



# **Prosperous and Sustainable Cities for All**

An Australian Development  
Agenda for Urbanisation  
in the Asia Pacific

July 2016

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## Acknowledgements

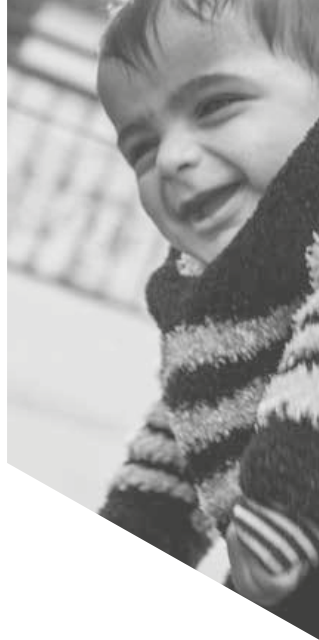
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## Endorsement

We, the members of the Shelter Reference Group's Urban Steering Committee, are a group of Australian development actors committed to sustainable urban development in the Asia Pacific. Urbanisation is one of the greatest development challenges and opportunities facing the world today and responding to it is key to the new Sustainable Development Goals and to fulfilling our respective mandates.

Recently we commissioned a piece of urban research investigating the opportunities for increased and coordinated action on promoting inclusive urban growth and wellbeing in our region. The research has informed the context setting, trend analysis and policy recommendations set out in this policy paper.

We support the policy paper's eight recommendations. They set out a clear path forward highlighting the opportunity for the Australian Department of Foreign Affairs, the Australian development sector, and the private sector to partner in response to complex issues caused by rapid urbanisation in our region. In striving to 'make cities and human settlements inclusive, safe, resilient and sustainable' (SDG 11 – Cities), we endorse an approach that leverages the Australian development sector's significant urban development expertise, knowledge and human capital.

We look forward to continuing our constructive dialogue on this matter and trust you will find this policy paper informative, compelling, and useful.

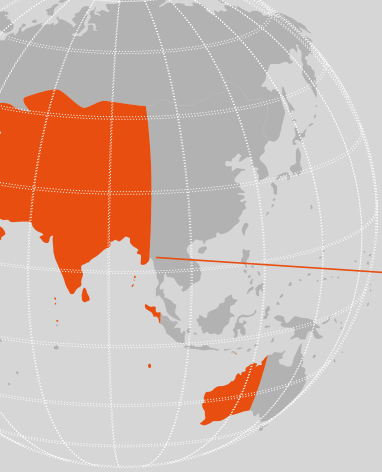
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2.38 billion people  
or almost half of the population  
in APAC live in urban areas.<sup>1</sup>



Over 45 million people a year  
are added to the APAC urban population<sup>2</sup> – nearly  
twice the size of Australia's population.<sup>3</sup>



Over half of the world's slums  
are hosted by Asia Pacific, with more than  
30% of the urban population living in them.<sup>4</sup>

Poverty is growing faster in  
urban areas than in rural areas.<sup>5</sup>



Cities contribute  
80%  
of the Asia Pacific region's GDP.<sup>6</sup>



Asia Pacific cities are among the  
most vulnerable in the world  
to natural disasters.<sup>7</sup>



By way of comparison,  
China's pace of urbanisation is  
100 times the scale & 10 times the speed of Britain's  
during the Industrial Revolution.<sup>8</sup>

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## Recommendations

- 01 Australian NGOs and DFAT develop **urban strategies** to lead their approach to reducing poverty and promoting sustainable economic growth in urban areas.
- 02 DFAT establishes a **dedicated team** and **builds technical expertise** on urban poverty and development.
- 03 DFAT invests **\$50 million over five years** on urban programming, focused on **strengthening urban systems and markets** and driving local engagement and ownership.
- 04 DFAT's innovationXchange launches an **Urban Innovation Challenge** to stimulate ideas and innovative solutions to urban challenges.
- 05 Australian NGOs, with support from DFAT, establish an **Australian Urban Sustainable Development Forum** for the Asia Pacific.
- 06 Australian NGOs, universities, DFAT and private sector actors support and champion **collaborative research** on effective development and humanitarian response in urban areas.
- 07 Australian NGOs build their focus, expertise and action on **reducing poverty** and **promoting sustainable development** in urban areas.
- 08 DFAT builds stronger **international diplomacy and engagement on urbanisation** in the Asia Pacific.



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## Executive Summary

**Urbanisation is both – one of the greatest development challenges and opportunities facing the world today. Half the world's population now live in urban areas and this is set to increase to 70 per cent by 2050, with nearly all this growth taking place in developing countries.**

The speed and scope of urbanisation in the Asia Pacific region is unprecedented. By 2050, Asia will host half of the world's urban population. While urbanisation has lifted hundreds of millions of people out of poverty, the region is also experiencing the urbanisation of poverty, with rising numbers of urban poor and the world's largest urban slum populations.

