policies to achieve internationally agreed goals. The complexity of the challenges we face, in which local and global are now intrinsically linked, requires a step forward in the way local and regional governments are considered in international policy-making:

- Local and regional governments should be acknowledged with specific status in the UN.
- The **World Assembly of Local and Regional Governments** – facilitated by the Global Taskforce of Local and Regional Governments – should be the liaison point for this constituency. This implies a far more interconnected system of organizations speaking with one voice to achieve more coherent policy-making.

- Enhance political dialogue: there should be a **system-wide consultation mechanism for local and regional governments** in development institutions, in particular the United Nations, to enhance political dialogue.
- Local and regional governments should have **a concrete role in the follow-up and review of global development policies**, and the New Urban Agenda, the High-Level Political Forum, the Paris Agreement, AAAA, the Sendai Framework, and the Global Partnership for Effective Development Cooperation, in particular.

2.

CREATE NEW INSTRUMENTS TO FINANCE LOCAL SUSTAINABLE INFRASTRUCTURE AND SERVICES

The current model of financing does not respond to the needs of most existing and emerging cities and territories. Budgetary constraints and failures in financial markets are inhibiting major investments in the renewal and/or expansion of basic infrastructures. At the same time there is excess finance in the international system. These problems will not be resolved by current policy discussions, even if progress is being made in facilitating flows from the Green Fund to sub-national governments. To face these structural challenges, a global partnership for urban housing, local basic services, and infrastructures financing could mobilize representatives from national and international financing institutions, regional development banks, institutional investors, donors, and sub-national leaders. This could enhance new financial mechanisms as defined in the AAAA for the localization of means of implementation set out in the SDGs, the New Urban Agenda, the Paris Agreement and the Sendai Framework. As part of this initiative, the following actions could be explored:

- **Convene a high-level panel of international experts** and local elected leaders. This would agree strategies with financing institutions to translate criteria in international agreements into bankable proposals for new and existing financial actors. It would reconcile financing with sustainability, and leverage urban and local development (e.g. lending to local and regional governments through sub-sovereign loans, guarantee mechanisms to channel global savings towards local level in developing countries).

- Set up **a global fund for infrastructures, basic services and housing** to mobilize resources for leverage (e.g. de-risk, financial guarantee, PPP), and facilitate access to financing from banks and markets, particularly in low-income countries.
- **Improve access to sub-national authorities to climate finance**. A sub-national window should be included in the Global Climate Fund and other green financing mechanisms and selection criteria redesigned with sub-national authorities to enable cities and regions to receive adaptation and mitigation financing directly or through domestic local financing institutions.
- Support the **Global Observatory on Local Finance** to review the effectiveness of fiscal decentralization processes; assess national and local government capacity to finance and implement development at the local level; and encourage the production of reliable public data on sub-national finances.

3.

SUPPORT DECENTRALIZED AND CITY-TO-CITY COOPERATION, LEARNING AND KNOWLEDGE-SHARING TO FOSTER INNOVATION

Local and regional governments should build on their legacy of decentralized cooperation and international solidarity to share expertise on how to address global challenges (e.g. climate change, risk prevention, peace-building, development cooperation) and to manage the impact of global phenomena at the local level (e.g. the integration of migrants, the mediation of globalizing economic pressures, and the promotion of cultural cooperation). In this regard:

- **Decentralized cooperation, municipal international cooperation, and solidarity and learning networks should have an enhanced role** in programmes set up to implement the SDGs and the New Urban Agenda. This should include recognition of local and regional governments in dealing with humanitarian crises and promoting post-crisis reconstruction.
- **Attract development partners and academic institutions** to support decentralized cooperation in order to better monitor and promote the scale and commitment of ongoing cooperation between cities and local governments.

