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SUSTAINABLE SERVICE DELIVERY IN AN INCREASINGLY URBANIZED WORLD

USAID POLICY

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Message from the Administrator

I am pleased to share with you USAID's *Policy on Sustainable Service Delivery in an Increasingly Urbanized World*. Building on decades of experience in urban programming, this Policy offers principles for improving the effectiveness and sustainability of service delivery to improve the lives of a rapidly growing number of urban dwellers.

Indeed, more people live in urban areas today than in rural areas. By 2030, we can expect another billion and a half people to be living in urban areas—primarily in developing countries. Because cities are the engines of economic growth, accounting for 70 percent of global Gross Domestic Product (GDP) we need to ensure that safe, sustainable cities improve the livelihoods of those who dwell within them and those who depend on the economic activity they generate.

Too often, however, urban growth is accompanied by increasing urban poverty. One billion people currently live in slums without access to basic services like clean water, electricity, or health services. The urban poor are susceptible to hunger, disease, crime, disaster and often lack voice in local government. If urban areas do not plan for this unprecedented growth, they will not only fall short of their full economic potential, but also exacerbate poverty in already vulnerable communities.

This Policy helps lay the foundation for an urban future by assisting governments to close gaps and deliver services in an inclusive, transparent, and sustainable manner. It also ensures that we are better able to leverage scarce resources through collaboration and partnerships with the private sector, governments, and other organizations. These partnerships are crucial because we know that we will not be able to achieve the results we are aiming for through our resources or efforts alone.

This policy itself is the product of diverse collaboration. By placing an early draft online for public review and comment, we have not only embraced an inclusive approach to policymaking—inspired by President Obama's commitment to the Open Government Partnership—but we have ensured that the work we do is informed by the wealth of knowledge and experience that resides around the world.

We are committing to work in a more concerted and deliberate manner in urban areas because doing so is critical to ending extreme poverty and achieving our core development objectives. Our efforts to ensure sustainable urban service delivery will not just improve the lives of people living in cities. They will also benefit the farmers who rely on urban markets for their produce; the parents whose income is supplemented by remittances sent from their children in the city; and the rural businesses that are financed by urban-based banks. By addressing the development challenges of urbanization we can help the cities of today become vibrant centers of the future with opportunity for all.



Rajiv J. Shah
Administrator



Indian residents collect drinking water from a tanker supplied by the municipal water works in Bolkapur Colony of Hyderabad.

Credit: Noah Seelam/AFP

Acknowledgements

A Policy Task Team (PTT), co-chaired by Michael G. Donovan, formerly from the Bureau for Policy, Planning, and Learning (PPL), and Scott Dobberstein from the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA), produced USAID's *Sustainable Service Delivery in an Increasingly Urbanized World Policy*. Donovan provided overall leadership on the Policy's content, and assumed the challenging role of drafting and incorporating many comments from a diverse set of stakeholders, while at the same time maintaining the intellectual frame, rigor, and intent of the Policy.

The PTT comprised individuals from across the Agency who are recognized both for their knowledge and tremendous dedication to assisting communities to achieve more sustainable urban services. Over a year and a half, these USAID staff worked collaboratively in service to this critical policy. They will continue to serve as important resources in the Policy's implementation. PTT members included:

- Elizabeth Bauch (USAID/Mexico)
- Andrew Golda (Bureau for Economic Growth, Education, and Environment)
- Mike Keshishian (Bureau for Economic Growth, Education, and Environment)
- Denise Lamaute (Bureau for Europe and Eurasia)
- Timothy Mahoney (Bureau for Food Security)
- Stephen Matzie (Bureau for Economic Growth, Education, and Environment)
- Jeffrey Szuchman (Bureau for Policy, Planning and Learning)

The Policy benefited from one of the most extensive consultations of any PPL Strategy or Policy. This Policy was the first that USAID had ever distributed for public comment in draft form. This draft integrates more than 200 comments which, in the end, improved and strengthened the final Policy. In addition, the PTT held a series of internal and external listening sessions, as well as a review of the knowledge and evidence base for urban assistance. Early drafts were further informed by Washington, D.C. and mission resource groups, and we thank them for their contributions and for provoking the thinking of the PTT.

USAID is grateful to all who contributed their time, knowledge and professional assessments to the Policy. Robust consultations across the Agency and interagency, as well as with interested Congressional staff, external practitioners and partners, and city managers themselves, honed the strategic focus of the Policy. We would also like to acknowledge officials currently or formerly in PPL, including Christopher Milligan, Susan Reichle, J. Alexander Thier, and Steven Feldstein, who have provided critical support throughout the Policy process. We are grateful to former Deputy Administrator Donald Steinberg for his commitment to this Policy and to the residents of towns and cities it intends to serve. As we move to implement this Policy, we intend to embrace feedback on how to ensure the Agency is achieving maximum impact and sustainable partnerships with host countries, other donors, and local governments.

Executive Summary

USAID's Sustainable Urban Services Policy (Policy) provides guidelines to help countries and communities improve the delivery of essential services in urban areas. It emanates from the recognition that unprecedented rates of urbanization are reshaping the nature and geography of global poverty, and seeks to harness the rapid growth of cities to achieve our core development objectives.

By 2030, urban areas worldwide will house an additional 1.4 billion people. Nearly all of this growth will take place in the developing world, and every single country in Africa, Asia and Latin America where USAID has a presence will be impacted by urbanization. The National Intelligence Council identified urbanization as a “tectonic shift” that will “affect how the world works” by 2030. The prospects for achieving our core development objectives are, therefore, tied to what happens in these urban areas.

Urbanization in the developing world offers unparalleled promise and opportunity for eradicating extreme poverty, fostering innovation and creativity, and including greater numbers of citizens in increased growth and prosperity than ever before. A unique window of opportunity currently exists to assist governments in building safer and more sustainable cities for the nearly one and a half billion additional people who will reside in cities by 2030.

In addition, the Policy seeks to move away from a development approach oriented around an artificial urban-rural dichotomy. Instead, the Agency believes that development efforts must span a continuum from rural to urban to form an interdependent system. In particular, increasing spatial, economic, and social interconnections between urban and rural areas mean that rural poverty rates tend to fall in countries with higher rates of urbanization. Rural-urban migration, the expansion of peri-urban areas, and the growth of market towns all offer greater social and economic opportunities for rural residents.

But urbanization also entails a host of major development challenges: one billion people currently live in slums without basic services like clean water; 28 percent of urban under-five children are chronically malnourished; 60 percent of urban dwellers are exposed to natural disasters; some infectious dis-

eases, such as tuberculosis (TB), disproportionately affect dense urban populations; and a lack of formal property rights make many vulnerable to forcible evictions, displacement, and lost livelihoods. Compared with men, women in cities face unequal access to work, housing, health, education and representation in urban governance.



People walk up and down the Via Apia, the main street of the Rochinha shantytown, Brazil's largest favela. Credit: Antonio Scorza/AFP.

How can we help countries address these challenges, and harness the urban potential to improve stability, economic prospects, and millions of lives? First, this Policy stresses improved urban service delivery as the key to unlocking the potential of an increasingly urbanized world. Five decades of experience at USAID have shown that focusing on urban areas can address the needs of vulnerable populations and ensure sustainability by achieving cost-recovery and building capacity. Second, urban areas are an excellent environment for policy and program integration. Given proximity, access to information, and economies of scale, investments in institutions, governance,

citizen engagement, and infrastructure are mutually reinforcing. Integrating USAID's streams of technical and governance assistance can produce outcomes that support not only effective sectoral interventions, but self-sustaining and resilient cities.

It is the vision of this Policy to support service delivery that attains large-scale benefit to urban residents in a sustainable manner over the long term. This Policy therefore encourages Missions to support programs that will improve governance, encourage accountability, and bolster capacity to manage urban service delivery systems.



An Indian farmer works on a sunflower field at the University of Agricultural Sciences (UAS) campus, in Bangalore on November 9, 2010. Credit: Dibyangshu Sarkar/AFP.

To support this vision, the Policy provides practical approaches to help Missions understand, shape, and support urban programs in host countries. At the heart of this Policy are several principles that can assist Mission staff to design programs that improve local accountability over service provision and increase the availability of domestic financing for improved urban services, including:

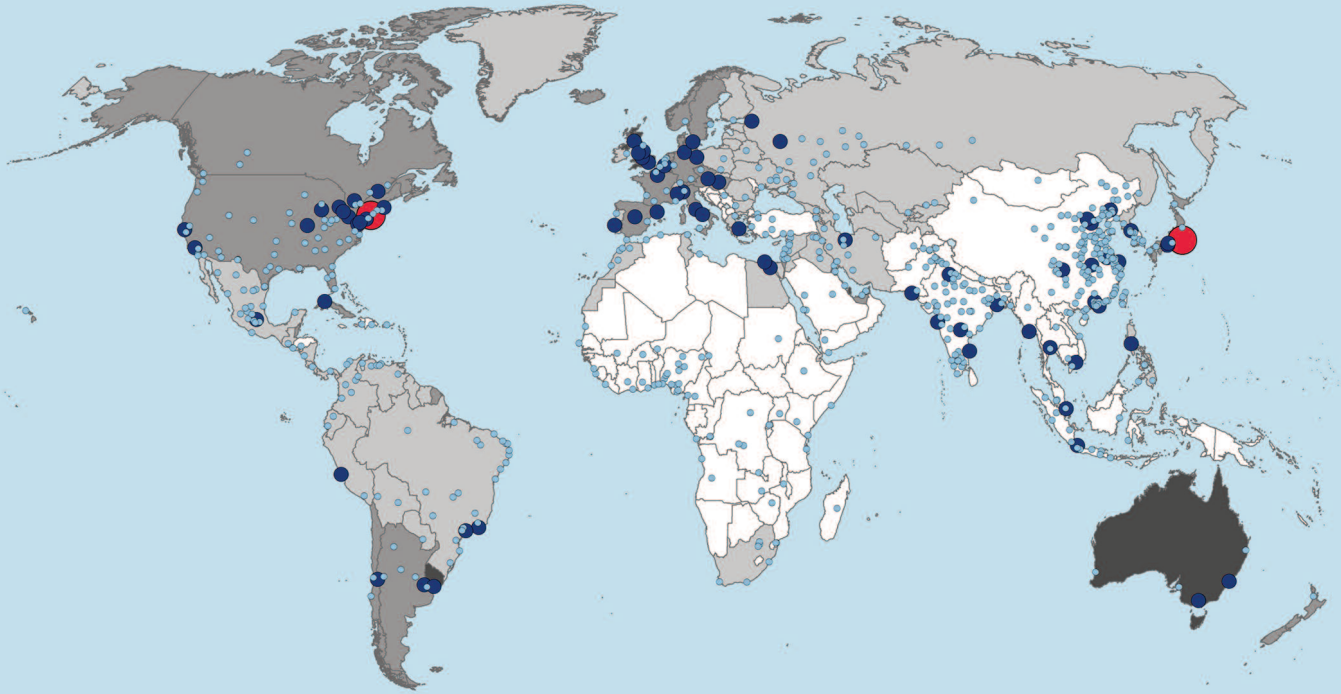
- Ensuring political and financial sustainability. The Policy outlines key principles to promote financial viability, country ownership, and continuous monitoring of service delivery quality;
- Advancing accountable, pro-poor service delivery models. In light of the growth of urban poverty, the Policy provides new approaches to advance inclusive urbanization and development of pro-poor urban services. Women, children, male and female youth, and the disabled should receive particular attention given that they are disproportionately affected by urban service gaps;
- Fostering market orientation and public-private collaboration. USAID technical assistance would be improved by focusing on improving local investment climates and leveraging market financing to scale up viable urban service approaches and technologies; and
- Supporting municipal resilience. USAID Missions should continue to adjust their programming to increase local self-reliance through supporting improved local revenue collection and the long-term maintenance of infrastructure, including “climate proofing” to prepare for future climatic changes, especially sea level rise.

In Missions and in Washington, D.C., the Policy emphasizes supporting local capacity to meet the enormous demands for basic human services that emanate from an increasingly urban world. By closely collaborating with developing countries and municipal institutions, this approach will position the Agency to better achieve the core development objectives identified in the *USAID Policy Framework 2011-15*.

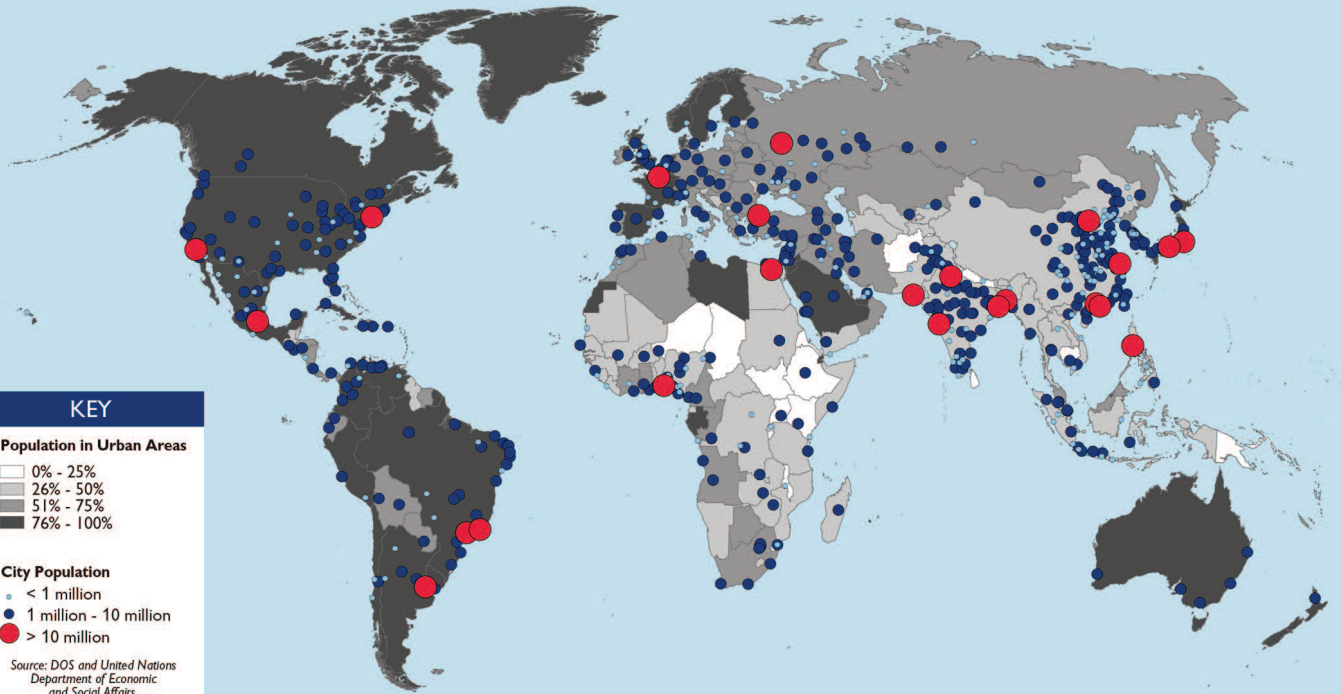
Urbanization: A Global Snapshot

- The population of every single country in Africa, Asia and Latin America where USAID has a Mission or presence is migrating to cities.
- Cities will account for the majority of those who earn less than \$1 a day in 2040.
- An estimated 180,000 people move into cities each day.
- Urban areas are expected to gain 1.4 billion people between 2011 and 2030.
- One billion people live in slums.
- Cities account for 60-80 percent of global energy use.
- Over one quarter of urban children under five years of age in developing countries are stunted.
- Economic activities in cities account for 70 percent of global GDP.
- Seventy percent of greenhouse gas emissions come from cities, even though city residents have a smaller carbon footprint per capita than rural people.

