

The Challenge of an Urban World

An Opportunity for U.S. Foreign Assistance

International Housing Coalition

IHC

Housing for All

IHC Recommendations to Improve U.S. Foreign Assistance

The urban age is upon us. For the first time in history, more people now live in cities than in the countryside. Virtually all world population growth for at least the next fifty years will be in cities, and the cities of the developing world will absorb most of this increase. This phenomenon should be viewed positively because there is general agreement that urbanization is fundamental to sustained national economic growth—indeed no country has achieved higher income status without greater urbanization. However, rapid urbanization is often an overwhelming management and financial challenge for developing country governments.

The increasingly concentrated poverty in urban slums is a consequence of urbanization. One billion people now live in slums in the developing world and that number is sure to increase. The promise and challenges of 21st century urbanization combine to offer an unprecedented opportunity to leverage U.S. foreign assistance in order to alleviate poverty and generate economic growth. To do so adequately, the U.S. will need a better foreign assistance structure with an increased focus on urban development. Urban programs are a proven, effective, and efficient use of limited foreign assistance resources.

Short- and medium-term reforms and actions can be implemented to enable U.S. foreign assistance to better help developing countries address the challenges of urbanization and slums and to take advantage of the opportunities they present. The following recommendations for Congress, the United States Agency for International Development (USAID) and the Millennium Challenge Corporation (MCC) are suggested to provide a base for further consideration and discussion. These recommendations derive from the research and conclusions of the IHC White Paper, “The Challenge of an Urban World: An Opportunity for U.S. Foreign Assistance.”

For Congress:

- Rewrite the Foreign Assistance Act of 1961 to acknowledge the challenges and opportunities of the 21st century. Recognize urban assistance as a cross-cutting theme that can help effectively and efficiently focus current and future U.S. aid program priorities.
- Authorize the preparation of a new U.S. foreign assistance strategy to address development comprehensively with urban investments and slum improvement as key components, as proposed in the Shelter, Land, and Urban Management (SLUM) Assistance Act (H.R. 1702).
- Recognize clean water and basic sanitation for the poor as essential program elements in U.S. foreign assistance, as proposed in the Senator Paul Simon Water for the World Act (S. 624) now being considered by Congress.
- Support a policy of U.S. Government collaboration and coordination with other donors, especially in working towards the widely-accepted Millennium Development Goals (MDGs).

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- Strengthen State Department/USAID's authority to coordinate and monitor urban-related foreign aid activities being carried out by other U.S. Government agencies.
- Authorize the MCC to extend compacts beyond five years when appropriate for more complex urban infrastructure and slum improvement projects.

For USAID:

- Prepare an urban development strategy to address housing, slum improvement and urban development needs.
- Rebuild an urban office within USAID to provide leadership for coordinated programming, technical support for urban development and dissemination of best practices.
- Hire additional USAID policy and technical staff with experience and expertise in urban planning and development to guide urban programming; train agency staff in urban issues and help build the capacity of government officials in developing countries to more effectively manage urbanization.
- Redefine USAID policies and operating guidelines to enable USAID missions to facilitate and support multi-sector slum improvement programs encompassing technical assistance, flexible and adequate funding and capacity building for more effective urban management.
- Highlight the importance of water and sanitation for the poor as essential elements in foreign assistance and use money from the Senator Paul Simon Water for the Poor Act to begin to finance slum upgrading immediately.
- Leverage private sector partnerships on issues related to housing, slum improvement and finance through the Global Development Alliance (GDA) and other relevant initiatives such as the Development Credit Authority (DCA) Program.
- Encourage the Overseas Private Investment Corporation (OPIC) to develop wholesale sources of housing finance directed to lower-income markets.
- In support of local development plans and strategies, take the lead in focusing technical assistance and financial resources on urban development and greater program coordination among donors.
- Disseminate best practices in urban planning and development through, for example, organizing an International Urban Summit to highlight the importance of the issue.

For MCC:

- Make compact eligible countries more aware of the benefits of integrated, multi-sector programming and urban investments in spurring economic growth and alleviating poverty. Include urban leaders in the compact development process.
- Hire additional MCC policy and technical staff with expertise and experience in urban development to support compact development and train MCC staff in urban issues.
- Extend compacts beyond five years when appropriate for more complex urban infrastructure and slum improvement projects.

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