This paper makes the case for immediate and greater action to address the challenges and opportunities resulting from urbanisation in the Asia Pacific, and the important role that the Australian development sector and the Department of Foreign Affairs and Trade (DFAT) can play.

If cities and towns are well managed, they can serve as engines for growth, innovation, wellbeing and inclusion. Indeed, no country has achieved development status without urbanising.

However, most urban growth in the region is occurring without adequate planning or management. As a result, an increasing number of poor and marginalised residents face challenges in accessing housing, essential services and economic opportunities, as well as facing environmental health concerns, social exclusion, crime and insecurity.

Rapid and unplanned urbanisation reduces the competitiveness of cities as a whole. It also creates global development challenges, with many negative impacts crossing national borders such as climate change, conflict, unmanaged migration and the spread of disease.

Realising the benefits of urbanisation requires major action to meet the demand for housing, services, infrastructure and jobs while ensuring inclusive and sustainable development. This will require effective governance and regulation, innovative financing, and strong policy development. It will also require integrated action across all levels of government from national to regional to the municipality level, and across sectors.

Governments, civil society, the private sector and donors have turned greater attention to urbanisation in recent years, demonstrated by the new Sustainable Development Goals focusing on 'making cities inclusive, safe, resilient and sustainable' (Goal 11).

DFAT and the Australian development sector have an opportunity to maximise impact on urban poverty and sustainable development, particularly in the Asia Pacific region. Historically, urban poverty alleviation has not been a strong focus of Australia's development efforts.

As well as benefiting people and countries in the Asia Pacific, action on urbanisation works for Australia's interests by building a prosperous and stable region in which to trade, invest, visit and engage.

This paper proposes an Australian Development Agenda for urbanisation in the Asia Pacific based on eight recommendations. By understanding cities and towns as complex systems, these recommendations are aimed at addressing urbanisation in a strategic and holistic way. They seek to build on current initiatives and encourage broad collaboration for impact.

While these recommendations primarily reference DFAT's response to urbanisation, it is recognised that the most effective response will be a whole of Government effort, involving all relevant portfolios.

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## A rapidly urbanising world

**Urbanisation is both one of the greatest development challenges and opportunities facing the world today. Half the world's population live in urban areas<sup>9</sup> and this is set to rise to 70 per cent by 2050. Currently, 33 per cent of urban residents live in slums.<sup>10</sup>**

The speed and scope of urbanisation in the Asia Pacific is unprecedented. By 2050, Asia will host half of the world's urban population.<sup>11</sup> While urbanisation has lifted hundreds of millions of people out of poverty, the region is also experiencing the urbanisation of poverty, with rising numbers of urban poor and the world's largest urban slum populations.<sup>12</sup>

Cities and towns are where the battle to end poverty and promote sustainable development will primarily be won or lost. They can serve as engines for growth, innovation, wellbeing and inclusion or they can increase poverty and inequality, damage economies, degrade the environment and exacerbate conflict and the spread of disease.

Urbanisation calls for fresh and collaborative approaches. The global community has recognised this, as demonstrated by the promotion of the urban Sustainable Development Goal to 'make cities inclusive, safe, resilient and sustainable' (Goal 11).

The third UN Conference on Housing and Sustainable Urban Development (Habitat III) in October 2016 is bringing together governments, multilateral organisations, the private sector and civil society to advocate a new urban agenda for the world.

The Department of Foreign Affairs and Trade (DFAT), in partnership with the Australian development sector and the private sector, has an opportunity to increase their impacts on urban poverty and advance sustainable development, particularly in the Asia Pacific region. Now is the opportune time for greater action. Currently there is interest in urban issues at both the international level, and domestically, through the new Smart Cities Plan. As well as benefiting people and countries in the Asia Pacific, action on urbanisation is squarely in Australia's interests by building a prosperous and stable region in which to trade, invest, visit and engage.

This paper makes the case for greater action to address urbanisation in the Asia Pacific and highlights the important role that DFAT and the Australian development sector can play. Section 2 discusses urbanisation trends in the Asia Pacific and how they relate to Australia's aid and development priorities. Section 3 highlights the role of international development assistance in responding to urbanisation. Section 4 concludes with constructive recommendations for an Australian Development Agenda for urbanisation in the region.





## Urbanisation in the Asia Pacific

### Trends

**In 2015, an estimated 2.38 billion people lived in urban areas in the Asia Pacific region. The urban population grew more than fourfold between 1950 and 2000 and it is projected that 1.1 billion people will be added to the region's urban population between 2000 and 2025.<sup>13</sup> The World Bank estimates that there are 190 million urban poor in the region.<sup>14</sup>**

While the nations within the region are at different stages of urbanisation, all are demonstrating a trend towards ongoing and sustained urban growth.<sup>15</sup> In all but a few exceptions, the urbanisation growth rate exceeds that of the rural populations. Many large urban areas face severe shortages of land suitable for development, housing, and essential municipal services.