PERCENTAGE OF POPULATION RESIDING IN URBAN AREAS 1950



PERCENTAGE OF POPULATION RESIDING IN URBAN AREAS 2010



KEY

Population in Urban Areas

- 0% - 25%
- 26% - 50%
- 51% - 75%
- 76% - 100%

City Population

- < 1 million
- 1 million - 10 million
- > 10 million

Source: DOS and United Nations Department of Economic and Social Affairs, Population Division, 2012

I. Context

“Aid is not an end in itself. The purpose of foreign assistance must be creating the conditions where it is no longer needed.”

President Barack Obama

Address to the Parliament of the Republic of Ghana

July 11, 2009

Amid unprecedented urban growth, this Policy positions USAID to support programs that will expand the local capacity required to effectively respond to the demand for basic services in cities. Responding to calls from both the Quadrennial Diplomacy and Development Review (QDDR) and the Presidential Policy Directive on Development (PPD) to build local capacity, this Policy aims to assist USAID Missions to achieve sustainable development outcomes in cities and countries. The provision of accessible and affordable services in urban areas contributes to the overarching mission of USAID, the Millennium Development Goals, and countless government programs in developing countries.

This Policy supports strategic service delivery principles that are both sensitive to urbanization trends and the need for local governments to become more accountable, efficient, and equitable. Every country where USAID has a presence is undergoing population growth in urban areas. In many cases, those urban economies are improving the living standards of millions. But as part of this trend, cities, which already house a majority of the world's total population, will eventually absorb a majority of the world's poor. Against the backdrop of a world where one billion people currently live in slums, improving city administration and financial management will help meet the demands in basic human services that emanate from an increasingly urban world. The effective delivery of basic services such as health, electricity, land administration, and water and sanitation ensure the survival and wellbeing of all people.

This Policy both addresses existing service delivery gaps in urban areas and anticipates the future of cities in developing countries, where most of the world's population growth will occur. Between 2011 and 2050, the number of people living in urban

areas¹ is projected to grow by over 2.6 billion, passing from 3.6 billion in 2011 to 6.3 billion in 2050. By 2030, 60 percent of the world's population will live in cities and towns,² and as many as 60 percent of those urban dwellers will be under the age of 18.³ It is highly likely that more than 1.2 million km² of land, an area equal to the size of South Africa, will be converted from rural to urban by 2030.⁴

At the same time, we recognize that urban development and agricultural productivity are mutually reinforcing and inextricably linked. This Policy aims to move away from a development approach oriented around an artificial urban-rural dichotomy. Instead, settlements along the continuum from rural to urban form an interdependent system. Improving the connectivity between rural, urban, and peri-urban areas can lead to greater economic and social opportunities in all regions, and rural poverty rates tend to fall in countries with higher rates of urbanization.⁵ This happens for several reasons. First, rural-urban migration increases rural household income through remittances, often sent through mobile phones. Second, increased urbanization increases the demand for rural goods. Thus, urban residents and businesses depend on rural-based resources, such as agriculture and energy, just as farmers rely on urban-based resources, including manufactured inputs, markets, financing, and ports. Finally, market towns that link farms with larger cities provide rural households with the means to intensify agricultural production, supplement agricultural income with non-farm employment, and access improved health care and education. With the rise of urban agriculture, the linkage between rural and urban livelihoods becomes more multifaceted and promising. In many places, these increasingly complex relations have led to “a blurring in the differentiation between urban and rural areas.”⁶ New forms of rural-urban interdependencies mean that in order to take full advantage of the opportunities that

accompany urbanization, urban areas must be able to effectively absorb rural migrants, rural residents must be able to access urban and peri-urban areas, and countries must pursue a holistic approach to rural and urban development.

It is important to note that the model and pace of urbanization is not uniform around the world. Urbanization has led to a range of changes in demographic and population patterns, economic activities, housing arrangements, governance norms, family dynamics, and human behavior. While in many contexts, urbanization entails rural to urban migration, it often is caused by the gradual densification of an area which is reclassified from rural to urban. In terms of the pace of urban growth, the population of Africa's and Asia's cities are growing over three times faster than Latin America's.⁷ Asia is projected to see its urban population increase by 1.4 billion, Africa by 0.9 billion, and Latin America and the Caribbean by 0.2 billion. Most of today's urban growth is taking place in secondary or intermediate cities, which are becoming regional hubs with large population growth and extensive rural linkages. Although 61 percent of urban residents currently live in smaller cities with one million inhabitants or fewer, the proportion of those residing in megacities (cities with at least 10 million inhabitants) is growing.⁸ This is especially the case for Asia and Latin America, where one out of five residents lives in a city with five million inhabitants or more, compared to much lower rates in Africa (9 percent).⁹

As cities have expanded, urban services have often not satisfied the basic needs of urban residents, especially the urban poor: Services are often plagued by poor planning and operating capacity, corruption, inadequate maintenance, unresponsiveness to user demand, and negative environmental impacts. These gaps do not affect citizens uniformly: women, youth, the disabled, and growing numbers of refugees and internally displaced persons are most affected.¹⁰

In light of projections that cities will account for the majority of those who earn less than \$1 a day in 2040,¹¹ upgrading and expanding services are essential for an inclusive society. Slum dwellers, whose numbers are projected to double to two billion by 2030, lack even the most basic services, such as clean water and sanitation.

Other key deficiencies include:

- Absence of, or inadequate access to electricity, communications, drainage, solid waste management, affordable housing, and educational and health facilities;
- Inadequate infrastructure and overcrowding of classrooms that pose significant challenges to the quality of education;
- Congestion, insufficient roads, and road safety problems that ensure that more people die each year from traffic accidents than from malaria in the developing world;

Key Terms: Sustainable Services and Urban

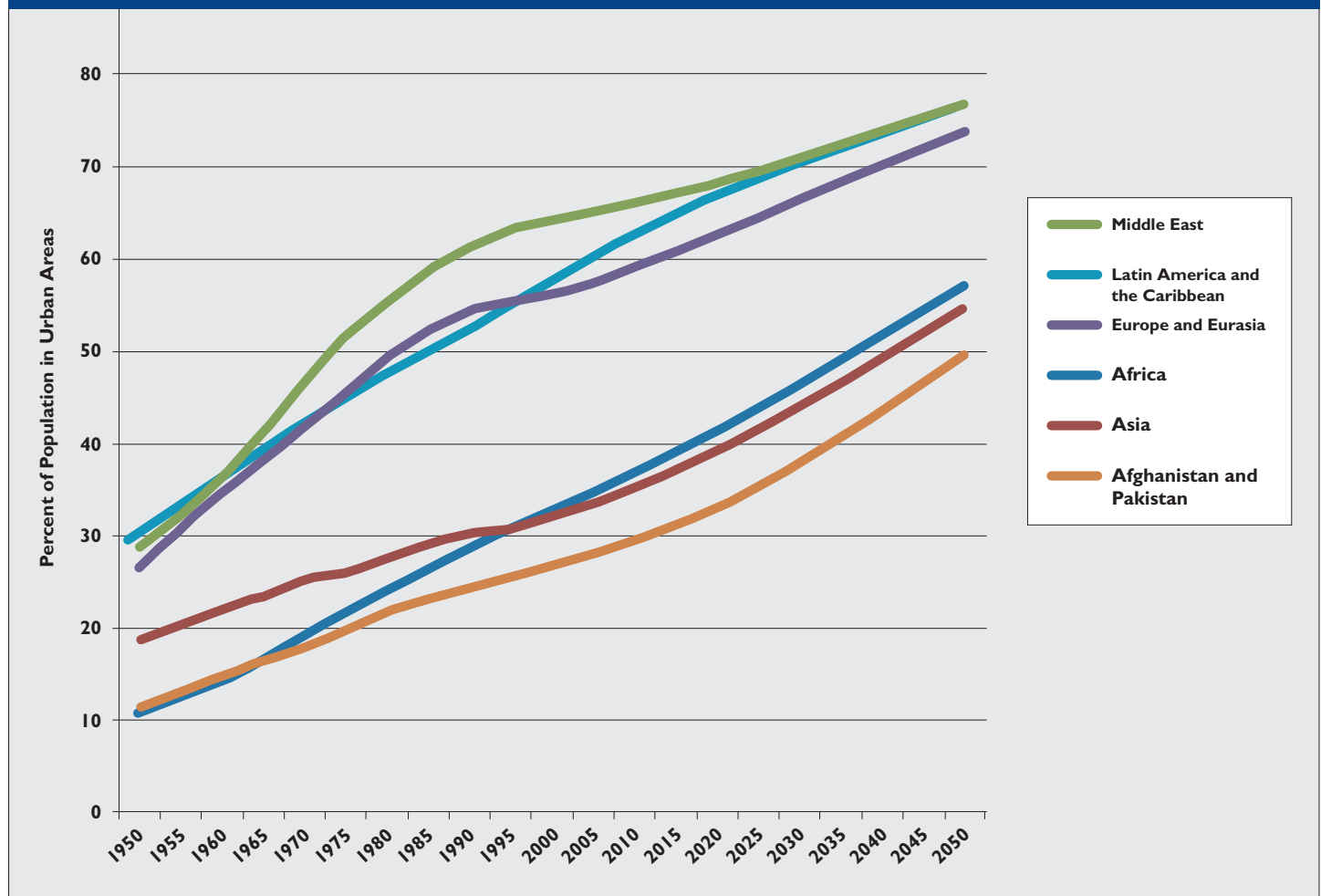
Sustainable services: Public services provided through public and private entities in which “host country partners and beneficiaries take ownership of development processes, including financing, and maintain project results and impacts beyond the life of the USAID project.”* Services include those funded by user fees such as water, wastewater, energy and public transportation, as well as services typically paid through general revenue funds such as education, health care, and public housing services.

Urban: Given the geographic diversity of countries where USAID has a presence, this Policy encourages USAID staff to defer to national census authorities' definition of “urban” rather than to employ a universal definition of “urban.”‡ Census bodies define “urban” differently using a range of factors including higher population density, administrative criteria, population size, the predominance of non-agricultural workers, and concentration of infrastructure. Urban areas tend to offer a wider range of services and facilities and span a range of forms, including central cities, peri-urban areas, city-regions, traditional suburbs, mega-cities, towns, metropolitan and micropolitan areas, and small- and intermediate-sized cities. The minimum population of urban areas varies from 200 (Iceland) to as many as 50,000 people (Libya).

* USAID (2012), “Project Design Sustainability Analysis Tool,” USAID ProgramNet.

‡ This definition replaces the previous universal urban definition posed by USAID (1984) wherein urban was defined as “any separately administered population agglomeration in which at least two-thirds of the households derive their main income from economic activities other than farming” (“Urban Development Policy,” USAID Policy Paper Series, http://transition.usaid.gov/policy/ads/200/urban_dev/urbandev.doc).

Percent of Population in Urban Areas by USAID Region Classification, 1950-2050



- Lack of “family friendly,” safe places for recreation, sport and creative learning for children and youth;
- Urban insecurity, including violence against women, and inequitable distribution of policing;
- Low adoption rate of “smart city” technologies that could improve environmental monitoring, e-governance, information and communications technology access, and real-time transportation management; and
- Inappropriate or nonexistent land administration, property registries, and building and zoning codes that often create urban slums and dangerous or unhealthy living conditions.

As infrastructure needs and gaps expand globally, strategically targeted assistance to countries and communities that seek to improve and sustain their service delivery is critical. Unlike many bilateral and multilateral donors, USAID, with its country presence, can engage directly with municipalities. Many Missions work at the municipal level, but “government-to-government” interactions have primarily taken place at the national level using the Public Financial Management Risk Assessment Framework (PFM-RAF). Subnational engagement with USAID can help local governments learn and apply more stringent public financial management tools to ensure financial transparency and accountability. Once financially certified, these urban governments will be in a much better position to manage their urban services projects more directly.

USAID's Experience in Urban Programming

1961: USAID founded. The Foreign Assistance Act aims to “enable the urban poor to participate in the economic and social development of their country.”

1973: USAID *Policy Determination 54, Guidance Statement on Urban Development* elevates urban development and leads to the establishment of the Office of Urban Development. Subsequently, USAID expands research capacity on urban issues, training, and centers of excellence in the U.S. and in developing countries. USAID launches the Urban Functions in Rural Development Project and a series of projects in “market towns” throughout Africa and South America.

1976: USAID *Policy Determination 67, Urbanization and the Poor* recommends initiatives to benefit the urban poor, including employment generation, urban planning, and social programs. USAID launches its Integrated Improvement Programs for the Urban Poor program to foster synergies between different USAID sector areas—such as sanitation, citizen engagement, and assistance to micro-enterprises—within one city.

1984: USAID Policy Paper: *Urban Development Policy* recommends increasing programs in urban areas following national urban assessments.

1960s - 1990s: USAID's Office of Housing and Urban Programs creates primary and secondary mortgage markets and authorizes over \$4.6 billion in loan guaranties, supporting more than 200 projects in over 40 countries. The Office manages approximately \$7.5 million annually in centrally funded grants for related technical assistance, research, and training. As many as 13 Regional Housing and Urban Development Offices (RHUOs) allow Missions and host country partners to easily access USAID's urban services experts. In the mid-1990s, USAID pursues the Lessons Without Borders initiative, which led U.S. cities to successfully adopt public health techniques used in developing countries to improve lives of urban residents.

1998: *Making Cities Work: USAID's Urban Strategy* encourages adopting an “urban lens” in focusing resources, increasing Agency awareness of urban issues and development, partnering with an array of institutions, and realigning resources to support urban development activities.

