Qualitative Growth and Urban Development

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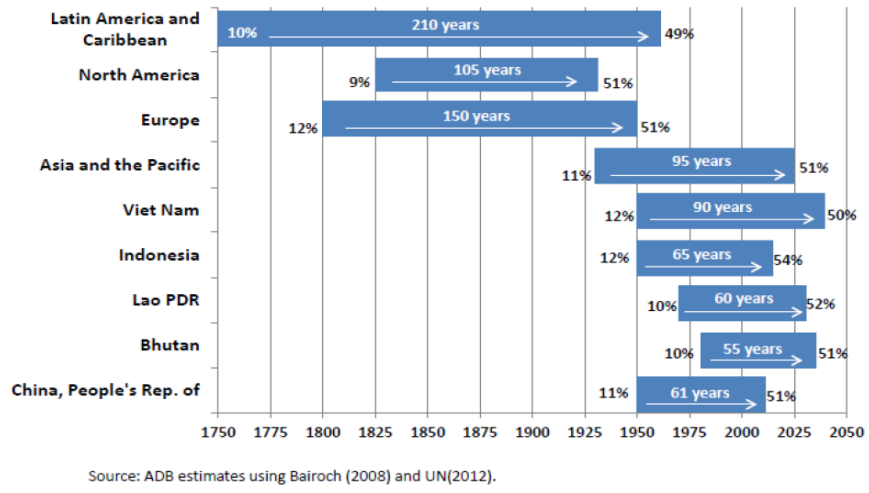
Overpopulation, pollution, traffic and the waste of resources are presenting more and more cities with almost insurmountable challenges. Nevertheless, increasing urbanisation continues to provide rising income and development opportunities for city residents as well as economic growth. By investing in different sectors, KfW helps the population and economy of cities grow in an environmentally friendly manner, benefiting a larger number of residents.

The world is urbanising

Half of the world's population already lives in cities, and by 2030 another 1.4 billion people will join them[1]. It is expected that by 2050, 70% of the world's population will live in urban areas. This growth is occurring primarily in developing and emerging countries. While urbanisation in Europe and Latin America developed over a long period of time, today's cities in Africa and Asia are growing at an unprecedented pace. Every week, 1.26 million people in developing countries move into urban areas. There have never been so many people on the move in such a short period of time. This trend can be observed primarily in Asia, and, increasingly, in Africa, too. From 2015 onwards, further population growth in Asia is expected to take place solely in cities[2]. The urban population in India alone is forecasted to grow by about 240 million people in just 20 years. The process of urbanisation, which occurred over 150 years in Europe, has been taking place in much shorter timeframes since the 1950s (50 - 70 years) in Asia[3].

The often underdeveloped administrative and infrastructure capabilities of cities are not able to manage this trend. This results in informal growth with high land consumption, often in areas that are not suited for settlements due to the risk of flooding and landslides or their importance for the ecosystem. These trends negatively impact poverty and climate and resource protection. There is both a short- and long-term need to pro-actively manage urbanisation in order to realise the social and economic potential while limiting the negative effects of this trend.

Figure 1: Today, Urbanisation is happening faster than before. (duration of the increase in the urbanisation rate from about 10% to around 50%)



Source: Wan, Guanghua (2012): Key Indicators for Asia and the Pacific, 43rd Edition. Manila: ADB.

Economic component: cities as growth engines

Although cities occupy less than 3% of the earth's surface, they are the global society's primary engines of growth. They provide the necessary infrastructure and services, and attract the required workforce. They create the breeding ground and critical mass for innovation, employment and social change. At the same time, cities are the market places of the globalised world. The availability and organisation of space for businesses, industry, services, trade, mobility, housing and recreation provide the foundation and prerequisite for innovation and growth.

Approximately 80% of global GDP is generated in cities[4]. This also explains why no least-developed country *(LDC)* has been able to develop into a middle-income country *(MIC)* without experiencing significant urbanisation[5].

