

Editorial

When I started my career in international development assistance in Indonesia in 1982, I quickly learned how closely the economic development of urban and remote rural areas can be inter-linked. The agricultural price information service I worked on particularly targeted Indonesian vegetable farmers and traders. The overall idea was that actual prices broadcast nation-wide would let big city traders identify additional markets for particular vegetable products while even marginal farmers would enjoy more predictable prices. The idea worked – and consequently made vegetables more affordable for urban consumers while leading to more stable income in rural areas.

This is a story from the 1980ies which clearly shows that interventions in value chains have effects on urban as well as rural target groups. Against this background it is not surprising that development assistance recovers urban development as a key element.

Medium-sized cities – so the argument of this newsletter's first article goes – have to exploit their full potential in order to turn into a driving force of a whole region or country. Proper infrastructure has to be built and well managed by city administrations. Trade and other business licenses have to be issued quickly and at a low cost. Exactly how this can be done is the subject matter of the second article on a GFA team that supports six towns in Nepal in improving urban governance as to achieve better and more inclusive urban infrastructure and services.



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The Governance of Urbanization

Urbanization is the global driving force of economic development. It impacts on all kinds of cultural and social aspects of life and changes the world significantly. Statistics claim that half of the world's population is urban. If India or China would apply the Swedish definition of "urban" – they would be urbanized already. But even more significant than numbers are trends. The majority of humans born today will move to urban areas or are living there – and this drift will continue. As population densities in developing countries grow, the rural-urban continuum becomes a governing pattern. The use of communication technologies, and the availability of products and information even in the remotest areas add to the urbanization of lifestyles everywhere.

Megacities came to the fore and contributed to a stigma that urban challenges such as informal settlements, crime and social disparities, environmental degradation and the apparent absence of planning and management are hard to overcome. However, ongoing urbanization trends are not limited to big cities: Medium-size towns have the biggest share in urbanization trends and in absorption capacities. But smaller cities are paid little attention only. This results in insufficient technical as well as social infrastructure and in precarious management capacities of municipal administrations.

Yet, there are many opportunities and big potentials within medium-sized urban areas. Such cities are more productive than the regions that surround them. In general, cities are economic driving forces.

Governance a key to success

However, these opportunities need a conducive environment. Urban governments and administrations are effectively required to multitask: They have to meet the challenges of population growth, organise its territorial expansion, manage services, maintain and develop infrastructure. At the same time they should both inform and consult citizens, and at best engage them in the decision-making processes. Activities of urban governments include communicating, planning, deciding, financing and implementing of urban development – in order to form the basis for socially inclusive, economically and ecologically viable development.

At this point, urban governance is an approach to shape challenges and use them for positive impacts. It provides the binding criteria for sustainable development at the city level. The three essential features of governance – processes, values and institutions – are not only required for governments but include all stakeholders involved or affected.



Lekmath citizens pay tax

Urban Governance (continued from page 1)

For a successful support to growing cities, sector-specific approaches alone are no longer sufficient for coping with the urban challenges. Support through improving governance is not an addition to development projects, but should be understood as a fundamental principle of international cooperation. Applying comprehensive governance criteria at the local level facilitates more sustainable outcomes than it would be possible within a sector or within the limits of a central ministry. Sectors such as transport, water and sanitation, health or education, need to consider urban governance criteria as key factors for success.

Crosscutting impacts

The fundamental impacts of urban governance can be illustrated with crosscutting issues such as poverty reduction, environment, and gender. Due to the quantitative distribution of the future world population, cities will play a decisive role for these three issues. For example, if a road is built, it will have an impact on the environment and the affected settlements in many ways. It changes access to markets and schools, hence providing new opportunities for livelihoods. But it may also threaten locally established businesses and communities. These impacts cannot be regulated within one sector alone. The interdependence of infrastructure such as roads, transport facilities such as public transport and social facilities such as



Checking services at a municipal health clinic in Vietnam

health posts can only be effectively realised when considered as part of a comprehensive plan. Eventually, sectors need to be well coordinated in order to contribute to enhancing economic development.