2001 - 2013: In FY2001, 10.5 percent of Agency obligations are directed to activities whose primary purpose is to assist the urban poor: New partnerships ensure urban programming through various programmatic areas traversing climate change, urban agriculture, land tenure, urban sanitation, and crime prevention.

APPLYING USAID'S EXPERIENCE ADDRESSING URBAN SERVICES

USAID has a long history of addressing urban services, though intensity and focus have varied over time. In the first phase, roughly from the early 1960s through the late 1990s, USAID focused on building the capacity of public housing organizations and mortgage authorities and providing technical assistance to municipal authorities. By authorizing over \$4.6 billion in loan guarantees, along with capacity building assistance over 40 years, USAID's former Office of Housing and Urban Programs enabled governments to upgrade slums and build long-lasting housing finance institutions that are still active today.¹²

For example, from 1965 to 1973, the Office supported the development of housing finance systems in 17 countries in Latin America. By 1988, these systems had a pool of over \$30 billion for housing finance, virtually all of which assisted people who were previously unserved.¹³ The work shifted towards slum-upgrading in the 1980s to the 1990s. During this period, urban programming in USAID/Tunisia benefitted more than 10 percent of the Tunisian population and helped reduce the number of shantytowns by 22 percent in 20 years.¹⁴ The posting of USAID's urban services experts in 13 field offices allowed for greater accessibility to Missions and host country partners. Project designs were guided by detailed analyses of local legal, regulatory, and institutional frameworks that shaped service delivery.¹⁵

During the second phase of USAID urban development projects, which spans the early 2000s to the present, urban programs have pursued a larger number of programmatic areas despite reductions in USAID's urban-focused staff and resources.¹⁶ This work relies heavily on partnerships with outside organizations, in accordance with the *USAID Making Cities Work Strategy (1998)*.¹⁷

The Agency has also developed collaborative models with the private sector that have been particularly successful in urban water and sanitation work. USAID's experience in capital market development and its technical expertise in bond markets also allow the Agency to work with cities to build sustainable models for funding large-scale service delivery.

From this 50-year history of urban programs, two key lessons emerge. The first is that an urban approach offers distinct advantages in terms of impact and cost-effectiveness, especially because population densities, higher land values, and low-income residents who are able to pay fees ensure that USAID urban projects can reach large numbers of people at lower costs, and that local partners achieve cost recovery.

The second lesson is that sustainable projects rely on access to finance and technical assistance agreements between USAID and local partners. To achieve scale in services, especially costly roads, drainage, and water and sanitation systems, a shared financial arrangement is required. Urban specialists from USAID can provide key technical assistance necessary to increase access to municipal services and to ensure financial viability for local partners. Analysis of local legal and regulatory frameworks is critical to project design.¹⁸

POLICY DIRECTIONS: USAID'S APPROACH TO SUSTAINABLE URBAN SERVICES

Building on USAID's experience in urban programs, this Policy seeks to assist USAID Missions to support sustainable, country-led services by promoting three broad policy directions. First, the Policy emphasizes leveraging financial sustainability to expand accessibility and quality of services. To that end, this Policy identifies specific tools and principles to ensure that services, as specified by the *USAID Policy Framework*, "are gradually tied to sustainable financing models, either through private-sector participation or through sustainable, publicly-managed arrangements." The principle supports strengthening local ownership per *USAID Forward* and the *USAID Strategy on Democracy, Human Rights and Governance*. The Policy is also consistent with USAID's mandatory sustainability analysis for project design.

The Nature of Urban Poverty

The situation of the urban poor differs from that of the poor in rural areas in several respects. The urban economy is primarily cash-based, and the urban poor spend a larger share of their income on food, water, and energy, which makes them more vulnerable to price spikes. The higher cost of living in urban environments means that urban poverty lines are about 30 percent higher than rural poverty lines. The urban poor have limited access to formal employment, face increased vulnerability to urban environmental hazards, and often lack a social support system. Slum dwellers live in overcrowded and unsanitary conditions, and rarely benefit from security of tenure. Particular characteristics of poor urban neighborhoods, namely inadequate basic services such as public lighting and policing, may increase exposure to predatory activity of organized and petty crime. Policy responses to urban violence that socially and physically segregate poor from middle- and upper-class areas can lead to "divided cities" that undermine urban governance and social cohesion. The multidimensional nature of urban poverty means that deprivations along one dimension sustain and reinforce deprivations along other dimensions.

Sources: Moser, Caroline et al. (1996), "Urban Poverty Research Sourcebook Module II: Indicators of Urban Poverty," Urban Management Working Paper No. 5, Washington, DC: UNDP/UNCHS/World Bank; Ravallion, Martin et al. (1997), "New Evidence on the Urbanization of Global Poverty," Background Paper for the World Development Report 1998, WPS4199; Muggah, Robert (2012), *Researching the Urban Dilemma: Urbanization, Poverty and Violence*, Ottawa: International Development Research Centre.

Second, this Policy advocates leveraging the distinct advantages of an urban approach to achieve larger Agency objectives. Urban systems present opportunities to maximize development impacts by creating greater economies of scale, more efficient marketing/distribution, and the population density necessary to finance and sustain a range of services. Through this approach a large number of citizens benefit from urban projects. For example, the Government of India, with USAID support, is addressing healthcare challenges in towns and cities through the National Urban Health Mission (NUHM), a program which will affect 78 million people.¹⁹ Urban areas also present additional opportunities to maximize development outcomes because higher land values in cities, combined with a large number of low-income residents who are able to pay for user fees and connections, can also help achieve cost recovery for local partners. A unique win-

dow of opportunity currently exists to help assist governments in building safe and sustainable cities for the additional 1.4 billion urban residents projected in 2030.²⁰ Adequately planning for this urban bulge will be much more cost-effective than future corrective measures such as retrofitting or slum upgrading. Strategies that take into account rural-urban linkages will promote cities that can offer livelihoods to rural migrants or to those living on the urban periphery, and can adequately provide resources for agricultural intensification. These urban areas will be best equipped to drive economic growth that can help lift all residents out of poverty.

Finally, this Policy emphasizes enhancing geographic focus and selectivity by improving targeting and offering tools to gain a deeper understanding of subnational issues that shape project sustainability. New tools are needed to evaluate if a local government would lend itself to reform and sustainability. Promising geospatial and geocoding efforts, including the establishment of the USAID Center for the Application of Geospatial Analysis for Development (GeoCenter), are providing needed spatial data to allow the Agency to clearly identify where projects are located at municipal and state/provincial levels and where service delivery needs are greatest. Given that service gaps do not affect neighborhoods uniformly and that women and men are impacted differently, tools to analyze intra-urban inequalities and gender inequalities in service delivery may also be required.

To enhance focus and selectivity at the national level, it will be important to identify countries where urbanization is incipient or

intermediate. In these settings, interventions to strengthen service provision capacity or to build new infrastructure will likely be less costly and yield greater impact.²¹ The chart below provides projections of the future levels of service needs in urban areas. This forward-looking model attempts to target countries that can expect rapid urban growth in coming years, rather than simply considering the proportion of the population that currently lives in urban areas (that is, the degree of urbanization that has already occurred). To derive these projections, countries were scored based on data from the World Bank, UN Habitat, and the UN's World Urbanization Prospects for measures of Gross National Income (GNI) per capita, percent of population living in slums, the growth rate of the slum population, and projected urban growth (2020-2025). Figure 1 in the Annex, and the appended explanation expands upon the methodology that was used to construct the model.

At the subnational and neighborhood levels, Missions require new tools and capacity to engage and empower local governments, many of which have been given recent mandates over administrative, fiscal, and political responsibilities. Assessing potential city partnerships and local technical capacity to provide services would enable Missions to provide improved fiscal and administrative oversight. For example, USAID's CityLinks program is the latest iteration of a program in place since 1997 that facilitates partnerships between local governments of developing countries and U.S. cities, counties, professional associations, universities, and other participants to work together to find sustainable solutions to urban challenges.

Projected Level of Urban Services Needs in Countries with USAID Missions and Select Offices, 2010-2025

Level of future urban service need	Countries with USAID Missions and Select Offices
High	Afghanistan, Angola, Bangladesh, Burkina Faso, Burma, Burundi, Cambodia, Cote d'Ivoire, Democratic Republic of the Congo, Ethiopia, Ghana, Guatemala, Guinea, Haiti, India, Iraq, Kenya, Laos, Liberia, Malawi, Mali, Madagascar, Mozambique, Nepal, Niger, Nigeria, Pakistan, Philippines, Rwanda, Senegal, Sierra Leone, South Sudan, Sudan, Uganda, Vietnam, Yemen, Zambia, Zimbabwe
Intermediate	Azerbaijan, Colombia, Dominican Republic, Ecuador, Egypt, El Salvador, Honduras, Indonesia, Jordan, Kazakhstan, Kyrgyz Republic, Lebanon, Libya, Morocco, Nicaragua, Peru, South Africa, Tajikistan, Tanzania, Thailand, Timor-Leste, Tunisia, Turkmenistan, Uzbekistan, West Bank and Gaza
Low	Armenia, Belarus, Bosnia and Herzegovina, Georgia, Kosovo, Mexico, Moldova, Serbia, Ukraine

II. Vision

Enhance the capacity of countries and communities to provide sustainable urban services.

As the urban population grows to 6.3 billion by 2050, improving urban services can help USAID make progress towards its overarching goal to “seek to invest in countries’ efforts to achieve sustained and broad-based economic growth, which creates opportunities for people to lift themselves, their families, and their societies out of poverty.”²² To this end, **the vision of this Policy is to support Mission capacity to promote service delivery that attains large-scale benefit to urban residents in a sustainable manner over the long-term.** To achieve this, services will need to attract much more investment, and therefore be managed more effectively and move towards financial viability. Therefore, host countries at the local, regional and national levels must be supported in devising and implementing their own urban services solutions.

The Policy encourages Missions to support programs that will improve governance, encourage accountability, and bolster capacity to manage service delivery systems. To have lasting impact, local institutions will need political leadership committed to providing services, as well as the capacity to implement, operate and expand services. This Policy promotes the following approaches to support Missions to:

- Build good governance and effective management systems within service delivery programs to increase institutional capacity over the long term;
- Encourage innovative and cost-effective service delivery appropriate to local norms and resources so that local governments can adequately maintain and expand services;
- Support increases in investments in service delivery that will reduce current service gaps across sectors and prepare countries for future urban growth; and
- Help countries and communities apply pro-poor service delivery models, especially those successfully applied to underserved areas and populations, such as women, the disabled, and youth.

III. Development Principles to Support Sustainable Urban Services

This section of the Policy highlights key development principles that can contribute to the achievement of the objectives and vision of sustainable and inclusive service delivery. It builds on the required sustainability analysis for project designs (2012)²³, encouraging USAID to promote long-term viability of services while still contributing to affordability for users. These service delivery principles promote the development of financial mechanisms and the presence of committed political leadership to ensure sustainability. These principles include: (1) ensuring political and financial sustainability; (2) advancing accountable, pro-poor service delivery models; (3) fostering market orientation and public-private collaboration; and (4) supporting municipal resilience.

I. ENSURING POLITICAL AND FINANCIAL SUSTAINABILITY

Political will and institutional capacity – New project designs are now required to do a sustainability analysis to determine which local and national governments have the political will necessary to hold themselves accountable to: (1) establish clear plans and rules for service provision; (2) regulate and monitor service quality; (3) coordinate infrastructure project development and promote investment; and (4) deliver services efficiently and equitably.

Enabling legal and institutional arrangements for regulating service delivery – The enabling environment provided by host countries and cities is essential to provide the legal authority and institutional structure to manage sustainable service delivery. This includes establishing conditions that support partnerships between public, private, local and international entities, as is appropriate to provide the most effective and affordable services. Regulation of standards, and oversight of the management and operations of service providers should be clearly defined and transparent to all stakeholders, and all segments of the population should have the opportunity to become service customers without prejudice.

Example: Ahmedabad Municipal Bond

In 1998, USAID/India supported the Ahmedabad Municipal Corporation (AMC) to issue the first municipal bond in India without a state guarantee, which established the Raska Water Supply and Sewerage Project. USAID provided technical assistance to improve revenue collection by increasing octroi (a traded goods tax) collection, updating the tax assessment procedures, deploying police to catch defaulters, increasing property tax collection, and recovering outstanding balances. Through the partnership, the AMC eliminated its deficit, improved its credit rating to “A+,” and reinvested a cash surplus of \$54 million into city-wide water and sanitation projects.

Financial viability – Government budget allocations alone cannot meet the service delivery investments required to expand coverage at the scale envisioned by this Policy. Self-sustaining services are necessary to become commercially viable or “bankable” for commercial investment over the long term. This means that the costs for service provision will be covered by tariffs and explicit subsidies. When services are not fully commercially viable, a blend of financial resources from government grants, donor funds, tariffs, and/or general revenues can leverage, rather than crowd out, long-term private investment.

2. ADVANCING ACCOUNTABLE, PRO-POOR SERVICE DELIVERY MODELS

Social inclusion and equality – Host countries and cities should impartially provide services and infrastructure to all citizens. Compliance with planning, land use, and building codes, especially those that reduce risk of natural disasters and building collapse, would ensure greater public safety in cities. Additional

work is needed especially for non-engineered buildings, such as those prevalent in slums, through programs that foster basic design guidelines, disaster awareness raising, training of artisans, and the development of low-cost disaster-resistant building materials.²⁴ The balance between commercial viability and servicing the poor is a policy challenge that may need to be approached through leveraging microfinance and targeted subsidies to help close the service gaps, especially in urban slums.²⁵

Cities should also address the gaps in services provided to women and men. Male and female priorities often differ for basic services such as urban housing, water and sanitation, solid waste management, and public transport. In urban environments women are disproportionately tasked with managing domestic water and fuel usage, as well as sanitation and waste disposal. In addition, women are particularly vulnerable to insecure tenure and forced evictions. Similarly, in cities with a large youth presence, special attention should be paid to their specific needs. To address persons with disabilities, USAID Missions should encourage the adoption of more inclusive standards and planning guidelines that take into consideration the specific needs of persons with disabilities as per the “Standards for Accessibility for the Disabled in USAID Assistance Awards Involving Construction” (2004).²⁶

Transparent and accurate information – This Policy reinforces the emphasis of USAID’s *Strategy on Democracy, Human Rights and Governance* (DRG) on “increased accountability for effective government service delivery.”²⁷ Regular data collection and disclosure can strengthen institutional capacity, service performance, and accountability. When information is disclosed and communicated clearly, citizens can effectively participate in planning more responsive services, have reasonable expectations of those services, and fairly hold service providers and leaders accountable. For example, USAID/Indonesia’s Local Governance Support Program (LGSP), supported the development of “citizen charters” jointly signed by a local service agency and a community to guarantee a quality and quantity of a particular service.²⁸

Low-cost technologies for underserved areas –

Missions could better support local governments and innovators to create and scale-up technologies that improve the cost-effectiveness of services. USAID plays a key role in fostering scientific collaboration and South-South technology transfer with new models that lower the cost of accessing basic services in slums, such as sanitation, electricity, and waste disposal.