Rural-urban migration is driving urban growth in the region, with more than 45 million being added to the urban population of the Asia Pacific region annually.<sup>16</sup> This is equivalent to nearly twice the population of Australia, fuelling enormous demands for land, housing, and urban services – equating to more than 125,000 people every day. This creates demand for over 25,000 new units of shelter – two-thirds of which are needed for low-income earners, an additional 250 km of roads, associated basic service infrastructure and over 65,000 new jobs daily. This demand exceeds the ability of local and national governments to provide these critical services.

### Opportunities

Urbanisation is an enabler for economic growth. No country has achieved development without urbanisation. In 2011, urban areas contributed almost 80 per cent of Asia's Gross Domestic Product (GDP), while representing only 45 per cent of the population.<sup>17</sup> When well-managed, urbanisation can generate significant benefits across a range of human and economic indicators, and have flow on effects for poor and marginalised communities. Particularly relevant to Australia's aid and development policy priorities<sup>18</sup> are:

- **Reducing poverty and exclusion:** As a population urbanises, overall poverty rates fall.<sup>19</sup> A recent study of 25 developing countries found that rural-urban migration accounted for an average of 10 per cent of national poverty reduction.<sup>20</sup> Cities also provide access to social infrastructure and build community cohesion.
- **Infrastructure, trade facilitation and international competitiveness:** Urban areas are engines of economic growth, provide key markets and distribution centres, foster innovation, and offer greater employment opportunities. Economic activities in cities enable countries to fund national infrastructure and development projects.
- **Agriculture:** Improved road systems and market linkages help improve agricultural productivity, expand farmers' market access and provide incentives to increase production. Small-scale urban agriculture and agricultural based industry can also reduce food insecurity and provide economic opportunities for the urban poor.
- **Effective governance:** Urbanisation can offer opportunities for increased citizen participation in government decision-making, foster collaboration between levels of government and civil society, and increase transparency to optimise service delivery.
- **Health and education:** Urban areas can offer residents better access to, and variety of, health and education services. Improving health systems and essential services such as water and sanitation can provide significant reductions in urban child mortality and lower prevalence of preventable diseases.<sup>21</sup> Urbanisation has also been found to facilitate the exercise of reproductive health rights.<sup>22</sup>
- **Tackling climate change and building resilience:** Integrated urban planning, including improved energy and transport systems, can foster resilience through climate change mitigation and adaptation. The density of urban areas creates opportunities to build the resilience and livelihoods for poor communities through social protection services.

- **Gender equality and empowering women and girls:** Cities can provide greater opportunities for women and girls, especially education and employment. As women gain equality, the effects of poverty on families is reduced. Women who have more control over resources, allocate more to food and children's health and education.<sup>23</sup>

### Challenges

**Despite the benefits and opportunities presented by urbanisation, these are far from being realised. Most urban growth is happening in developing country cities with unplanned, informal patterns of settlement. As a result, poor and marginalised people face major challenges in accessing their rights and improving their quality of life. Such challenges include:**

- Lack of access to safe and adequate housing;
- Limited access to essential infrastructure;
- Difficulties in accessing safe and reliable employment;
- Overcrowded, polluted and unhealthy living conditions;
- Congested and unsafe road and transport infrastructure;
- Crime, insecurity and violence;
- Exploitation including child labour, trafficking and sexual exploitation;
- Inappropriate land administration, property rights and building codes; and
- A lack of political power to be able to mitigate the impact of major urban development projects, leading to evictions and land disputes.

Urban inequality, related both to income and opportunities, is on the rise in the Asia Pacific region.<sup>24</sup> Women and youth face particular barriers and make

up a disproportionate number of the at-risk and unemployed.<sup>25</sup> Inequality dampens economic growth, diminishes poverty reduction and undermines social cohesion and solidarity. A growing urban economic divide can lead to rising levels of crime and social unrest, creating large demands on social, judicial and policing systems.

The urban poor are also increasingly vulnerable to the effects of natural disasters. Population density, unplanned settlements and poor infrastructure exacerbate the loss of life and damage caused by disasters. Within the region this has been evidenced by the Nepal earthquake (2015), South Indian floods (2015) and Philippines Typhoon Haiyan (2013).

As well as localised impacts on urban residents, rapid and uncontrolled urbanisation can have macro impacts on the functionality and competitiveness of regions. Urban instability, conflict and crime all reduce the willingness of the private sector to invest – diminishing economic potential.



## Building prosperous and sustainable cities for all

### Case Study

#### Testing Urban Land Laws in Cambodia

Many poor households face insecure land tenure in Cambodia. To address this, Cambodia established progressive land laws, including the social land concession (SLC) mechanism. However, this law proved challenging to implement and was not adequately tested to demonstrate how it could be used to allocate land for housing for poor people in urban areas.