- A system of decentralized cooperation programmes should be developed to facilitate the **exchange of experiences on how to achieve the SDGs, the New Urban Agenda, the Paris Agreement and the Sendai Framework**.
- Global, regional and national funding should be released to strengthen local and regional government learning networks and create a global knowledge management platform to facilitate local indicators and reporting.
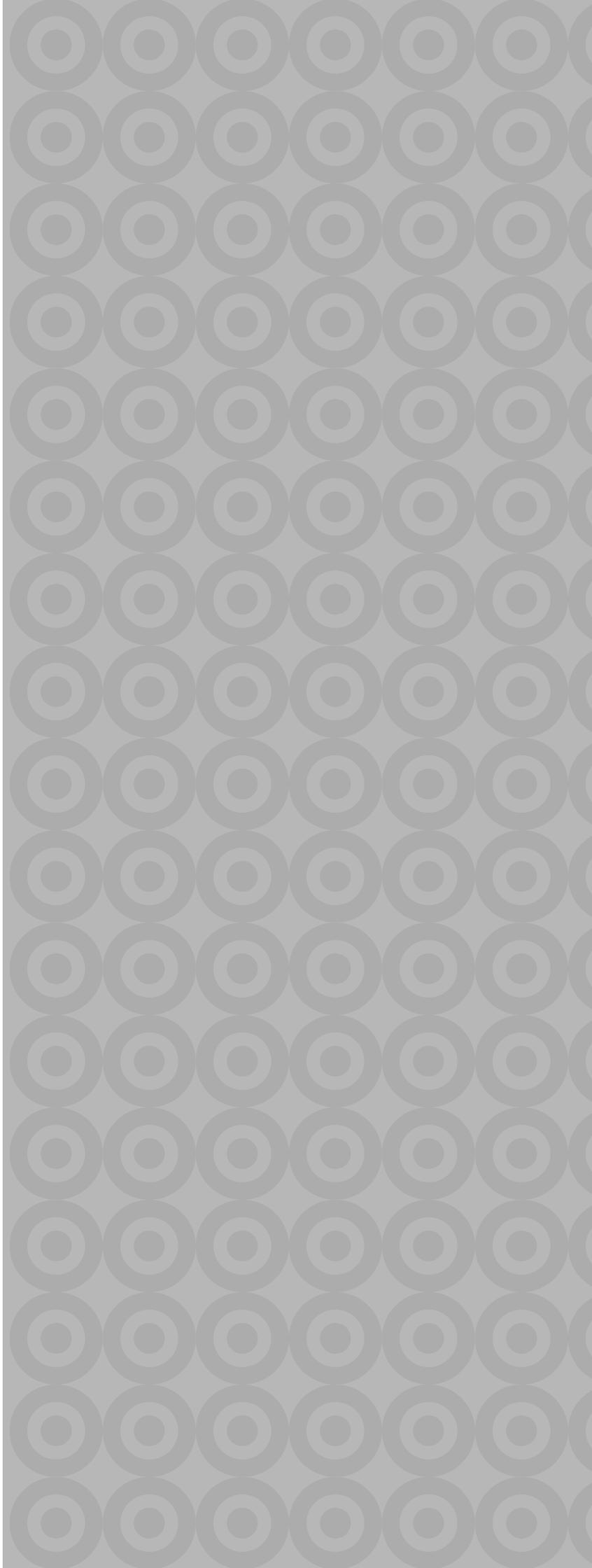
**Fourth Global Report
on Decentralization and Local Democracy**

CO-CREATING
THE URBAN FUTURE

THE AGENDA OF METROPOLISES,
CITIES AND TERRITORIES

Since the publication of its first edition in 2008, the Global Report on Local Democracy and Decentralization (GOLD) has become an international benchmark in the analysis of local and regional governments worldwide. The fourth edition, GOLD IV, examines the challenges and issues that local and regional governments face in our current urban age through three main chapters on metropolitan areas, intermediary cities, and territories (including regions, small towns and rural municipalities) as well as the solutions that can be devised to co-create **the inclusive, safe, resilient, and sustainable cities of the future**, as advocated in Goal 11 of the SDGs.

GOLD IV studies the role that local and regional governments can play within the emerging **new global consensus**. Through key international agreements such as the 2030 Agenda, the Paris Agreement on Climate and the New Urban Agenda, the international community has finally committed to leave ineffective, exclusionary and unsustainable development models behind. As emphasized in the report, the contribution of local and regional governments will be critical. The world is witnessing an encouraging proliferation of sustainability-driven initiatives in urban settlements and territories across the world. The scope, diffusion and effects of these initiatives can be crucial to meeting the goals of the global agendas and fostering the emergence of a whole new way of defining urban and territorial governance. Against this backdrop, local and regional governments can be empowered to catalyze an inclusive process that is consistent with principles of local democracy and the Right to the City to co-create the future of our cities and territories.

For this purpose, GOLD IV presents the foundations of the **Global Agenda of Local and Regional Governments** for the coming decade; a set of policy recommendations for all actors and stakeholders in the local and regional governance system. This agenda for metropolises, cities and territories is UCLG's legacy and contribution to the global debate – as embodied by Habitat III, the 2016 UN Conference on Human Settlements – and **an invitation to take the next step and foster a truly global and inclusive alliance** for our urban future.

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and Local Governments

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