Citizen participation and customer demand –

Involving users of services in consultations is critical for host countries and cities to develop more inclusive service planning and standards. Consultations should include diverse groups of male and female residents, business leaders, local government leaders, youth, civic organizations, and technical experts. This will require support for institutions that increase opportunities for the urban poor to engage politically and participate in decision-making at both the national and subnational level. Overcoming the obstacles to citizen engagement of the urban poor requires effective, inclusive, self-governed organizations that ensure that services respond to citizens’ demands and needs. Equally important, the Policy strongly supports efforts within USAID to build the capacity of local governments to be responsive to citizen needs and demands, per USAID’s DRG Strategy.

Example: Projects Executed by the Community

USAID/Honduras partners with the Honduran Social Investment Fund to support projects that respond to citizens needs for locally provided services while empowering users at the community level. Under the Projects Executed by the Community (Proyectos Ejecutados por la Comunidad) model, communities manage the full range of responsibilities for the construction of infrastructure projects after learning procurement and accounting procedures, construction contracting and quality assurance, social auditing, and fee collection. Under this approach, beneficiary communities provide at least 30 percent of project costs, usually through labor and local construction materials.

3. FOSTERING MARKET ORIENTATION AND PUBLIC-PRIVATE COLLABORATION

Public-private collaboration – Host countries and cities will improve development outcomes by allocating activities to the public or private institutions that are best-positioned and skilled to address the specific service challenge. Local governments may directly implement a project or may act as facilitator for private sector delivery. USAID technical assistance can help to improve the investment climate and to foster innovative new urban service approaches and technologies.²⁹ For example, USAID/Mexico supports the Cleantech Challenge Mexico competition which provides training on business planning, mar-

Example: Collaborations in Slum Upgrading

USAID/India tapped the power of collaborative partnerships by working with the Society for the Promotion of Area Resource Centers (SPARC), a prominent non-governmental organization (NGO) involved in slum upgrading in India, and ICICI Bank, India's second largest bank. In 2006, USAID/India provided a \$5.5 million local currency loan guarantee that enabled ICICI Bank to fund a three-year bridge loan to SPARC to complete the Oshiwara II slum redevelopment project in Mumbai. Oshiwara II was a relocation and in situ redevelopment project designed to help address the housing needs of households impacted by a major infrastructure improvement project. The entire project generated 2,470 residential units and provided housing for more than 10,000 slum dwellers.

keting, and commercialization strategies to catalyze the clean technology industry, particularly in transportation, energy management, recycling, and waste disposal.³⁰

Efficient scales for service delivery – Efficient service delivery takes advantage of the natural resources, demographics, and economic networks present in urban areas. Governments will better ensure responsiveness to customer grievances and convenient billing-payment systems that increase cost recovery by delivering services through the most competent level of government that is closest to the targeted customers.³¹ In some cases, as in water and sanitation services, local authorities are best positioned to provide services. In others, such as in health or education, services may be most efficiently delivered by national or other administrative structures. Intergovernmental structures are increasingly needed to foster coordination between different levels of government.

4. SUPPORTING MUNICIPAL RESILIENCE

Incentivizing steps towards self-reliance and municipal revenue generation – Agency programs seek to bolster resilience, defined in USAID's *Building Resilience to Recurrent Crisis Policy and Program Guidance* (2012) as "the ability of people, households, communities, countries, and systems to mitigate, adapt to, and recover from shocks and stresses in a manner that reduces chronic vulnerability and facilitates inclusive growth." Where there is capacity, our program designs can

offer clear policy signals that incentivize performance and encourage government fiscal and property frameworks that support local fiscal resilience.³² Providing grants to municipalities to increase local self-reliance through improved local revenue collection and financial transparency can help achieve this goal. For example, USAID's support for public financial management in Carrefour, Haiti, helped increase municipal revenue by nearly 500 percent from 2011 to 2012. With the increased revenue, the municipality constructed infrastructure that responded to a participatory planning process.³³

Local environmental and technological conditions –

USAID Missions can support host countries and cities to design and adapt infrastructure services to local conditions, including environmental resources and hazards, locally-suited technology and skills, and long-term operations and maintenance needs. Where global factors, such as climate change, threaten service performance, more resilient infrastructure design mitigates risks and supports more energy efficient devel-



The solar streetlights in the city of Faizabad, located 600 kms from Kabul, were procured and installed under the USAID-funded Afghan Clean Energy Project (ACEP). The city is not connected to the national power grid. Credit: Abdul Raso.

opment. Given that nearly 360 million people live on coastal land less than 10 meters below sea level (low elevation coastal zones, LECZ), increased efforts are needed to “climate proof” urban services to withstand flooding, storm surges, landslides, cyclones, and sea level rise. Risk assessments can identify areas most vulnerable to disaster, and governments at the national or local level can be supported to restrict or relocate development on vulnerable land. Following the Indian Ocean Tsunami of 2004, USAID/ASIA has exemplified this approach by supporting coastal communities to design and enforce land use policies that reduce risk.³⁴

Together, these development principles promote more sustainable and inclusive service delivery projects. Application of these principles to the design, implementation and evaluation of urban projects will help USAID achieve scalable and sustainable results.

Example: Coastal City Adaptation Program

USAID/Mozambique's Coastal City Adaptation Program (2012-2017) is designed to increase urban coastal resiliency to climate change. The project works with municipal governments to improve the provision of climate-resilient urban services and increase the application of city management options for adaptation. This includes updating disaster risk reduction plans, strengthening early warning systems, and implementing residential zoning and integrated coastal zone management practices. In addition to improving the provision of climate-resilient urban services, the program will increase public demand for climate resilience measures, and increase access to insurance and other risk management tools for vulnerable urban infrastructure and livelihoods.



A Bangladeshi woman receives a vaccination from a health worker at a slum during the second phase of the Neonatal Tetanus Elimination (NTE) campaign, in Dhaka, November 5, 2006. Bangladesh launched a campaign to vaccinate three million women against tetanus November 5, 2006 in a bid to completely eliminate the disease from the impoverished country by 2007, an official said. Credit: Shafiq Alam/AFP.

IV. Advancing USAID's Core Development Objectives

“Our aid programs do more than fill in gaps of services and basic needs; they must equip people and nations to deliver services and take ownership of programs over the long term.”

Department of State and USAID
*The First Quadrennial Diplomacy and
Development Review 2010*

What happens in the cities of the less developed world, which will soon house the majority of its population, will shape USAID's ability to achieve its core development objectives. As the Agency seeks to achieve these objectives, it will work “through national institutions rather than around them,” as stipulated by the *PPD*. Assisting local partners to improve urban services has the potential to increase economic growth, augment municipal revenues, and maximize the effectiveness of bilateral assistance.

I. INCREASE FOOD SECURITY

Improving road systems and other market linkages between rural areas and towns has helped improve agricultural productivity to reach the goals of the Feed the Future initiative, expanding market access for farmers and providing a major incentive to increase production. USAID plays a role in building the capacity of cities to better provide food for their people given the evidence of high malnourishment among extremely poor urban households (approximately 28 percent of urban children under five years of age in developing countries are chronically malnourished).³⁵ The urban extreme poor are particularly vulnerable to malnourishment during food price spikes given the high share of their household budgets—ranging from 50 to 75 percent—devoted to food.³⁶ This Policy seeks to strengthen linkages between agricultural producers and urban areas that provide inputs, research and development, refrigeration, distribution, and access to credit.³⁷ Urban agriculture can also reduce food insecurity and provide economic opportunities for the urban poor. For example, USAID/Ethiopia's Urban

Gardens Program assisted HIV-affected women and children by creating over 500 community and school vegetable gardens in 20 cities and towns in Ethiopia.³⁸

2. PROMOTE GLOBAL HEALTH AND STRONG HEALTH SYSTEMS

Improving health systems in dense urban environments, and investing in urban water, sanitation, hygiene, and health can provide significant reductions in child mortality, improved maternal health, and lower prevalence of preventable diseases. Today, almost half of city dwellers in Africa, Asia and Latin America suffer from at least one disease caused by lack of safe water and sanitation.³⁹ Women and children are most susceptible to health risks due to the lack of sanitation in high-density areas. For example, the probability of dying between the ages of one and five is 63 percent higher in the slum communities of Nairobi than in rural Kenya.⁴⁰ City dwellers also suffer higher rates of some infectious diseases, such as TB, which “disproportionally strikes people living in poor, urban settings.”⁴¹ Urban residents are also more vulnerable to road traffic injuries, which represent the second leading cause of death among children five to-14 years old.⁴² The urban design and layout of cities, especially unplanned areas, may increase vulnerabilities and present barriers to the daily lives of the one billion people with disabilities.⁴³ We will continue to build capacity within local governing units for health management and financially sustainable service delivery.⁴⁴

Sustainable Urban Services and Achieving USAID's Core Development Objectives

Food Security

The linkages between cities and villages are critical for inclusive agricultural growth, providing new markets and better prices for produce and expanded employment and income opportunities for all.

Health

Responding to the needs of all urban residents, but especially slum dwellers is essential to achieving health-related development goals. Health outcomes will be improved if water, sanitation, and health clinics respond to the needs of the urban poor.

Climate Change

Integrated urban planning, improved energy systems, and public transportation infrastructure help address mitigation and adaptation concerns of climate change and foster greater resiliency.

Economic Growth

Effective and efficient service delivery is critical to sustained economic growth. Cities have emerged as engines of economic growth and provide key markets, employment and distribution centers.

Democracy, Human Rights and Governance

Local governments must have sufficient resources and accountability to provide timely and efficient services. Collaboration between levels of government, along with civil society, will optimize service delivery. Community participation in demanding and designing improved service delivery can be achieved through transparent, accountable, and democratic institutions.

Humanitarian Assistance

To build resilience, local governments must have the capacity to rapidly respond to urban disasters and mass displacement, and reduce the vulnerability of cities to complex emergencies and natural disasters. Growing numbers of urban refugees and internally displaced persons are particularly vulnerable in disaster contexts.

Crisis Prevention and Response

The provision of security and services in urban areas, especially capital cities, provides national stabilization and lays the governance foundation for long-term development in fragile and conflict-affected states.

Education

Creating opportunities through learning in cities can increase access to equitable education, reading skills, workforce development, student retention, and safer learning opportunities, especially for those in crisis and conflict environments.

3. REDUCE CLIMATE CHANGE IMPACTS AND PROMOTE LOW EMISSIONS GROWTH

Urban service-focused interventions assist USAID to achieve climate change goals to “enable countries to accelerate their transition to climate-resilient, low emission, sustainable economic development.”⁴⁵ USAID's *Climate Change and Development Strategy 2012-2016* promotes a strong focus on assisting host

governments to “climate proof” services such as water and sanitation systems by incorporating climate change information into the risk management process. Supporting adaptation and the design of more climate-sensitive services would particularly protect coastal cities, of which 60 percent (or about 890 million people) are located in high-risk areas exposed to at least one natural hazard. Asian cities are especially vulnerable as the region hosts two-thirds of the most populated urban areas (with five million or more inhabitants in 2011) that are exposed to a high risk of at least one natural hazard.⁴⁶ USAID plays a critical role

in working with community groups, mayors, and local government representatives to help identify climate change threats, and to determine what measures will reduce their vulnerability. Through city-to-city partnerships and other means, USAID will continue to support many of the 3,000 cities that have established targets to reduce greenhouse gas emissions.⁴⁷

4. PROMOTE SUSTAINABLE, BROAD-BASED ECONOMIC GROWTH

Cities offer opportunities essential to achieving USAID's goals in economic development and poverty alleviation. Cities have emerged as the engines of economic growth and job creation, accounting for approximately 70 percent of global economic production.^{48/49} The disproportionately large youth populations residing in urban areas present opportunities to generate increased economic growth, provided that they are engaged and prepared for employment and civic participation. Conditions where urban dwellers live in disproportionately violent areas and are charged exploitative rates for informal housing, transportation, and health care services create new poverty traps.⁵⁰ Indeed, residents in urban slums typically pay about five to ten times more for water than people living in high-income areas, and are vulnerable to higher rates of homicidal violence and victimization.^{51/52} Ensuring pro-poor development of urban services, including land administration, is essential for both closing large service gaps and achieving self-sustaining services.

5. EXPAND AND SUSTAIN THE RANKS OF STABLE, PROSPEROUS, AND DEMOCRATIC STATES

Host countries will need to spend trillions of dollars on roads, power plants, land administration, water systems, and social services to accommodate the growth of urban populations.⁵³ USAID equips governments to design transparent municipal revenue-generating and financing structures to meet their required levels of capital expenditures. Furthermore, USAID can help foster democracy and strengthen national and local governance systems by supporting increased participation of urban residents in local political processes, and holding governments accountable for delivering basic services to all groups. Community-based policing in urban areas can also support democratic governance and improve relations between police and the communities they serve.⁵⁴ Missions, particularly those in Latin America and the Caribbean, are bolstering civilian policing programs by supporting local-level violence prevention strategies and expanding institutional performance oversight.⁵⁵ We will also seek to reduce gender-based violence by improv-

Integrating Health, Disaster Mitigation, and Governance in Urban Service Delivery

USAID/OFDA supported the Kabul Area Shelter and Settlements (KASS) project (2006-2007), which provided 3,774 shelters primarily for internally displaced persons (IDP) and returned refugees. These were among the city's most vulnerable poor, living in abandoned houses, damaged public buildings, or in crowded conditions with relatives. In addition to shelter, KASS provided water and sanitation facilities, health and hygiene education for households receiving shelter assistance, ditch drainage construction and road graveling for the communities. To ensure sustainability of service delivery, the project also supported community councils, ensured the support of the Municipality of Kabul, designed and constructed shelters to reduce vulnerability to earthquakes, and educated the community in hazard mitigation. In seven districts of Kabul City, KASS constructed 2,800 latrines, 62 community wells, 15.5 km (9.7 miles) of drainage ditches, and 10.8 km (6.3 miles) of roads. A total of 6,625 households benefited directly from the project, and an additional 8,225 household benefited indirectly through hazard mitigation training, health education, and improvements in communal services.

ing safety and security through greater gender-sensitivity in urban design. USAID assistance also is needed to redress the global situation where women and girls bear the brunt of urban service gaps.⁵⁶ By promoting initiatives that reduce gender inequalities in water, waste disposal, and transportation, we will advance female empowerment and mobility.