Habitat for Humanity, with support from the World Bank and the Japan Social Development Fund, initiated a landmark tenure project to deliver secure tenure for the landless urban population in Battambang city. The project trained local government officials, community-based organisations and communities on the SLC mechanism, and helped them develop procedures specific to urban settings. The project delivered secure land tenure to families through a process of land demarcation, while also providing support with housing loans and construction. This bottom-up approach allowed community-based management to be the basis for land use planning and development. Habitat for Humanity shared the lessons and approaches developed through this project with other local governments and communities, to build understanding and application of the SLC mechanism for increased land tenure across Cambodia's poor urban areas.

*Source: material and photo, Habitat for Humanity Australia (2016)*



**Urbanisation in the Asia Pacific region will require major action and investment to meet the demand for housing, services, infrastructure and jobs while ensuring inclusive development. This will require effective governance, regulation and institutional capacity to support the efficient development and management of cities; including empowering local communities to meaningfully engage. It will require new and innovative financing and strong financial management to boost service provision and meet infrastructure shortfalls.<sup>26</sup>**

The scale of urban growth, and associated challenges, means that local citizens, governments, multilateral organisations, civil society and the private sector must scale up collaboration and action. Integrated efforts are required across all levels of government from national to regional to municipality, and across all sectors.

#### The growing focus on urbanisation

With the acceptance of the urban Sustainable Development Goal, the international development sector will continue to focus on urbanisation. This provides clear opportunities for DFAT, the Australian development sector and private sector to draw on Australian evidence and expertise, and partner with our near neighbours for improved urban development outcomes.

#### National and local governments and communities

in developing countries are on the frontline of responding to urbanisation. As an example, the Bangladesh Government has implemented an *Urban Partnerships for Poverty Reduction* initiative, with the goal of lifting three million urban poor out of poverty across 23 cities and towns.

## Case Study

### Testing Local Approaches to Building Urban Climate Change Resilience in Asia

Since 2008, the Asian Cities Climate Change Resilience Network (ACCCRN) has been testing local approaches to building climate change resilience in poor urban areas in Vietnam, Indonesia, India, and Thailand. Arup has been a key regional partner in this Network.

In Indonesia, Arup worked with MercyCorps and the cities of Bandar Lampung and Semarang to support a Flood Forecasting and Early Warning System (FEWS), in response to increasing tidal and riverine flooding. This project brought together local actors across government, academia, civil society and the community to collaboratively plan, design and deliver the FEWS. Arup and MercyCorps also worked together in these cities to develop training toolkits on 'successful project delivery' for projects involving multiple partners and on 'successful city teams' to support cities to establish and lead high performing teams that champion resilience.

A recent evaluation of ACCCRN has highlighted that the capacity of city partners to plan, finance, coordinate, and implement climate change resilience strategies has improved in all cities.

Source: material and photo, Arup (2016)

**International development banks** such as the World Bank and Asian Development Bank (ADB) have led much of the international investment on urban programs, predominately for the construction of infrastructure. International development banks have been seeking to mobilise public sector finance and public-private partnerships for urban infrastructure.

**Multilateral development agencies** such as UN-Habitat, the United Nations Development Programme, the International Labour Organisation and the World Health Organisation have also been engaging in urban development and management programs. UN-Habitat is the principal agency addressing urban development. It has several programs such as the *Participatory Slum Upgrading Programme*, and will receive increasing attention with Habitat III taking place this year.

**Bilateral development agencies** are becoming significant donors and actors in urban policy and programs, particularly USAID, the UK Department for International Development (DFID), Germany's GIZ, Global Affairs Canada (GAC) and the Japan International Cooperation Agency (JICA). Bilateral agencies are implementing urbanisation strategies and have a growing focus on urban development aligned with SDG11 and Habitat III.



### Urbanisation Strategies

The USAID's *Sustainable Service Delivery in an Increasingly Urbanised World* strategy aims to support service delivery that attains large-scale benefits to urban residents in a sustainable manner over the longer term. It focuses on good governance and effective management systems, innovative, cost-effective and pro-poor service delivery, and on supporting increased investment in service delivery. DFID's *Cities: The New Frontier* strategy sets out its urban priorities including sharing experience of cities and towns, economic growth and sustainable cities, cities and climate change, urban conflict, strengthening communities and good governance, and working in partnership.

**International NGOs** such as World Vision, Habitat for Humanity, Oxfam, Save the Children and The Asia Foundation have, or are in the process of developing, urban strategies. NGOs can be important actors in major urban development programs; holding actors to account on social and environmental protection and to ensure community participation, buy-in and benefit. **Universities, research institutes and philanthropic organisations** also make significant contributions, particularly to research on cities and urban systems.

The **private sector** is increasingly active in urban development. For example, private banks have been working with governments to foster the development of capital markets and micro credit facilities to improve access to capital for investment in local infrastructure, services and business development. In addition, firms specialising in the planning, design and delivery of buildings and infrastructure are increasingly focused on reducing the exposure and vulnerability of these assets to the impacts of hazards.