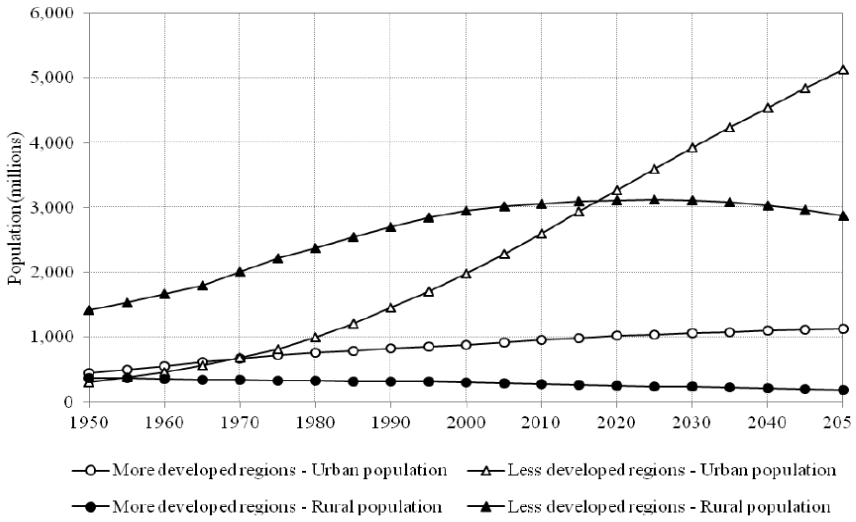
By investing in economic and social infrastructure and financing credit lines for small and

Qualitative growth

Qualitative growth describes a development process aimed at sustainable progress in economic, ecological and social terms. Qualitative growth thus means improving overall social welfare, although this does not necessarily translate into higher incomes; rather, it is expressed for example in an improvement of equitable distribution, equal opportunities, social safety, peaceful coexistence and conservation of natural resources.

1 United Nations. Department of Economic and Social Affairs. Population Division (2012): World Urbanization Prospects, the 2011 Revision. New York.
2 Lindfield, Michael and Florian Steinberg (2012): Green cities. Mandaluyong City, Philippines: Asian Development Bank.
3 UN Habitat (2013): State of the World's Cities Report 2012/2013, Prosperity of Cities. Nairobi.

Figure 2: Urban and rural population by development groups, 1950-2050



Source: United Nations. Department of Economic and Social Affairs. Population Division (2012): World Urbanization Prospects, the 2011 Revision. New York.

Economic infrastructure in Ethiopia

The population of many small- and medium-sized cities in Ethiopia has doubled over the last twenty years. KfW has provided eight cities with EUR 10 million, enabling them to finance infrastructure, particularly the pavement of city streets, and to combat urban poverty. This has helped approximately half a million people. The stones for the paved roads are manufactured locally and installed by small businesses in a labour-intensive manner, ensuring that the entire value chain remains local. In addition, more affordable transport on the new streets contributes to income growth. In order to support the sustainability of the project, the city administration is also concurrently being trained in the operation and maintenance of roads.

Source: Monika Wiebusch

medium-sized enterprises, KfW contributes to the utilisation of the economic potential of cities and helps to create jobs.

Social component: Liveable cities or cities as the new home of poverty?

Economic growth does not, however, benefit all city residents. In cities, the gap between rich and poor is quite stark: expensive villa districts or business centres are often located directly next to very poor slums. Uncoordinated migration to cities leads to inadequate housing, mobility and working conditions, which in turn prevents a growing number of people from gaining access to humane employment opportunities and facilities for education and healthcare. The provision of basic services cannot be guaranteed. The demand for them is growing considerably faster than cities are able to adapt. Slums develop within the cities as well as around them. Many slums are shaped by unemployment and violence. Already nearly 1 billion poor people live in urban areas[6]. There is a risk that in more and more countries, migration will simply convert rural poverty into urban poverty. The opportunities associated with urbanisation will not be realised.

By investing in social infrastructure, slum upgrading, violence prevention and the financing of microcredits, KfW promotes the provision of basic services and a more peaceful coexistence. This helps cities to exploit the potential of urbanisation and to provide their residents with opportunities to participate in qualitative growth.