6. PROVIDE HUMANITARIAN ASSISTANCE AND SUPPORT DISASTER MITIGATION

To achieve development goals, Agency work in cities must address inadequate infrastructure, housing in disaster-prone areas, and institutions that are unprepared to respond to emergencies. While USAID has cultivated experience in rural-based disasters, as the *USAID Policy Framework 2011-2015* notes, "...Our capacity to respond to urban crises is less developed."⁵⁷ High population densities, large informal settlements constructed without meeting building and materials standards, inadequate regulations, low availability of land on which affected populations can be temporarily or permanently relocated, and

large areas of impermeable surfaces that disrupt natural drainage all exacerbate risk and complicate our response.⁵⁸ As shown by the 2010 Haiti earthquake, USAID can play a strong role in coordinating response activities and priorities in urban disasters, including food distribution, debris removal, shelter, and post-disaster emergency master planning.⁵⁹ USAID must also work to mitigate potential disasters in urban areas through, for example, emergency warning communications systems or evacuation route planning. Humanitarian assistance and urban disaster risk reduction (DRR) should go hand-in-hand to build resilience so that temporary assistance can lead to durable solutions. For example, USAID/OFDA (Office of Foreign Disaster Assistance) responded to the 2002 eruption of Nyiragongo volcano near Goma, Democratic Republic of Congo by providing 5,000 households with transitional shelter within the urban area of Goma. Ten years later, nearly 100 percent of the temporary structures had transitioned to permanent structures, volcano monitoring and community-based education activities continue, and the economy of Goma has recovered.⁶⁰ In addition to natural disasters, economic emergencies, such as shocks that impact food or fuel prices can also have differential effects in urban settings, and effective interventions should utilize public and private urban service delivery organizations.⁶¹

Improving urban service delivery also has implications for assistance to refugees and IDPs, given that more than half of the world's estimated 10.5 million refugees and at least 4 million IDPs are thought to live in urban areas.⁶² IDPs face particular challenges of integrating into urban areas. A study of IDPs in Afghanistan showed that compared with other categories of urban poor, urban IDPs tend to have lower levels of education, fewer employment opportunities, and less access to secure, proper housing and basic services.⁶³ It is therefore critical to ensure that urban IDPs are identified and provided sustainable access to services as soon after displacement as possible, especially for the many IDPs who plan to remain in cities. For example, USAID supported housing voucher systems in Georgia and Armenia that enabled IDPs in temporary shelter to purchase vacant permanent housing.

7. PREVENT AND RESPOND TO CRISES, CONFLICT AND INSTABILITY

Cities will increasingly play a larger role in our crisis prevention and response programs for complex emergencies—civil war, civil strife, acts of terrorism, industrial accidents, and international wars. For post-conflict recovery, cities have become linchpins of national political stabilization. The relative geographic compactness of urban areas means that cities are often the first

areas where security is established and maintained by the state. Evidence also suggests that cities, especially national capitals, have emerged as key drivers of post-conflict recovery in USAID programming.⁶⁴ For violence prevention, we will continue support to protect fragile, violence-prone urban areas that are vulnerable to organized crime, the illegal trade in firearms, militias, trafficking in persons, and urban street gangs. Citizen security is a particular challenge in the cities of Latin America, where crime and violence hamper economic development and constrain improvements in health, democracy, and education. Innovative partnerships to combat violence, like that between USAID and the City of Los Angeles help disseminate best practices and technical knowledge to reduce violence and foster opportunities, especially for at-risk youth.

8. CREATING OPPORTUNITIES THROUGH LEARNING

The combined pressures of urban and population growth place great strains on education services. In urban schools, inadequate infrastructure and overcrowding of classrooms can pose significant challenges to the quality of education. Instructional materials are often inadequate to promote effective learning. Students face enormous challenges to succeed in such environments, and many drop out of school, resulting in large populations of unemployed urban youth. USAID's *Education Strategy (2011-2015)* addresses these challenges with a focus on three goals: 1) improved reading skills for 100 million children; 2) improved tertiary and workforce development programs; and 3) increased equitable access to education in crisis and conflict environments for 15 million learners. USAID's strategy recognizes that equity of access is a crucial precondition to education impact, but what matters most thereafter is the quality of education. It is premised on education's fundamental role in human development, economic growth, and democratic governance. It includes a focus on increased access to vocational/technical, tertiary education and workforce development training to promote human capacity and employment.

V. Supporting USAID's Integrated Program Cycle

This section provides suggested guidance to support sustainable urban service principles across USAID's Program Cycle in strategic planning, project design and implementation, and evaluation and monitoring. These components are based on evidence, informed by continuous learning and adapting, and focus on achieving results.

Two approaches are particularly useful in applying a sustainable urban services lens to the Program Cycle:

- To improve geographic selectivity, subnational data should be used, when available and reliable, throughout the Program Cycle. Utilizing more nuanced local data is especially important given substantial variation within countries, especially those marked by a large urban-rural divide. Subnational data can illuminate important societal networks that impact population flows, service delivery, natural resources, and markets. It can also pinpoint where

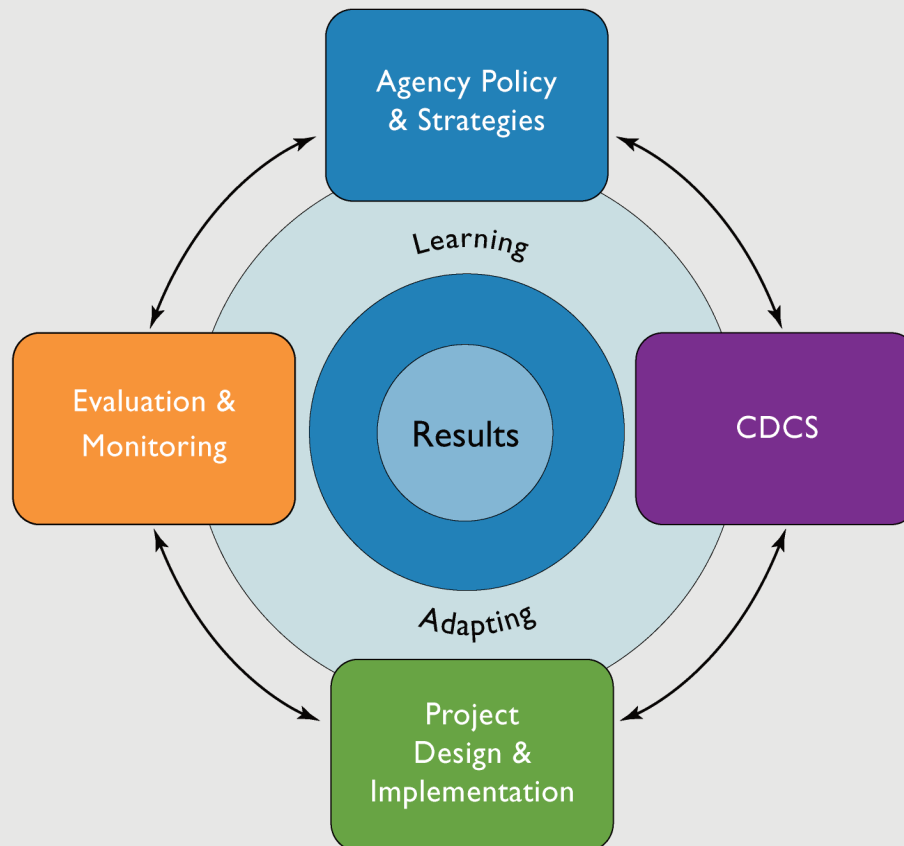
USAID and other donor interventions are taking place and help reduce duplication; and

- Project design and planning can explicitly foster cross-sector integration and a city systems perspective. Urban areas are ideal sites to test abilities to support integrated development because there is population density, sufficient customer demand, and overlapping service networks. USAID is increasingly pursuing this approach to achieve multiple goals and benefit from the synergies between sectors. For example, the Uganda CDCS (Country Development Cooperation Strategy) argued that the "Development results for all three DOs [development objectives] will be improved when Health and Economic Growth projects work in the same places as Democracy and Governance projects."⁶⁵ Clustering infrastructure, health care, energy, transit, and educational facilities can generate cost savings, increase accessibility and scale.



Citizens participate in a workshop in USAID/Bangladesh's Strengthening Democratic Local Governance (SDLG) project. SDLG aims to improve transparent and participatory public administration at the sub-national level and to improve and expand the service delivery of local governments units. Photo copyright: USAID/DCHA and Maureen Taft-Morales.

Illustrative USAID Interventions Across the Program Cycle



■ CDCS

- Examine how urban growth trends will provide important opportunities to achieve development outcomes.

■ Project Design & Implementation

- Incorporate financial system assessment and evaluation tools, especially through applying USAID's Public Financial Management Risk Assessment Framework (PFMRAF) to subnational areas.
- Utilize subnational data to improve geographic selectivity and evaluations.

- Prioritize pro-poor, gender and disability considerations.
- Focus assistance on planning for Operations and Maintenance in addition to capital improvement.
- Develop approaches to engage with informal service providers.

■ Evaluation & Monitoring

- Build capacity in using Geographic Information Systems (G.I.S.) to improve targeting and selectivity in program design.
- Expand the capacity of cities in developing countries to collect data and make it publicly accessible.

Tools: Indicators for a Basic Spatial Assessment

The following represents a range of indicators that might be considered in developing a CDCS or project design:

- Definition of “urban” and “rural” used by country;
- Spatial distribution of national population;
- Current and projected rates of urban and rural population growth;
- Rate of poverty and slum growth in urban areas;
- Subnational identification of USAID funding by program;
- Subnational analysis of access to critical services (water, sanitation, electricity, etc.);
- Subnational estimates of investment requirements for urban services;
- Disease, malnutrition, crime, and disaster vulnerability in urban, peri-urban, and rural areas;
- Value chain analysis in agriculture and manufacturing;
- Urban hierarchy analysis: population distribution by urban center size and population proportion;
- Urban systems analysis: evaluation of internal market, energy, population, and transport flows;
- Subnational economic growth trends by sector;
- Creditworthiness analysis for city, state or province; and
- Analysis of gender gaps in service delivery.

STRATEGIC PLANNING & COUNTRY DEVELOPMENT COOPERATION STRATEGIES

CDCSs could better examine how urban growth will provide key opportunities to achieve development outcomes. To facilitate this, this Policy encourages the development of new urban assessment tools to the extent feasible, and use of existing assessments so that Missions can apply these tools in the CDCS process. New tools could integrate both spatial analysis innovations and previous evaluation frameworks applied in USAID, most notably the Urban Development Assessment framework developed by the former Office of Housing and Urban Programs,⁶⁶ the USAID Democratic Decentralization Programming Handbook (2009), and the urban assessments currently used in E3.⁶⁷ Improved spatial analysis would allow Missions to focus on areas where the most vulnerable populations are concentrated and where interventions can have maximum impact.

PROJECT DESIGN AND IMPLEMENTATION

Building on the existing sustainability assessment, Missions should consider the following components in designing projects focused on a wide range of urban settings (e.g., mega-cities, informal settlements, towns, secondary cities, binational metropolitan areas, and areas that straddle the rural-urban interface): These include:

- Project designs should continue to incorporate financial system assessment tools to assist host countries and cities in addressing the structural gaps that cause dysfunctional urban services. USAID's Public Financial Management Risk Assessment Framework tool can be applied to subnational governments to identify public sector management challenges and mitigate the fiduciary risk encountered when aligning donor assistance with a local government;⁶⁸

- Project designs should encourage effective and accountable management, transparent financial management, and improved revenue collection to help increase creditworthiness and access to private investment. Such measures can facilitate capital markets, supporting increasing investment in services through long-term debt instruments, municipal credit ratings, and other mechanisms;
- Urban service designs should include gender-sensitive approaches. The Agency is committed to the goal of gender equality both broadly and specifically in terms of urban services. In line with USAID's *Policy on Gender Equality and Female Empowerment* (2011), the Agency should integrate gender-sensitive analysis in urban services design and evaluation;
- Projects should prioritize disability considerations in planning urban service projects. To support steps toward including persons with disabilities in their programs, Missions should highlight ways in which local government laws and policies can ensure persons with disabilities full access to public buildings, facilities, and transport systems;⁶⁹
- Projects should explicitly incorporate service operations and maintenance support. Missions can have a significant impact by improving capacity of cooperating countries to maintain existing services while improving their capacity to plan for their future capital investments;
- Project designs should incorporate political economy analysis to support services that respond to the needs of the urban poor. In line with the DRG Strategy, political economy analysis should ensure that vulnerable urban populations are protected and empowered. Building on the partnership between USAID and the City of Los Angeles, Missions could benefit from expanding collaboration with local governments in the U.S. with expertise in combating gang violence;⁷⁰ and
- Missions should develop approaches to engage with informal providers. Many municipalities are incapable of filling the service gaps, which has meant that urban services are often provided by non-state actors. Given this reality, the Agency will seek to develop additional models and partnerships in ways that incrementally build government capacity in underserved areas.

EVALUATION, MONITORING AND LEARNING

Per the *USAID Evaluation Policy* (2011), the Policy supports efforts to attain meaningful, systematic feedback about the successes and shortcomings of efforts to attain sustainable urban services. USAID's activities focused on urban issues are often ideally suited for the kind of rigorous impact evaluations that are now more frequently required. We will seek to:

- Build capacity in using G.I.S. to improve targeting and selectivity. The Agency will leverage the knowledge of USAID's GeoCenter to increase its ability to target at-risk populations and track interventions at the local scale. This is especially important given the challenges of international aid statistics to capture subnational dynamics; and⁷¹
- Expand the capacity of city governments and citizens in developing countries to collect data and make it publicly accessible. USAID will seek to play a more active role in supporting urban observatories or statistical offices to monitor and provide publicly accessible data for government and citizens on service delivery. To assess the quality of policing, USAID assistance will continue to assist with the establishment and/or strengthening of municipal crime prevention observatories. Support could also be directed to the use of residents to generate data through community-driven mapping and research to document slum conditions.

Improving Data to Improve the Business Climate

USAID/EI Salvador supports the Municipal Competitive Index research project to gather baseline data on the Salvadoran business environment to identify administrative and regulatory constraints limiting private sector development. By ranking municipalities, the project created a more favorable business climate for investment and job creation. USAID/EI Salvador's municipal competitiveness activities target 50 municipalities, 26 of which are identified as "high crime" municipalities, and thus overlap with violence prevention activities.