Finally, there is an increasing focus on **multi-sectoral partnerships** for urban poverty reduction and sustainable development: to utilise the skills and expertise of different sectors and maximise impact. For example, *Water and Sanitation for the Urban Poor* harnesses the expertise of the private sector, NGOs and research institutions to work as a professional partner to service providers in the delivery of water and sanitation programs.

### Good practice approaches

Given the complexity of urbanisation, actors are recognising the need for an overarching strategy or framework to guide approaches to urban poverty and development. A 'systems' approach to urban policies and programs is regularly highlighted. To this end, there is a trend away from single-sector urban projects towards integrated programs of multi-disciplinary activities, focusing on improvements to the development of urban systems such as governance systems, water and sanitation systems, and systems of economic development.

For example, an urban water project could incorporate aspects such as corporate governance, technical operations and maintenance, environmental protection of water catchments, community education on water conservation and demand management. Likewise, a climate change initiative could incorporate disaster risk reduction, cleaner production, urban resilience and poverty alleviation.

Research into large urban development activities found that more than 25 per cent of projects did not produce satisfactory outcomes, mainly due to a failure to consider the multi-disciplinary and multi-sector dimensions of projects.<sup>27</sup> This highlights the need for a systems approach in the planning and implementation of urban programs.

For urban programs to be successful, they usually require long time frames, with outcomes often taking years to realise. Programs need to be designed to be flexible and responsive to arising issues and as the



program matures. They also require significant and sustained stakeholder engagement and extensive knowledge of the local context, given the complexity of actors and relationships in urban settings and in recognition that local residents, organisations and markets are best placed to drive local solutions.

Urban policies and programs have also become much more focused on the need to be innovative and catalytic, leveraging other drivers for development, such as private sector investment and domestic finance.

#### Australia's current efforts

While rural development remains vital, urbanisation in the Asia Pacific region invites Australia to increase its engagement and support for urban development. The 2011 *Independent Review of Aid Effectiveness* report stated:

*'As regards urban development, a growing number of the activities undertaken by the Australian aid program over recent years relate closely to this. These include physical and social infrastructure, waste management, water and sanitation and even housing in some disaster-related contexts. However, not a great deal of thought has been given to how such activities might be packaged together, and the Review Panel considers this might be worth further attention given the increased pressures of urbanisation in the developing world.'*<sup>28</sup>

**The Australian Government's** current development policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, does not explicitly recognise urbanisation as a key development issue, despite its central relevance to the desired outcomes and priorities of the policy. Given the wealth of Australian practitioners and academic experience in urban planning, city and infrastructure management, it is a missed opportunity that DFAT does not have a dedicated team on urban poverty and development. This is especially significant as aid investment continues to have a strong urban component including urban planning, finance, urban water and sanitation, urban health, and urban disaster risk reduction.

Despite not having a dedicated urban team, recognising that urbanisation will become an increasingly important focus, DFAT has begun work to develop their urban guidelines which integrate urbanisation as a cross-cutting issue for development projects.

**Australian NGOs** are increasingly focusing on urban poverty as a development priority. They are often effective and efficient suppliers of community infrastructure and services; with pre-established local networks and extensive urban experience, as highlighted in the case studies in this paper. The urban activities of Australian NGOs highlights particular skills in the areas of:

- Water and sanitation;
- Shelter and housing;
- Health and education;
- Disaster recovery programs;
- Gender equality and social inclusion; and
- Community engagement.





## Case Study

### Empowering Poor Urban Communities in Phnom Penh, Cambodia

From 2009 – 2013, World Vision ran a successful project in Phnom Penh, Cambodia aimed at improving community knowledge of housing and land rights under Cambodia law, in response to eviction and relocation claims. World Vision worked closely with communities to map housing arrangements and critical infrastructure, facilitate community engagement and local level advocacy and to strengthen community access to various levels of government. The project demonstrates the crucial role that NGOs can play in working at the local level to empower urban communities to access rights and services.

*Source: material and photo, World Vision (2016)*

Australian NGOs are involved in country-based partnerships and global urban networks such as the *100 Resilient Cities*, the *Cities Alliance* and the *Earthquake and Megacity Initiative*. They also have significant engagement with universities, engineering and planning institutions, and partnerships with the private sector and philanthropic organisations.

However, it is also often true that Australian NGOs lack an overarching narrative on urbanisation as a development issue, or a holistic framework to guide their engagement on urbanisation. This paper recommends that Australian NGOs need to develop their understanding of urbanisation and urban systems, and to continue to partner with other actors for urban development outcomes.