The ecological footprint of cities is another case in point: It is indeed huge and natural resources are endangered in their catchment. Nevertheless, because of their high density, cities are relatively less harmful to the environment than scattered, yet densely populated rural areas with only a fraction of residents. With the appropriate infrastructure, cities can be developed to be environmentally sustainable in terms of energy efficiency or recycling, and in a

more cost-effective way than rural areas. In this context, the nexus approach – integrating perspectives on water, energy and food – becomes increasingly important.

Gender equality aspects speak in favour of cities as well. Urban areas are socially complex and dangerous places for women in many aspects. But they indeed have a liberating impact on those women who migrate from rural to urban areas. For example, millions of female textile workers in Bangladesh have been able to emancipate themselves by earning their own income in urban areas after fleeing the rigid and conservative norms of rural societies.

Economic growth in most of the African, Asian and Latin American countries started in direct relation to urbanization. The latter does not guarantee social balance and poverty reduction. But in connection with governance it very well may. Cities are beacons of hope for millions of migrants. The irreversible trend of migration to urban areas has the potential to reduce poverty in rural areas – but only if such potentials can be utilised instead of being ignored, particularly in medium-sized cities. Thus, improving urban governance for citizens and cities, especially the smaller and poorer ones, is a significant contribution to a sustainable and equitable global development.



Workshop with civil servants in Chile

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Municipal Support to Urban Governance in Nepal

Since December 2011, GFA supports six towns in Nepal in improving urban governance. As part of the GIZ supported Sub-national Governance Program, GFA's Municipal Support Team (MST) is directly engaged in the World Bank supported Urban Governance and Development Program (UGDP). Both programs aim at enhancing good urban governance to achieve better and more inclusive urban infrastructure and services.

Hosted by the Department for Urban Development and Building Construction (DUDBC) in Kathmandu, the MST aims at improved planning, delivery of urban services and the implementation of urgently needed infrastructure in six participating municipalities in the West around Pokhara and the Eastern Terai Region. GFA works with the Nepalese company MULTI and the Berlin-based OIKOS Human Settlement Group. Key central agencies associated with the urban sector in Nepal are supported in reforming systems and procedures as well as in capacitating their personnel. With the support received through the program, they eventually help improving the life of approximately 280.000 citizens. The World Bank provides funds to the municipalities through UGDP which focuses on the improvement of urban service delivery and the development of socio-economic infrastructure. To this end, MST supports the institutional development of local administrations, e. g. by strengthening finan-

cial management and accountability at municipal level. MST also directly helps the municipalities to apply for grant/loan combinations that are provided by the Nepali Town Development Fund (TDF) for funding infrastructure projects.

Developing innovative strategies on increasing financial resources establishes another essential aspect of assistance in order to guarantee the maintenance of successfully implemented infrastructure projects. Moreover, through UGDP's advisory services, citizen participation and transparency are enhanced through participative budget planning, public hearings as well as regular information dissemination. The inclusion of marginalized groups and women is closely monitored and mechanisms to receive and respond to complaints have been established. At the central level, key agencies are supported in coordinating their efforts for enhancing urban governance. The program supports the development of a management information system for the urban sector that will improve knowledge management and foster cooperation between the actors at different levels. At the municipal level, this information system will provide essential public services effectively and efficiently. It is planned to include elements such as municipal assets and natural resources, financial and administrative data required for decision making as well as data collection and analysis tools.



Urban environment in Nepal

MST focuses its interventions on the provision of national and local level trainings. Currently, the team develops the capacities of urban stakeholders and citizens for commencing urban infrastructure projects ranging from solid waste management to the creation of a new town centre and the construction of ring roads. Trainings on procurement are conducted and advice on environmental and social safeguard measures is provided. In a next step, a C³ training of trainers is planned in close coordination with the national urban training institute. This training aims at enabling local key stakeholders to convey urban governance issues such as transparency and inclusiveness as well as infrastructure maintenance and financing to urban actors.

Provided the success of the program, the Nepali Government and the World Bank will consider widening the approach to another 20 or more municipalities. Lessons to be learnt during the implementation of this program are crucial for the future of secondary towns in Nepal. Their needs, however, not only have to do with scarce external funding but even more so with a lack of institutional capacities. Once reliable information and management systems are established and institutions are strengthened, municipalities can be expected to generate more revenues and to plan and develop in more sustainable ways.