VI. Moving Forward

Despite the benefits of an urban approach, several challenges may impede a more assertive role in urban assistance. Though cities provide large numbers of potential beneficiaries and could offer lower costs per beneficiary, the initial cost of investment is high. Even when Missions have large budgets, they rarely have staff trained to operate in complex urban environments. Even though extreme urban poverty is accelerating, and vast interconnections between cities and rural areas exist, many Missions still operate in countries where the majority of the extremely poor still live in rural areas. Finally, there will continue to be situations where extreme poverty, drought, and famine in remote rural areas justify assistance over extreme poverty in cities and towns. Even in these situations, this Policy aims to provide a crucial link between USAID's robust rural programming and its urban programs by integrating urban sensitivity into existing approaches.

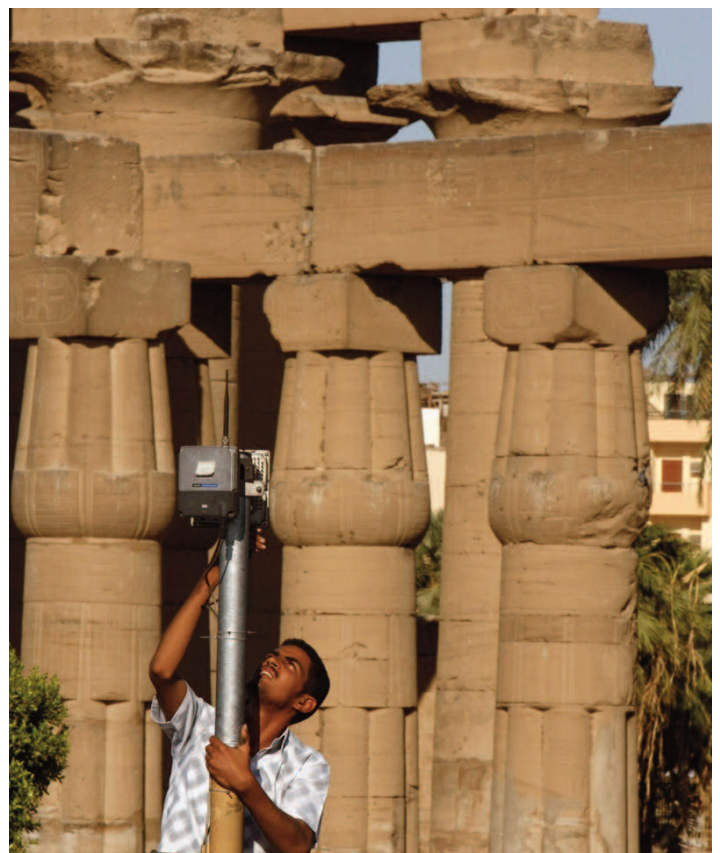
To help the Agency achieve this Policy's goals of empowering countries to deliver sustainable urban services, in the short term, we will seek to:

- Develop internal capacity through training in urban and sustainability analysis, particularly in contexts of rapid urbanization;
- Foster the use of urban assessment tools, especially for CDCs, and improved indicators to measure the sustainability of service delivery;
- Establish a Senior Policy Advisor on Urbanization and Development to coordinate policy coherence within USAID and engage with the interagency and in international fora;
- Increase cross-office collaboration to support an urban lens in Global Climate Change, Global Health, and Feed the Future initiatives;
- Support collaboration with USAID's GeoCenter to employ GIS capabilities to generate information concerning USAID funds invested in urban areas and the subnational geography of our assistance;
- Expand partnerships with outside groups;

- Assess the implications of the urbanization of poverty; and
- Support the adoption of "smart city" technologies where appropriate.

In the long-term, Missions and bureaus, when appropriate, will consider strengthening capacity to provide an "urban optic" for programs and projects across a range of sectors, including micro-enterprise development, youth programming, education, health, food security, disaster preparedness, and climate change. Those Missions that face rapid urban growth may consider designing an urbanization strategy to increase sustainable urban service delivery.

Contributions by technical bureaus, as described on following page, will help advance the short-term and long-term goals of this Policy.



A technician adjusts an Internet router placed on a mast close to a set of Papyrus-shaped columns, part of the Ancient Egyptian Luxor Temple complex on the east bank of the Nile River in the modern city. Credit: Cris Bouroncle/AFP.

Role of Technical Bureaus: Sustainable Urban Services Policy

Technical Bureau	Approach
Bureau for Economic Growth, Education and the Environment (E3)	<ul style="list-style-type: none"> • Continue to collaborate with Missions in conducting urban assessments; assist Missions and technical bureaus to integrate engineering and utility management to deliver urban services (Energy and Infrastructure Office). • Continue to assist bureaus and Missions to ensure proper planning and siting of urban infrastructure; support countries to recognize the role of local (urban) governments in Low Emissions Development Strategies (LEDS) (Global Climate Change Office). • Continue to assist bureaus and Missions to improve access to and quality of sustainable water supply and sanitation services in coordination with municipal governments, utilities and service providers (Water Office). • Assist bureaus and Missions to ensure appropriate planning related to improved accountability and accessibility of land administration services, improved land governance, and increased tenure security and property rights of urban men and women (Land Tenure and Resource Management Office).
Development Credit Authority (DCA)	<ul style="list-style-type: none"> • Assist local governments in mitigating risk for infrastructure and service delivery programs through innovatively structured credit arrangements; • Use DCA Field Investment Officers in regional Missions to provide in-house financial advisory services on questions of financial viability and sustainability. • Utilize DCA to leverage third-party financing to support water and waste management services.
Bureau for Global Health	<ul style="list-style-type: none"> • Continue to provide technical assistance to Missions designing or implementing urban health and sanitation programs.
Bureau for Food Security	<ul style="list-style-type: none"> • Strengthen linkages along the entire agriculture-based value chain from farm-to-market and from rural-to-urban.
Bureau for Policy, Planning and Learning	<ul style="list-style-type: none"> • Support integrating this Policy, as appropriate, within CDCs and the Program Cycle.
Center of Excellence on Democracy, Human Rights and Governance	<ul style="list-style-type: none"> • Contingent on country context, support efforts to decentralize responsibilities and authorities to the local level, including appropriate legal and regulatory frameworks, to enable local officials to provide better urban services. • Collaborate with Missions to facilitate the establishment of transparent and accountable local governance institutions as well as processes to promote citizen participation and oversight, ensure equitable access to public services, and safeguard against corruption and misuse of local resources.
Office of the Chief Financial Officer	<ul style="list-style-type: none"> • Serve as a public financial management and risk assessment technical resource to Missions and operating units implementing government to government activities in cities and other sub-sovereign governments. • Provide quality assurance on risk assessment operations for projects in cities and other sub-sovereign governments.
Office of Science & Technology	<ul style="list-style-type: none"> • Continue to develop the GeoCenter's capacity to provide geospatial tools for urban analysis in Missions and support the Agency's goals to geo-code project data.

Role of Technical Bureaus: Sustainable Urban Services Policy (continued)	
Technical Bureau	Approach
Office of Foreign Disaster Assistance	<ul style="list-style-type: none"> • Meet the humanitarian needs of displaced populations and those impacted by crises in urban contexts. • Provide technical assistance and technology transfer to improve the technical capacity of architects, engineers and urban planners to respond to the humanitarian shelter and settlements needs of displaced urban populations.
Food For Peace	<ul style="list-style-type: none"> • Meet the nutrition needs of the urban poor who have been impacted by crises.
Office of Innovation and Development Alliances	<ul style="list-style-type: none"> • Assist in stimulating innovation in urban service delivery technologies.

All offices and bureaus should work to support the needs of all urban residents, including women, youth, the disabled, and displaced persons.

Strategic coordination with our interagency, bilateral, multilateral, and donor community partners is necessary to promote the goals and objectives of this Policy. Collaboration with a wide range of partners, including the private sector, professional associations, local governments in the United States and abroad, foundations, city networking associations, and academia will be critical. Through Global Development Alliances, the technical expertise of outside partners could be leveraged to create larger urban services delivery impact.

Future Follow-Up: Periodically, the E3 Energy and Infrastructure Office in coordination with PPL and bureaus and Missions throughout the Agency, will review the extent to which this Policy is achieving its goals. This should include regular policy discussions that include broad stakeholder consultation with the donor community, community-based groups, the private sector, academia, and municipalities engaged in urban service provision, maintenance, and upgrading.

VII. Annex

Applying an Urban Services Perspective to USAID Core Objectives

Sector	Illustrative Intervention	Potential Outcomes
Food Security	Strengthen agriculture-based value chains including improved processing, farm-to-market roads, storage and handling facilities, and market development.	More competitive value chains based on an increase in the efficiency of support services in market towns; increased employment opportunities in agriculture based enterprises; increased food security; and improved nutrition.
Health	Provision of urban clinics, sanitation (sewerage, toilets, solid waste collection, etc.); prevention programs for disproportionately urban diseases (sexually transmitted diseases, TB, heart disease, diabetes, symptoms from vehicle-related air pollution); and improved management of health system.	Increase in life expectancy; reduced infant and maternal mortality; decreased infectious disease rates; increased access to health, potable water, sanitation, and waste removal.
Climate Change	Policy assistance to help cities reduce greenhouse gas emissions; improve energy systems and public transportation; reduce coastal erosion.	Carbon reduction and accelerated achievement of United Nations Framework Convention on Climate Change goals; improved design that extends life span of infrastructure and protects populations and economic assets from climate change.
Economic Growth	Targeted assistance to economic clusters; assist government upgrading of utilities; support of cooperative regional economic development plans; improve business climate; expand access to financial services.	Increased private investment, economic growth, job creation, incomes; increased business registration in urban areas; more strategic investment in infrastructure.
Democracy, Human Rights, and Governance	Support to improve public financial management (accountability, revenue collection, and management of service provision); improve government capacity to deliver services; support the political empowerment of urban residents.	Improvements in country ownership, creditworthiness, accountability, citizen participation, and quality and reach of services; greater own-source revenue generation; improved quantities and qualities of service; increased number of PPPs created.
Humanitarian Assistance	Supporting local/national capacity to build resiliency in disaster response in urban areas; provision of post-disaster assistance in cities, including shelter.	Disaster risk reduction in urban areas; faster and more durable recovery in urban areas.
Crisis Prevention and Response	Assistance to IDPs in urban areas, strengthening government services in conflict-affected urban areas; community safety planning in violence-prone slums.	Post-conflict recovery; decline of violence; increase in safe public spaces.
Education	Vocational training for urban-based industries; improved infrastructure to ensure equitable access to education; improved educational facilities in urban areas.	Improved workforce development; improved reading skills; greater engagement by urban communities; increased access to equitable education; increased student retention; increased learning outcomes; safer learning opportunities.

Figure 1. Methodology for Calculating Projected Level of Urban Service Needs in Countries with USAID Missions and Select Offices, 2010-2025

Country	GNI per capita, PPP (current dollars)	Rate of urban growth 2020-2025 (%)	Slum population growth (%), 1990-2000	Slum population (%)	Score (max=9)
Afghanistan	1140	3.98	101.2	—	7
Angola	5230	3.06	159	86.5	7
Armenia	6340	0.23	6.9	—	3
Azerbaijan	7770	1.25	8.5	—	1
Bangladesh	1600	2.63	83	70.8	8
Belarus	12370	-0.02	—	—	1
Bosnia & Herzegovina	9000	0.56	—	—	2
Burkina Faso	1180	4.98	34.6	59.5	9
Burma	380	2.12	—	45.6	7
Burundi	560	4.03	40.1	64.3	9
Cambodia	1960	2.49	93	78.9	8
Colombia	8580	1.25	17	16.1	5
Cote d'Ivoire	1730	3.05	105	56.6	8
Democratic Republic of the Congo	290	3.72	117	76.4	9
Dominican Republic	7530	1.52	22	21.5	4
Ecuador	770	3.32	99	80	9
Egypt	5710	2.03	19	17.1	5
El Salvador	6560	1.28	46	28.9	5
Ethiopia	880	3.57	107	—	8
Georgia	4860	-0.27	-54.8	—	3
Ghana	1490	2.85	69	—	7
Guatemala	4630	3.10	56	40.8	7
Guinea	940	3.72	63	—	8
Haiti	1140	2.25	102	—	8
Honduras	3800	2.48	31	—	6
India	2840	2.31	38	32.1	5
Indonesia	3740	1.76	30	23	9
Iraq	3370	2.93	64	52.8	8
Jordan	5690	1.63	17	15.8	4
Kazakhstan	9720	1.05	-6	—	4
Kenya	1560	4.05	41	54.8	8
Kosovo	6500	—	—	—	1
Kyrgyz Republic	2120	1.94	3.1	—	5
Laos	2110	2.95	30	79.3	8
Lebanon	12150	0.59	58	53.1	4
Liberia	370	3.24	24.7	—	7
Libya	16700	1.31	—	—	6
Madagascar	1030	4.24	—	78.0	9
Malawi	770	4.80	99	67.7	9
Mali	970	4.23	71	65.9	9
Mexico	14500	1.08	16	—	3
Moldova	3300	—	—	—	2
Morocco	4240	1.41	13	13.1	4

Country	GNI per capita, PPP (current dollars)	Rate of urban growth 2020-2025 (%)	Slum population growth (%), 1990-2000	Slum population (%)	Score (max=9)
Mozambique	770	3.32	99	80	9
Nepal	1120	3.39	97	59.4	8
Nicaragua	3490	1.63	49	45.5	6
Niger	720	5.44	81	81.9	9
Nigeria	1960	3.42	86	64.2	8
Pakistan	2570	2.56	57	47	8
Peru	8070	1.29	38	36.1	5
Philippines	3670	2.34	52	42.3	8
Rwanda	1080	4.23	241	68.3	8
Senegal	1870	3.29	43	38.1	7
Serbia	11200	0.42	—	—	2
Sierra Leone	990	2.91	164	97	9
South Africa	10090	1.05	47	28.7	5
South Sudan	—	—	—	—	7
Sudan	1870	3.01	131	94.2	8
Tajikistan	1930	2.26	1	—	6
Tanzania	1290	4.7	25	—	6
Thailand	7720	1.63	42	26	5
Timor-Leste	5980	4.09	2	—	5
Tunisia	8380	1.08	-44.9	—	4
Turkmenistan	6630	1.77	31.5	—	4
Uganda	1150	5.21	72	63.4	8
Ukraine	7250	-0.23	—	—	2
Uzbekistan	2830	1.78	12.4	—	5
Vietnam	2740	2.30	68	38.3	8
West Bank and Gaza	1400	2.80	—	—	5
Yemen	2270	4.16	86	67.2	8
Zambia	1250	4.27	57	57.3	8
Zimbabwe	322	2.65	19	17.9	7