**Australian private companies** also have a key role to play in urbanisation. Habitat for Humanity has highlighted the opportunity for stronger engagement, particularly in tackling the critical housing crisis across the Asia Pacific.<sup>29</sup> With an additional 20,000 affordable houses needed in the Asia Pacific every day, public-private partnerships can help to build affordable housing. Australian companies with a footprint in the Asia Pacific, especially those in the design, planning, financial and construction sectors, are well positioned to forge such partnerships.



## An Australian Development Agenda for Urbanisation in the Asia Pacific

### Case Study

#### Improving Access to Essential Services in Slums in Dhaka, Bangladesh

Save the Children is improving access to essential services in the slums of Dhaka, Bangladesh through a new technology tool called Kolorob. One third of Dhaka's population – or 5 million people – live in slums. There are no street names or landmarks, making it hard for families to find essential services, such as healthcare clinics and education centres.

In January 2016, Save the Children in Bangladesh won an urban innovation fund challenge with the idea to develop a tool that enables people living in slums to track down essential services. Kolorob can be thought of as Google Maps meets TripAdvisor – it provides users with useful information and maps of services and allows them to rate their experience of using services. The tool can be accessed either by phones or in user-friendly community centres. As well as increasing access to services, Kolorob will help build the quality and accountability of services to the urban poor.

Source: material and photo, Save the Children Australia (2016)

#### Five benefits of action on urbanisation

**Now is an opportune time for DFAT and the Australian development sector to take a more strategic and targeted approach to urbanisation, and to establish themselves as a key actor and innovator in the region.**

Benefits of greater action on urbanisation would be fivefold:

- 01** Firstly, greater action on urbanisation would demonstrate cross-sectoral commitment to address one of the emerging global development challenges, as well as the Sustainable Development Goals;
- 02** Secondly, it would link with, and build on, the new national agenda for cities through the Minister for Cities portfolio and the recently released *Smart Cities Plan*<sup>30</sup>;
- 03** Thirdly, by leveraging the role of the private sector in the process of urbanisation, it would support the recent Ministerial statement on *Engaging the Private Sector in Aid and Development*<sup>31</sup>;
- 04** Fourthly, urban initiatives can offer distinct advantages in terms of impact and cost effectiveness, which supports effectiveness and efficiency in Australia's aid program; and
- 05** Lastly, action on urbanisation would position Australia to fully engage in the resulting agenda from Habitat III, helping to ensure the specific opportunities and challenges of the Asia Pacific region are prioritised through international collaboration.



### Eight recommendations for an Australian Development Agenda for Urbanisation in the Asia Pacific

This paper proposes an Australian Development Agenda for urbanisation in the Asia Pacific based on eight recommendations for DFAT, the Australian Government more broadly, and the Australian development sector. They are aimed at addressing urbanisation in a strategic and holistic way and at maximising the synergies with initiatives already taking place. These recommendations call for an integrated approach across all relevant portfolios.<sup>32</sup>

#### Recommendation 01

**Australian NGOs and DFAT develop urban strategies to lead their approach to reducing poverty and promoting sustainable economic growth in urban areas.**

Many Australian NGOs, along with DFAT, lack an overarching narrative on urbanisation as a development issue, or a holistic framework to guide their objectives, priorities and international engagement on urbanisation. For DFAT, this is despite the current work to develop guidelines for the integration of urbanisation as a cross-cutting issue for development projects, and the fact that many projects include a strong urban component.

To ensure a holistic and impactful approach, it is recommended that DFAT, in consultation with NGOs, develops a three-to-five year urban strategy for reducing poverty and promoting sustainable economic growth in the region.

DFAT's urbanisation strategy could clearly set out Australia's approach to delivering the urban sustainable development goal to make cities inclusive, safe, resilient and sustainable and could build off, and take forward, the *New Urban Agenda* and outcomes of Habitat III.

#### Recommendation 02

**DFAT establishes a dedicated team and builds technical expertise on urban poverty and development.**

Given the complexity of addressing urbanisation there is an opportunity for DFAT to build technical expertise on urbanisation, through establishment of a small, dedicated urban team or, at least, an urbanisation technical specialist position.

An urban team could provide assistance to staff across the Department and at overseas Posts to increase their understanding of issues facing the urban poor; to support an urbanisation focus in future sectoral strategies, aid investment plans and aid programs; and to share good practice and innovations. A dedicated urban team could also serve as a focal point and build strategic partnerships across Australian development actors and in the region, and work collaboratively across the Australian Government to draw in policy and technical expertise.

#### Recommendation 03

**DFAT invests \$50 million over five years on urban programming, focused on strengthening urban systems and markets and driving local engagement and ownership.**

To scale up efforts, and apply and strengthen a holistic approach to urban poverty and sustainable development, it is recommended that DFAT invest \$50 million over five years on dedicated urban programming. The targeting of this investment should be driven by the objectives and priorities of an urban strategy, however a number of recommended initiatives are outlined below.