Residential redevelopment in Senegal

The Pikine district of the city of Dakar, with about 220,000 residents, is one of the largest informal settlements in Senegal. With EUR 8.8 million KfW finances the development of sections of the settlement benefiting approx. 70,000 people. With the involvement of the residents, access to drinking water and the electricity grid are being established, and flood protection, access routes, primary schools and multifunctional training, sports and cultural centres are being constructed. Unemployed youths and school-aged children benefited primarily to a significant degree from the improved conditions.

Source: KfW photo archives/Bernhard Schurian

Ecological component: resource-efficient cities or cities as (climate) polluters?

Cities are responsible for the consumption of approximately 75% of all resources, and they generate a similarly high share of emissions harmful to the environment[7]. Insufficient waste management and untreated waste water still pollute cities to a considerable extent. Furthermore, inadequate traffic management amid rapidly growing motorisation (from 1 billion vehicles globally in 2012 to about 2 billion in 2020[8]) result in high local air pollution. Traffic planning is seldom coordinated with city development planning, although the form of settlement determines the amount of traffic and how it can be organised. Vice versa, settlement trends are strongly affected by transportation planning. This contributes significantly to the rapid growth in traffic, which is clearly visible in congestion and local air pollution in cities such as Accra, Dhaka,

4 UNEP (2012): Global Initiative for Resource Efficient Cities. Paris.
5 See Turok, Ivan (2013): Urbanisation and Development presentation. UN Habitat 24th Governing Council: Nairobi.
6 BMZ (2011): Millennium Objective 7 - Sub-objective 11. Bonn.
7 UN Habitat. Global Report on Human Settlements 2011: Cities and Climate Change. Nairobi. Also UNEP (2012): Global Initiative for Resource Efficient Cities. Paris.
8 Sperling, Daniel and Deborah Gordon (2009): Two billion cars: driving toward sustainability. Oxford University Press: New York.

Adapting to climate change in Bangladesh

The Khulna (1 million residents) city districts located on the Ganges are regularly flooded, especially impacting the city's poor. KfW is developing these districts by financing all-weather roads and measures to stabilise the river's banks. In terms of sustainability, non-motorised traffic is planned, too, with separate bicycle lanes on roads and paths. Markets are being redesigned so that they are usable again very quickly even after severe weather events.

Source: Christian Schönhofen

Rio de Janeiro or Beijing. Not visible are the consequences of rising transport, production and healthcare costs, which can add up to between 1.5 and 4% of GDP[9].

Another factor is the effects of climate change[10], which exacerbates and accelerates existing problems. Severe weather events such as floods, landslides or storms are affecting cities more often. Due to high population density and "property assets", damages are very high, impairing living conditions and income opportunities in the long term. The poorer members of the population are particularly affected because they often settle in areas threatened by climate change due to a lack of alternatives.

By investing in energy efficiency, waste and resource management, mobility and the resilience of cities, KfW helps to reduce the ecological footprint of cities.

Conclusion

Rapidly accelerating urbanisation involves both opportunities and risks. On the one hand, it clearly offers the possibilities of rising incomes, better living conditions, freedom of choice and increased access to education and healthcare. On the other hand, there is a significant risk that it could lead to excessive resource consumption, local air pollution, as well as extreme poverty and violence in marginalised city neighbourhoods.

Cities in developing and emerging countries are frequently overwhelmed by their rising populations, making it impossible for them to manage growth. These problems will become even more severe, especially in Africa and Asia. KfW invests in economic and social infrastructure to make population and economic growth more sustainable, to reduce the waste of resources and to make cities more resilient against the effects of climate change. ■

Further information

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http://www.kfw-entwicklungsbank.de/Internationale-Finanzierung/KfW-Entwicklungs-bank/Sektoren/Stadtentwicklung/

9 World Bank (2010): Egypt - Cairo traffic congestion study - phase 1. Washington D.C. - The Worldbank.
10 Locations, Jessica, Marcus Moench and Stephen Tyler (2011): Catalyzing Urban Climate Resilience. ISET: Boulder, CO.