Source: USAID calculations derived from World Bank and UN-HABITAT data. Need was calculated based on an index derived from the following formula: GNI per capita (2011, PPP\$) + urban growth rate 2020-2025 + [slum population annual growth rate (%) + proportion of population living in slums]

EXPLANATION

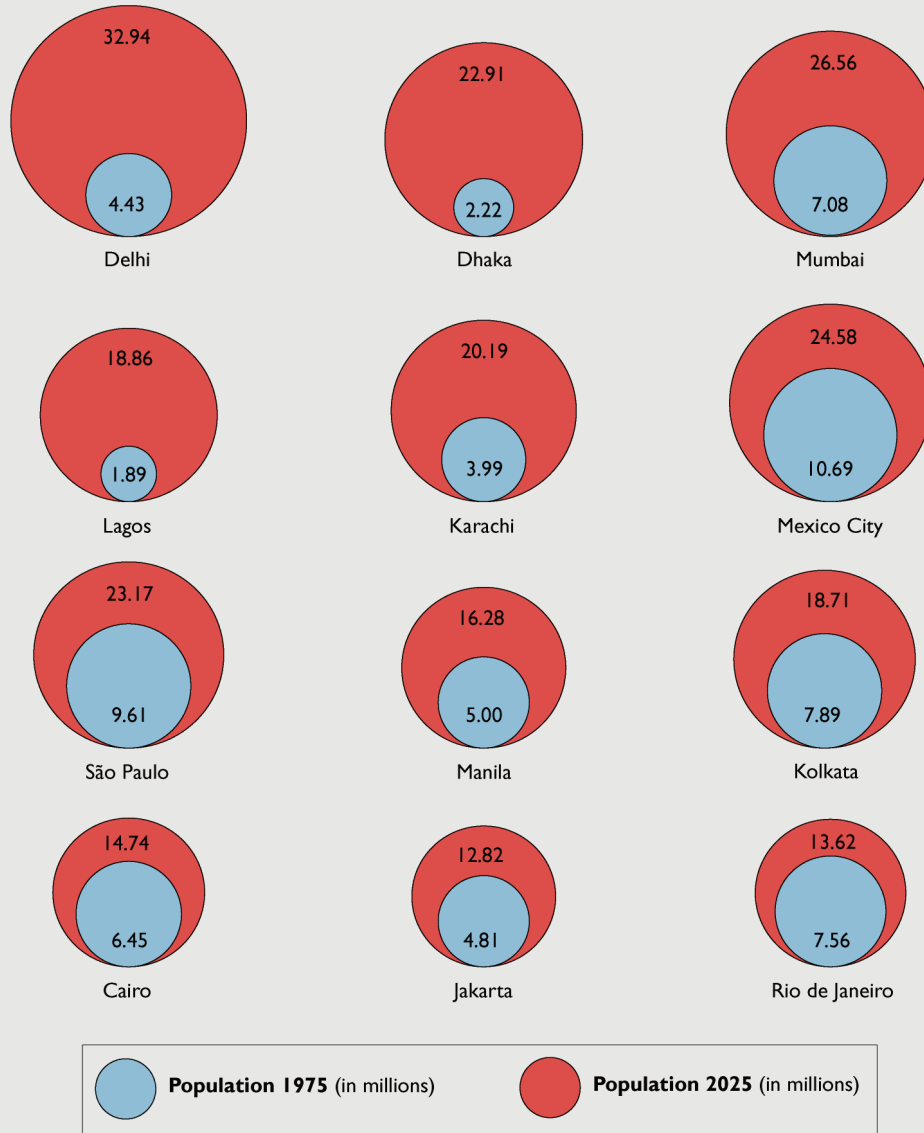
To derive each country's projected level of need, for each measure, countries were scored on a scale of 1 to 3, with 3 indicating the greatest need and 1 indicating less need (see Table below for rubric). The maximum possible score was therefore 9. A sub-index was used to calculate the joint score provided by combining slum population annual growth rate (%) and proportion of population living in slums. To calculate the sub-index, component indicators were scored per standard methods (i.e. on a scale of 1 to 3), and scores were added together. Because averages are sensitive to outliers, these composite scores were not averaged but were re-scored on a scale of 1-3 according to the following: [5,6] = 3 points, [3,4] = 2 points, and [1,2] = 1 point

This index uses the term “slum” according to UN-Habitat's definition of deficiencies in construction or access to basic services. Data are not available for all countries, which places some limitations on the index. Countries that lack data have been highlighted. This model is based on countries in which USAID has Missions and does not take into account certain countries for which there are no data, for example Somalia.

It is important to note that in calculating slum population annual growth rates, different countries had different data available. This index uses 1990 for all countries for which data is available as the base year to calculate growth rates. Years used in the numerator vary between 2001, 2005, and 2007, depending on data availability.

Scoring Rubric				
Indicator	Notes	3 points	2 points	1 point
GNI per capita (\$ PPP)	Categories defined according to World Bank classifications for country income levels.	Low income, \$1,025 per capita or less	Lower middle income, \$1,026 - \$4,035	Upper middle income, \$4,036 - \$12,475
Percent slum population (share of population living in slums)	Data taken from UN HABITAT, though the UN did not provide any framework for classifying levels of need.	50 percent and above population in slums	25-50 percent	Below 25 percent
Slum population growth rate (percent) 2001/1990	Data taken from UN HABITAT. As above, the UN did not provide a framework for classifying levels of need.	50 percent and above	25-50 percent	Below 25 percent
Annual rate of urban population change, projected 2020-2025	Data from World Urbanization Prospects, 2011 Revision.	2 and above	≥1, <2	Less than 1

Figure 2. Largest Projected Urban Population Increases, 1975-2025 (in Countries with USAID Presence)



Source: Calculated from United Nations Department of Economic and Social Affairs (2012), *World Urbanization Prospects: The 2011 Revision* database.

Figure 3. Thirty Large Cities with the Highest Projected Growth Rates, 2010-2025

Country	Urban Agglomeration	Population (2010)	Projected Population (2025)	Change	Compounded Annual Growth Rate
Burkina Faso	Ouagadougou	1,911,188	4,794,937	2,883,749	6.32%
Niger	Niamey	1,222,066	2,924,441	1,702,375	5.99%
Somalia	Muqdisho (Mogadishu)	1,425,660	3,309,145	1,883,485	5.77%
Viet Nam	Can Tho	902,366	2,029,055	1,126,689	5.55%
Thailand	Samut Prakan	1,092,566	2,443,589	1,351,023	5.51%
Uganda	Kampala	1,593,698	3,540,246	1,946,548	5.47%
Côte d'Ivoire	Yamoussoukro	885,463	1,960,093	1,074,630	5.44%
United Republic of Tanzania	Dar es Salaam	3,414,656	7,275,731	3,861,075	5.17%
Yemen	Adan (Aden)	746,150	1,580,649	834,499	5.13%
Yemen	Sana'a'	2,293,267	4,789,902	2,496,635	5.03%
Malawi	Lilongwe	738,171	1,537,717	799,546	5.01%
Madagascar	Antananarivo	1,900,107	3,897,676	1,997,569	4.91%
Zambia	Lusaka	1,718,885	3,495,778	1,776,893	4.85%
Nigeria	Abuja	2,010,282	4,000,226	1,989,944	4.69%
United Arab Emirates	Abu Zaby (Abu Dhabi)	869,320	1,724,480	855,160	4.67%
Lao People's Democratic Republic	Vientiane	766,180	1,489,746	723,566	4.53%
Angola	Huambo	1,038,581	1,996,751	958,170	4.45%
Indonesia	Batam	956,956	1,838,113	881,157	4.45%
Rwanda	Kigali	960,803	1,834,549	873,746	4.41%
United Arab Emirates	Dubayy (Dubai)	1,834,882	3,484,448	1,649,566	4.37%
Kenya	Nairobi	3,236,589	6,142,867	2,906,278	4.36%
Nigeria	Onitsha	866,635	1,642,341	775,706	4.35%
United Arab Emirates	Sharjah	914,366	1,726,197	811,831	4.33%
Kenya	Mombasa	940,333	1,775,088	834,755	4.33%
Mali	Bamako	1,931,996	3,631,561	1,699,565	4.30%
Nigeria	Port Harcourt	1,806,612	3,371,338	1,564,726	4.25%
Angola	Luanda	4,790,142	8,924,042	4,133,900	4.24%
Guinea	Conakry	1,715,207	3,195,422	1,480,215	4.24%
Nigeria	Enugu	775,975	1,439,445	663,470	4.21%
Democratic Republic of the Congo	Kananga	846,101	1,558,833	712,732	4.16%

Note: These estimates and projections, as provided by the United Nations, are limited to cities with an estimated population of 750,000 inhabitants or more in 2011.
Source: Calculated from United Nations Department of Economic and Social Affairs (2012), World Urbanization Prospects: The 2011 Revision database

Figure 4. USAID Policies and Strategies: The Sustainable Urban Services Dimension

Policy or Strategy	Illustrative Intervention	Potential Outcomes
Evaluation (2011)	Monitoring and reporting of urban projects; improved capacity to collect geospatial data.	Improved effectiveness of urban service delivery
The Development Response to Violent Extremism & Insurgency (2011)	Improve transparency and accountability of service providers; support provision of services to marginalized or excluded groups; reduce corruption.	Increased urban security; mitigation of drivers of violent extremism.
Education (2011)	Vocational training for urban-based industries; improved infrastructure to ensure equitable access to education; improved educational facilities in urban areas.	Improved workforce development; improved reading skills; greater engagement by urban communities; increased access to equitable education; increased student retention; increased learning outcomes, safer learning opportunities.
Climate Change and Development (2012)	Policy assistance to help cities reduce GHG emissions; improve energy systems and public transportation; reduce coastal erosion.	Carbon reduction and accelerated achievement of United Nations Framework Convention on Climate Change goals; improved design that extends life span of infrastructure and protects populations and economic assets from climate change.
Gender Equality and Female Empowerment (2012)	Ensure equitable service delivery and participation of women.	Reduced gender disparities in access to services; reduced gender based violence.
Youth in Development (2012)	Promote youth participation in urban planning and support the provision of comprehensive youth-friendly services, including employability, life-skills, and non-formal educational training.	Increased youth civic engagement, employment, and access to services, including financial, health, and education.
Building Resilience to Recurrent Crisis (2012)	Disaster risk reduction through improved urban infrastructure and adaptation to local conditions.	Adaptive capacity increased and risk reduction to better withstand recurrent crisis.
Water and Development (2013)	Improved policies for water and sanitation; support for municipal systems.	Cleaner and healthier urban areas; reduction of disease; planned growth for peri-urban areas.
Democracy, Human Rights and Governance (2013)	Anti-corruption efforts; supporting the fair and impartial establishment and implementation of laws to allocate public services; promote equality of opportunity and access to public services, particularly with respect to poor and marginalized populations.	Increased access to public service; more transparent city and financial management; citizen confidence in public institutions; non-discriminatory provision of services; and promotion of individual and collective rights.

ENDNOTES

¹As self-defined in national censuses.

²United Nations Department of Economic and Social Affairs (2012), *World Urbanization Prospects: The 2011 Revision*, ST/ESA/SER.A/322, New York: United Nations.

³UN-Habitat (2012), *State of the Urban Youth 2012/2013*, Nairobi: United Nations Human Settlements Programme.

⁴Seto, Karen S. et al. (2012), "Global Forecasts of Urban Expansion to 2030 and Direct Impacts on Biodiversity and Carbon Pools," *Proceedings of the National Academy of Sciences of the United States of America*, Vol. 109, No. 40, 16083–16088.

⁵See Ravallion, Martin (2007), "Urban Poverty," *Finance and Development*, Vol. 44, No. 3, and Cali, Massimiliano and Carlo Menon (2013), "Does Urbanization Affect Rural Poverty? Evidence from Indian Districts," *World Bank Policy Research Paper* No. 6338.

⁶Raton, Gwenaëlle (2013). "Urban-Rural Linkages in West Africa Fostering Densification." In *A New Emerging Rural World: An Overview of Rural Change in Africa*, Atlas for the NEPAD Rural Futures Programme, edited by Bruno Losch, Géraud Magrin, and Jacques Imbernon, Montpellier: CIRAD. 39.

⁷United Nations Department of Economic and Social Affairs (2012), *World Urbanization Prospects: The 2011 Revision*.

⁸The world's urban dwellers will increasingly live in larger cities, including mega-cities with at least 10 million inhabitants. While three in every five people lived in urban areas smaller than one million inhabitants in 2011, this proportion is expected to decline to only one person out of two in 2025. In contrast, cities of one million or more, accounting for about 40 percent of the world urban population in 2011, are expected to account for 47 percent of the world urban population by 2025. Mega-cities of at least 10 million inhabitants will also hold a proportionally larger population, growing from 9.9 percent of the world's population in 2011 to 13.6 percent in 2025.

⁹United Nations Department of Economic and Social Affairs (2012), *World Urbanization Prospects: The 2011 Revision*.

¹⁰Almost 50 percent of the global refugee population lived in cities and towns as of 2009. UNHCR (2009), *UNHCR Policy on Refugee Protection and Solutions in Urban Areas*, <http://urban-refugees.org/wp-content/uploads/2012/09/UNHCR-policy-pdf>.

¹¹Baker, Judy (2008), "Urban Poverty: A Global View," *World Bank Urban Papers*, No. 5.

¹²The Office of Housing and Urban Development created primary and secondary mortgage markets and supported more than 200 projects in over 40 countries. The Office managed centrally funded grants for related technical assistance, research, and training. Figures are in real 2013 dollars and are converted from 1992 figures in USAID Office of Housing and Urban Programs (1992), *1992 Annual Report*, http://pdf.usaid.gov/pdf_docs/PNABQ222.pdf.

¹³USAID also supported the development of India's Housing Development Finance Corporation (HDFC). Founded in 1977, HDFC received a total of \$115 million in USAID guarantees from 1981 to 1987. With this support, the HDFC established new ways to provide mortgages and home improvement loans to low-income families. See USAID Office of Housing and Urban Programs (1989), *Annual Report. Fiscal Year 1988. 25 Years: 1963-1988*, Washington, D.C., http://pdf.usaid.gov/pdf_docs/PNABC818.pdf.

¹⁴Lippe, Michael (1997), "USAID's Housing and Urban Programs in Tunisia, 1966-1997," http://pdf.usaid.gov/pdf_docs/PNACB579.pdf.