To build and strengthen a systems-approach to addressing urbanisation, it is recommended that DFAT establish pilot programs across three different urban communities in the Asia Pacific. For example, Bangladesh, Indonesia and Cambodia all have

significant levels of urban poor and are priority countries for Australia's engagement in the region. Similarly, a Pacific region such as Micronesia is 67 per cent urbanised.

The pilot programs would be focused on, and designed around, the needs and issues of each poor urban community and take a multi-sectoral, systems approach. They should involve a comprehensive analysis of the issues and needs within the particular urban area, and a political economy analysis.

DFAT investments in urbanisation could be utilised to support, integrate and incentivise an urbanisation focus into existing aid initiatives including the Gender Equality Fund, Business Partnerships Platform, Civil Society WASH Fund and humanitarian assistance mechanisms.

#### **Recommendation 04**

##### **DFAT's innovationXchange launches an Urban Innovation Challenge to stimulate ideas and innovative solutions to urban challenges.**

It is recommended that DFAT, through its innovationXchange, establish a \$3 million urbanisation challenge, with a particular emphasis on approaches to urban issues that empower local communities and build local markets. Such a challenge could keep a broad urbanisation focus, or hone in on a particular issue. In defining such a challenge, the innovationXchange could call a roundtable of urbanisation experts across sectors and the region to define a problem statement.<sup>33</sup>

An innovationXchange urbanisation challenge could be launched at Habitat III this October.<sup>34</sup> It would encourage Australian and international innovators, entrepreneurs, private sector actors, designers, NGOs and academics to re-think approaches to urban poverty, the design of the urban environment and sustainable development.

#### **Recommendation 05**

##### **Australian NGOs, with support from DFAT, establish an Australian Urban Sustainable Development Forum for the Asia Pacific.**

Currently, there is no network in Australia that links together policy makers, practitioners, innovators and researchers engaged in urban initiatives in the region. As a result, knowledge and information sharing on urban policy, practice and research is relatively weak, and opportunities to innovate and value-add to urban programs are missed.

To improve the effectiveness and efficiency of Australia's engagement on urbanisation in the region, and leverage opportunities for partnership and resourcing, there is an opportunity for Australian NGOs to work with ACFID and other partners, with support from DFAT, to establish an Australian Urban Sustainable Development Forum for the Asia Pacific.

An Australian Urban Sustainable Development Forum aligns with DFAT's partnership and innovation approach to international development, particularly its agenda to engage the private sector.

#### **Recommendation 06**

##### **Australian NGOs, universities, DFAT and private sector actors support and champion collaborative research on effective development and humanitarian response in urban areas.**

As urbanisation is a complex and growing context of international development and humanitarian response, there is a need to continually build on our understanding of the opportunities and challenges, and support evidence-based policy practice and capacity building.

Collaborative research between Australian NGOs, universities, DFAT and the private sector, potentially through the *Research for Development Impact Network*<sup>35</sup> or the Urban Sustainable Development Forum proposed in Recommendation 5 above, could provide mutually beneficial learning, evidence,

knowledge and training products on urban systems and on how urban projects and responses can be more effective in Asia Pacific countries. It could promote Australia's leading research on urbanisation and urban issues, with many international students coming to Australia to study urban planning, management, design and engineering. Such an initiative could also build on existing urban research collaboration. For example, Monash University, in partnership with World Vision Australia and the Australia-Indonesia Centre, currently has a cohort of 14 PhD students undertaking research on advancing sustainable urban water management in rapidly urbanising cities in Asia.

#### **Recommendation 07**

##### **Australian NGOs build their focus, expertise and action on reducing poverty and promoting sustainable development in urban areas.**

It is suggested that Australian NGOs need to develop their understanding of the causes of disruption to urban systems, solutions for managing such disruptions, and to partner with other actors for urban development outcomes. Australian NGOs can utilise their development expertise to leverage positive economic, social and environmental change in cities and to maximise value chain opportunities. A four-pronged approach is proposed to build the focus and expertise of Australian NGOs in urbanisation:

- Securing organisational commitment to an urbanisation agenda and including urbanisation as a cross-cutting theme for programming;
- Building in-house capacity by establishing an urban community of practice, and offering professional development on urbanisation issues and approaches;
- Initiating a systems approach to the design and delivery of urban programs; and
- Realigning systems and processes to support collaboration on urbanisation with Australian and international partners.

#### **Recommendation 08**

##### **DFAT builds stronger international diplomacy and engagement on urbanisation in the Asia Pacific.**

It is recommended that the Foreign Minister, the Minister for International Development and the Pacific, the Minister for Cities and DFAT to play a stronger role in advocating for effective action on urbanisation through international diplomacy and engagement.

Such an approach would be supported by earlier recommendations in this report, particularly the development of an urbanisation strategy and the establishment of an Australian Urban Sustainable Development Forum for the Asia Pacific. Both initiatives would help drive and determine Australia's particular priorities and expertise, for mutual gains in the region.