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Improving urban infrastructure in the Lekhnath municipality

Minister Niebel Visits Afghanistan

During his seventh official visit to Afghanistan on 23 August, 2012, German Development Minister Dirk Niebel participated in a presentation of the GIZ Sustainable Economic Development in the North of Afghanistan and in Kabul project. The project's objective is to improve the competitiveness of the private sector and employment opportunities in selected sectors in Northern Afghanistan. In this context, GFA is responsible for the value chain development of semi-precious stones: quarrying, processing and marketing. GFA experts support the promotion of business development service providers at the regional level, and employment and income generating measures focusing on women. Moreover, they help build strategic alliances between private and public stakeholders in order to improve the business climate at the local level.

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OPTIMIST Saves Beauty Parlor

Irena Drobowski almost went out of business when her beauty parlor in Hamburg was broken into late last year. She had no insurance then and no bank was willing to provide a loan that could have compensated the five-digit burglary damage. Finally, "Unternehmer ohne Grenzen" (entrepreneurs without borders) offered local economic development assistance. This is where GFA and its microcredit program, called OPTIMIST, came in. GFA facilitated a loan of 13,000 euros which Ms Drobowski put to good use by replacing technical equipment and cosmetics, and

investing in promotional material as well as further training. She is now looking ahead optimistically again. The focus of GFA's program that applies internationally recognized microfinance methods lies on the personality of the entrepreneur and the future-oriented analyses of his or her business, using cash-flow-based and character-based lending. This is also what ultimately saved Irena Drobowski. GFA intends to continue this positive trend. In 2012, the company expanded marketing activities, building on a strong network of established partners and participating in a nationwide marketing campaign entitled Mein Mikrokredit (My Microcredit), which further promotes microfinance to the general public. For more information see www.optimist-mikrokredit.de.
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Reforming the Police in Iraq

With Iraq on the verge to being a truly independent democratic state, security and protection are essential to guard the way. To this end, GFA engages in the EU project Support to the Iraqi Ministry of Interior Higher Institute for Security and Administrative Development. Rather than providing direct training of police forces, the project will focus on providing and enhancing the internal capacities of the Higher Institute for Security and Administrative Development. The Institute is meant to provide training and education to police forces in Iraq along their whole career path. GFA was able to acquire a highly capable team leader who has more than 43 years of experience with the Police Force in Germany and abroad.

He therefore has the relevant insights into the workings of such a particular organization needed to successfully support the Institute. VNG International with its experience in reforming the public sector in Iraq, and Result Group with its vast know-how in developing security concepts are strong partners to make this project a success. By the end of the project, the Institute's structure and personnel will allow for the thorough education and administration of a modern police force in Iraq that fully understands and respects human rights and the rule of law.

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GFA Receives PEFC Accreditation

Certification means credibility – a value that GFA Certification offers as one of the leading certification bodies in forest management as well as wood and paper related chains of custody in accordance with internationally recognized FSC® standards. In July 2012, GFA Certification has been accredited to DIN/EN 45011 with the scope of PEFC chain of custody certification. PEFC, the Program for the Endorsement of Forest Certification established in 1998, is a competing certification system to FSC. Currently, 243 million hectare of forest area are managed according to PEFC standards, and approximately 9,000 companies are certified in accordance with PEFC chain of custody norms. The PEFC accreditation enables GFA Certification to offer combined FSC and PEFC chain of custody certification. This helps GFA customers reduce costs, time and red tape to a minimum.

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GFA Consulting Group is a growing consulting organization active in economic development. The main sectors of the company comprise agriculture & rural development, natural resources & certification, public sector & fund management, private sector development, water & sanitation, health & HIV/AIDS, financial systems development, labor markets & human resources, climate change & energy, and forest investment fund. GFA Consulting Group presently works in more than 70 countries and collaborates with selected, specialized partner companies both nationally and internationally.

GFA vision – to be the partner of choice for clients in our core service areas.

GFA mission – to improve the livelihood of beneficiaries through our professional services.

GFA core values – to offer high performance in service delivery, technical excellence in our main sectors, innovative approaches and products, and credibility with our clients when putting projects into practice.