¹⁵This section is based on a desk review of internal USAID urban projects publicly available on USAID's Development Exchange Clearinghouse (DEC). For more information see: Desmond, Kathleen (2012), *The Past and Future of USAID Housing and Urban Programs*, Silver Spring, MD: City Partners International.

¹⁶Examples include the Coastal City Resilience Program (USAID/Mozambique), urban agriculture (USAID/Ethiopia), the Cities Development Initiative (USAID/Philippines), post-disaster housing reconstruction efforts (USAID/Haiti), urban governance and land tenure activities (USAID/Afghanistan), urban infrastructure finance systems (USAID/India), community-based urban safety planning (USAID/Honduras), and urban sanitation (USAID/Kenya). See the USAID Urban Team's Making Cities Work site (www.makingcitieswork.org) and USAID (2005), "Special Focus: Urban Issues," *Frontlines*, pp. 4-7, http://pdf.usaid.gov/pdf_docs/PNADC754.pdf.

¹⁷USAID (1998), *Making Cities Work: USAID's Urban Strategy*, Washington, D.C.: USAID, http://pdf.usaid.gov/pdf_docs/PDACC076.pdf.

¹⁸This section is based on a desk review of internal USAID urban projects. The 400-page bibliography of USAID urban programs is available on ProgramNet.

¹⁹The program aims to improve the health status of urban populations by facilitating equitable access to quality health care through a revamped primary public health care system, targeted outreach services, and involvement of the community and urban local bodies. The mission will be implemented in 779 cities and towns with more than 50,000 residents.

²⁰United Nations Department of Economic and Social Affairs, *World Urbanization Prospects: The 2011 Revision*.

²¹The inclusion of disaster risk considerations in land-use planning and building has been found to be less expensive than rebuilding or repairing infrastructure damages post-disaster. Though estimates vary internationally, one USAID project in Kinshasa calculated that one dollar of USAID "investment" in disaster reduction in 1998 resulted in "savings" of at least \$45.58 during the city's 1999 floods. See Setchell, Charles (2012), "Kinshasa, DRC: An Early Success Story in Urban DRR," http://transition.usaid.gov/our_work/humanitarian_assistance/disaster_assistance/sectors/files/fy2012/kinshasa_case_study.pdf.

²²Department of State and USAID, *The First Quadrennial Diplomacy and Development Review 2010*.

²³USAID (2012), Automated Directives System (ADS) Chapter 201.3.9.3 stipulates that "Missions are asked to analyze key sustainability issues and considerations around a host of issues including economic, financial, social soundness, cultural, institutional capacity, political economy, technical/sectoral, and environmental. Where appropriate, the analysis should discuss generally how IPR objectives could help achieve sustainability goals. For Presidential Initiative projects, this analysis must determine if/what democratic governance or economic growth interventions should be considered to promote sustainable outcomes. This analysis also requires a review of the financial costs of the program, its recurrent costs, and its maintenance capability and costs (if applicable), as well as ensuring that future revenues will be adequate. It involves analyzing the institutional capacity that will need to be in place or developed through the project, including systems, policies, and skills."

²⁴Asian Disaster Preparedness Center and to the Office of Foreign Disaster Assistance of USAID (2005), "Disaster Risk Management in Asia: A Primer," http://pdf.usaid.gov/pdf_docs/PNADL277.pdf.

²⁵USAID's Sustainable Water and Sanitation in Africa (SUWASA) program exemplifies this approach, linking microfinance institutions with water and sanitation service providers in eight countries of Sub-Saharan Africa to increase access to water and sanitation for the urban poor.

²⁶This requires that "the recipient comply with standards of accessibility for people with disabilities in all structures, buildings or facilities resulting from new or renovation construction or alterations of an existing structure." USAID (2012), "Standard Provisions for U.S. Non-governmental Organizations. A Mandatory Reference for ADS Chapter 303," <http://transition.usaid.gov/policy/ads/300/303maa.pdf>.

²⁷See USAID (2013), *Strategy on Democracy, Human Rights and Governance*, www.usaid.gov/results-and-data/planning/policy.

²⁸USAID (2009), "Good Governance Brief: Innovations in Local Public Service Management: Challenges and Opportunities in Decentralized Governance in Indonesia," http://pdf.usaid.gov/pdf_docs/PNADP067.pdf.

²⁹USAID/Philippines' Cities Development Initiative (CDI) is a cross-cutting development approach that works strategically in selected cities to link economic growth to urban development. CDI aims to improve the investment climate, support investments in high-value industry clusters, and facilitate infrastructure improvements and public service delivery.

<http://philippines.usaid.gov/content/partnership-growth-cities-development-initiative>.

³⁰In 2012 the Cleantech Challenge competition contributed to the creation of 60 new clean technology companies, 27 new patents, and over 800 "green" jobs.

³¹This is often referred to as the Principal of Subsidiarity.

³²The importance of property registration for fiscal resilience is evidence from the USAID/Egypt Financial Services Project (FSP) which, from 2004-2009, facilitated the registration of urban real estate to increase the pool of properties that may be subject to mortgage financing. In the absence of registration, properties could not be mortgaged and lenders had no guarantee of the priority or the efficacy of their liens (<http://usaidlandtenure.net/fsp>; <http://www.usaideconomic.org/eg/EFS/>).

³³USAID (2012), "Revenue Collection Provides Opportunity,"

www.usaid.gov/results-data/success-stories/revenue-collection-provides-opportunity.

³⁴USAID (2007), *How Resilient is Your Coastal Community? A Guide for Evaluating Coastal Community Resilience to Tsunamis and Other Hazards*, Bangkok: USAID, http://indonesia.usaid.gov/documents/document/Document/411/Coastal_Community_Resilience_Guide.

³⁵Demographic and Health Surveys (DHS) data for 47 developing countries in 1994–2004 as calculated in World Health Organization and UN-Habitat (2010), *Hidden Cities: Unmasking and Overcoming Health Inequities in Urban Settings*, Geneva: WHO Press.

³⁶International Food Policy Research Institute (IFPRI) (2002), "Living in the City: Challenges and Options for the Urban Poor," *IFPRI Issue Brief*, No. 9, Washington, DC: IFPRI.

³⁷See Rondinelli, Dennis. et al. (1976), "Urban Functions in Rural Development: An Analysis of Integrated Spatial Development Policy," Washington, D.C.: USAID.

³⁸By the close of the four-year project, over 115,000 orphaned and vulnerable children were reached with a program that combined improved nutrition with increased incomes and enhanced social inclusion, and a new urban agriculture policy with a focus on improving land access was recommended to the government.

³⁹WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation (2005), *Water For Life: Making it Happen*. Geneva: WHO and UNICEF. http://www.who.int/water_sanitation_health/monitoring/jmp2005/en/

⁴⁰African Population and Health Research Center (2002), *Population and Health Dynamics in Nairobi's Informal Settlements*, Nairobi: African Population and Health Research Center.

⁴¹Shah, R. (2010), "Agency Notice: World Tuberculosis Day," Executive Message to USAID personnel, March 23.

⁴²The global losses due to road traffic injuries are estimated to be around \$518 billion. World Health Organization (2009), *The Global Status Report on Road Safety*, Geneva: WHO Press.

⁴³World Health Organization and World Bank (2010), *World Report on Disability*, Geneva: WHO Press.

⁴⁴See USAID (2009), *Sustaining Health Gains—Building Systems: Health Systems Report to Congress*. Washington, D.C.: USAID. http://pdf.usaid.gov/pdf_docs/PDACN511.pdf.

⁴⁵See *USAID Climate Change and Development Strategy*, http://transition.usaid.gov/our_work/policy_planning_and_learning/documents/GCCS.pdf.

⁴⁶The figure is based more than 450 urban areas with one million inhabitants or more in 2011. See: United Nations, *World Urbanization Prospects: The 2011 Revision*.

⁴⁷See ICLEI's "City Climate Catalogue" for more information, <http://climate-catalogue.org>.

⁴⁸World Bank (2010), "Systems of Cities: Harnessing Urbanization for Growth and Poverty Alleviation," Washington, D.C.: World Bank Publications.

⁴⁹This reality is clearly seen in "dominating cities" that account for a large percentage of national economic output. For example, the Gauteng city-region, which spans the Johannesburg /Tshwane (Pretoria) corridor contains 22.4% of South Africa's population, yet accounts for 11% of the African continent's GDP, 33.9% of South Africa's national GDP along with 57% of South Africa's patents and 62.7% of its trade. See OECD (2012), *OECD Territorial Reviews. The Gauteng City-Region, South Africa*, Paris: OECD Publishing.

⁵⁰Ahmed, A. (2007), "The World's Most Deprived: Characteristics and Causes of Extreme Poverty and Hunger," 2020 Vision for Food, Agriculture, and the Environment Discussion Paper, No. 43, Washington, D.C.: IFPRI.

⁵¹Residents in the poorest parts of cities such as Accra or Manila pay more for water than the residents of London, New York, or Paris. See United Nations Development Programme (2005), *Beyond Scarcity: Power, Poverty and the Global Water Crisis*, New York: United Nations Development Programme.

⁵²Winton, A. (2004), "Urban Violence: A Guide to the Literature," *Environment and Urbanization*, Vol. 16, pp. 165-184.

⁵³Infrastructure gaps are most acute in Africa, where the demands for investment in basic urban infrastructure and urban housing are in the range of \$35-45 billion per year (African Development Bank, *Urban Development Strategy*, 2010).

⁵⁴USAID (2005), *Assistance for Civilian Policing: USAID Policy Guidance*, www.usaid.gov/sites/default/files/documents/1866/200mbf.pdf.

⁵⁵For instance, see Programa de Alianzas Municipales para la Prevención de la Violencia en Centro América, USAID and ICMA (2012), *Guía para el diseño, implementación y regulación de las actividades de una Instancia Municipal de Prevención de la Violencia*, San Salvador: Impresos Quijano, www.amuprev.org/documentos/725578891.pdf.

⁵⁶See UN-Habitat (2009) "Gender and Inequalities in Selected Cities: Dynamics of Urbanisation and MDG Progress," mimeo.

⁵⁷USAID (2012), *USAID Policy Framework 2011-2015*, Washington, D.C.: USAID.

⁵⁸International Federation of Red Cross and Red Crescent Societies (2010), *World Disasters Report 2010: Focus on Urban Risk*, Geneva: International Federation of Red Cross and Red Crescent Societies.

⁵⁹See Guha-Sapir, Debarati et al. (2011), Independent Review of the U.S. Government Response to the Haiti Earthquake," http://pdf.usaid.gov/pdf_docs/pdacr222.pdf.

⁶⁰Setchell, Charles (2013), "Democratic Republic of Congo—2002—Volcano," in IFRC, UN-Habitat, and UNHCR, *Shelter Projects 2011-2012*, Geneva: IFRC, UN-Habitat, and UNHCR, pp. 21-24. <http://www.sheltercasestudies.org/shelterprojects2011-2012/A07-DRC-2002.pdf>.

⁶¹USAID (2008), "Emergencies in Urban Settings: A Technical Review of Food-Based Program Options," USAID Office of Food For Peace Occasional Paper 6, http://pdf.usaid.gov/pdf_docs/PNADM940.pdf.

⁶²Jacobsen, Karen (2011), "Profiling Urban IDPs? How IDPs Differ from their Non-Urban IDP Neighbours in Three Cities." In *The Migration-Displacement Nexus: Concepts, Cases and Responses*, edited by Khalid Koser and Susan Martin, London: Ashgate.

⁶³World Bank and UNHCR (2011). Research Study on IDPs in Urban Settings—Afghanistan. http://siteresources.worldbank.org/EXTSOCIALDEVELOPMENT/Resources/244362-1265299949041/6766328-1265299960363/WB-UNHCR-IDP_Full-Report.pdf.

⁶⁴For example, USAID's Transition Initiatives for Stabilization program in Somalia (TIS-Somalia) supported improvements in government service delivery in Mogadishu and areas previously controlled by extremist groups and helped fill the vacuum of authority and counter the conditions that contribute to insurgency.

⁶⁵The USAID Integrated Improvement Programs for the Urban Poor, which ran from the late 1970s to the 1980s also provided models to foster synergies between different USAID sector areas within one city, such as sanitation, citizen engagement, and assistance to micro-enterprises.

⁶⁶These assessments were undertaken in several countries throughout the 1980s, including Jordan (http://pdf.usaid.gov/pdf_docs/PNAAT350.pdf), Morocco (http://pdf.usaid.gov/pdf_docs/PNAAT382.pdf), and Honduras (http://pdf.usaid.gov/pdf_docs/PDABB102.pdf).

⁶⁷See USAID Urban Programs Team (2010), "Senegal Urban Assessment."

⁶⁸See USAID (2012), "Implementation and Procurement Reform. Strengthen Partner Country Systems: Public Financial Management Risk Assessment Framework (PFMRAF)," <http://forward.inside.usaid.gov/content/guidance-and-policy-1>.

⁶⁹In cases where missions do not have disability focal points, the USAID Coordinator for Disability Inclusive Development should be contacted.

⁷⁰See USAID (2012), "USAID & City of L.A. Announce Partnership to Combat Violence in the Americas," October 12, www.usaid.gov/news-information/press-releases/usaid-city-la-announce-partnership-combat-violence-americas.

⁷¹Currently the bilateral donor community has not been able to adequately identify urban programs or collect data that captures the location of projects. The OECD's Creditor Reporting Systems tracks investment in the sector of "urban development and management (43030)", but does not provide information on the extent to which health, economic development, infrastructure, education, and other sectoral investments target cities.

⁷²UN-Habitat's definition of a slum household is as follows: "a group of individuals living under the same roof in an urban area who lack one or more of the following: (1) durable housing of a permanent nature that protects against extreme climate conditions; (2) sufficient living space which means not more than three people sharing the same room; (3) easy access to safe water in sufficient amounts at an affordable price; (4) access to adequate sanitation in the form of a private or public toilet shared by a reasonable number of people; and (5) security of tenure that prevents forced evictions." See UN-Habitat (2006), *State of the World's Cities 2006/7*, London: Earthscan.

USAID has developed in close partnership with our Missions, Bureaus and other partners a number of policies and strategies based on analysis, evidence and past experience. These documents clarify the Agency's corporate position in key areas and provide Agency-wide guidance to the field. These include:

- [Evaluation Policy](#)
- [Education Strategy](#)
- [The Development Response to Violent Extremism and Insurgency Policy](#)
- [Global Climate Change and Development Strategy](#)
- [Gender Equality and Female Empowerment Policy](#)
- [Youth in Development Policy](#)
- [Policy and Program Guidance on Building Resilience to Recurrent Crisis](#)
- [Water and Development Strategy, 2013-2018](#)
- [USAID Strategy on Democracy, Human Rights and Governance](#)

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