Strong international diplomacy and engagement would build on the current national focus on smart cities. In undertaking such a role, Australia could work with partner governments in the region to champion the urbanisation challenges of the Asia Pacific, and the need for greater international collaboration and resourcing.

An important starting point is to have a strong Australian Government contingent present at the upcoming United Nations Conference on Sustainable Housing and Urbanisation (Habitat III) in Quito in October 2016.



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## Conclusion

The challenges posed by rapid urbanisation, and the increase in urban poverty, are indeed formidable. Without greater attention and resourcing by local, national and international actors such challenges are only set to increase, with obvious implications for poor and marginalised people living in urban areas but also for the competitiveness, health and stability of cities and the wider global community. As with all development challenges, prevention is far better and cheaper than cure, so there is no time to lose. Greater action will support well-managed cities and towns and offer quality of life for all residents.

DFAT and the Australian development sector already undertake important work supporting the rights and wellbeing of poor people in urban areas and tackling urbanisation issues. However, there is a need to now consolidate and scale up this work, tapping into Australian expertise and working in partnership across sectors and in the region to maximise the impact on reducing poverty and promoting sustainable economic growth, while building a prosperous and stable region in which all can engage.



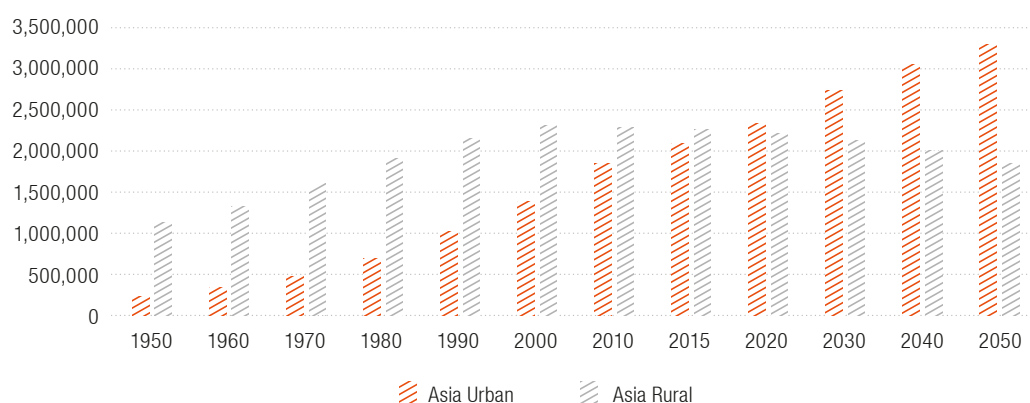


## Notes

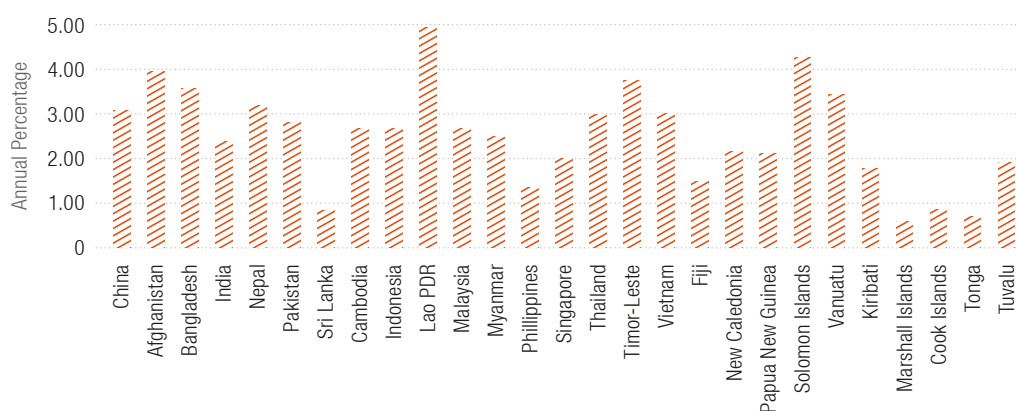
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- 32 The following portfolios should be included in discussions addressing urbanisation and an urban development pathway: cities, infrastructure and transport, social services and health, gender, and the environment.
- 33 Save the Children launched an Urban Innovation Challenge in the Asia Pacific region in 2015 and could work with the InnovationXchange on such an initiative.
- 34 The relevant minister could launch the Urban innovationXchange at Quito in October as a means of building the profile of the Australian Aid Programme's commitment to innovation.
- 35 The Research for Development Impact Network is a collaboration between the Australian Council for International Development and Australian universities aimed at leading, stimulating and supporting effective research practice, cross-sectoral partnerships, and the uptake and use of research in policy and practice.

## Annex I: Urbanisation Trends in the Asia Pacific region

**Graph 01: Past and Projected Asian Region Urban and Rural Population 1950 to 2050**



**Graph 02: Average Annual Rate of Change of the Urban Population Asia Pacific, 2010–2015**





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