



STATE OF THE WORLD'S CITIES 2012/2013

Prosperity of Cities

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UN  HABITAT

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Foreword



This is a time of crises. This is also a time for solutions. Indeed, the world is currently engulfed in waves of financial, economic, environmental, social and political crises. Amidst the turmoil, however, we are also witnessing valiant and creative attempts at

different levels and by different actors to seek for solutions.

The State of the World's Cities Report 2012 presents, with compelling evidence, some of the underlying factors behind these crises that have strongly impacted on cities. It shows that a lopsided focus on purely financial prosperity has led to growing inequalities between rich and poor, generated serious distortions in the form and functionality of cities, also causing serious damage to the environment – not to mention the unleashing of precarious financial systems that could not be sustained in the long run.

The Report proposes a fresh approach to prosperity, one that is holistic and integrated and which is essential for the promotion of a collective well-being and fulfilment of all. This new approach does not only respond to the crises by providing safeguards against new risks, but it also helps cities to steer the world towards economically, socially, politically and environmentally prosperous urban futures. In order to measure present and future progress of cities towards the prosperity path, the Report introduces a new tool – *the City Prosperity Index* – together with a conceptual matrix, the *Wheel of Prosperity*, both of which are meant to assist decision makers to design clear policy interventions.

To varying degrees of intensity, cities have been hit by different crises. However, this Report tells us that cities can also be a remedy to the regional and global crises. When supported by different tiers of government, and in the quest to generate holistic prosperity, cities can become flexible and creative platforms to address these crises in a pragmatic and efficient manner. Prosperity, in this sense, can be seen as a *Pharmakon* – both a cause of the problem and a remedy. As per this ancient Greek construct, when used properly, it can help decision-makers to steer cities towards well-balanced and harmonious development.

In this Report, UN-Habitat advocates for a new type of city – the city of the 21st century – that is a ‘good’, people-centred city, one that is capable of integrating the tangible and more intangible aspects of prosperity, and in the process shedding off the inefficient, unsustainable forms and functionalities of the city of the previous century. By doing this, UN-Habitat plays a pivotal role in ensuring that urban planning, legal, regulatory and institutional frameworks become an instrument of prosperity and well-being.

This is a time of solutions to the numerous challenges that confront today's cities. If we are to take measures that will make a difference to the lives of the billions of people in the world's cities, and to future generations, we need sound and solid knowledge and information. This Report provides some of these crucial ingredients. I am confident that it will serve as a useful tool in the necessary redefinition of the urban policy agenda at local, national and regional levels. I do believe also that it will provide valuable insights in the search for urban prosperity and related policy changes in the years ahead.

The Report is a bridge between research and policy, with inputs from more than 50 cities, individual scientists and institutions, particularly the Directorate-General for Regional Policy from the European Commission, and other partner institutions around the world that participated actively in the preparation of this study. I would like to thank them for their immense contribution. I would also like to thank the Government of Norway for its financial support.

The partnerships that have evolved during the preparation of this report are part and parcel of, as well as critically essential in, creating the building blocks of a more sustainable prosperity, one that is shared by all. UN-Habitat is determined to sustain and consolidate such partnerships as we collectively chart a better future.

A large, stylized handwritten signature in black ink, which appears to read 'Joan Clos'.

Joan Clos

Under-Secretary-General,
United Nations Executive Director, UN-Habitat

Introduction

As the world moves into the urban age, the dynamism and intense vitality of cities become even more prominent. A fresh future is taking shape, with urban areas around the world becoming not just the dominant form of habitat for humankind, but also the engine-rooms of human development as a whole.

This ongoing evolution can be seen as yet another assertion, albeit on a larger scale, of the time-honoured role of cities as centres of prosperity. In the 21st as in much earlier centuries, people congregate in cities to realize aspirations and dreams, fulfil needs and turn ideas into realities.

Prosperity in this broader, organic sense transcends narrow economic success to encompass a socially broad-based, balanced and resilient type of development that combines tangible and more intangible aspects. Taken in this multi-dimensional sense, urban prosperity tightens the links between individuals and society with their everyday environment, i.e., the city itself. Amidst multiple challenges facing cities today, a focus on poverty reduction and/or responses to the economic crisis is gradually shifting to a broader and more general understanding of the need to harness the transformative dynamics and potentials which, to varying degrees, characterize any city anywhere in the world.

How to rekindle momentum, optimize regenerating potential, enhance strategic position in the international business sphere, polishing both image and appeal – in other words, how to foster prosperity – has become the main thrust behind urban development. In this endeavour, every city will inevitably find itself on its own specific and unique historic course. Still, a common set of conditions can be found prevailing in all cities, which enable human beings to flourish, feel fulfilled and healthy, and where business can thrive, develop and generate more wealth. These conditions mark out the city as the privileged locus of prosperity, where advancement and progress come to materialize.

This Report focuses on the notion of prosperity and its realisation in urban areas. More specifically, this Report advocates a shift in attention around the world in favour of a more robust notion of development – one that looks beyond the narrow domain of economic growth that has dominated ill-balanced policy agendas over the last decades.

The gist of this Report is the need for transformative change towards people-centred, sustainable urban development, and this is what a revised notion of prosperity can provide. This focus on prosperity comes as institutional and policy backgrounds are in a state of flux around the

world. Prosperity may appear to be a misplaced concern in the midst of multiple crises – financial, economic, environmental, social or political – that afflict the world today. It may appear as a luxury in the current economic predicament. However, what this Report shows with compelling evidence is that the current understanding of prosperity needs to be revised, and with it the policies and actions deployed by public authorities. UN-Habitat suggests a fresh approach to prosperity, one that reaches beyond the sole economic dimension to take in other vital dimensions such as quality of life, infrastructures, equity and environmental sustainability. The Report introduces a new statistical instrument, the City Prosperity Index, measuring the prosperity factors at work in an individual city, together with a general matrix, the Wheel of Urban Prosperity, which suggests areas for policy intervention.

As the privileged locus of prosperity, the city remains best placed to deal pragmatically with some of the new, post-crisis challenges. With adequate backing from higher tiers of government, the city appears as a flexible, operational, creative platform for the development of collaborative agendas and strategies for local responses to the global crisis.

Cities can offer remedies to the worldwide crises – if only we put them in better positions to respond to the challenges of our age, optimizing resources and harnessing the potentialities of the future. This is the ‘good’, people-centred city, one that is capable of integrating the tangible and more intangible aspects of prosperity – in the process shedding the inefficient, unsustainable forms and functionalities of the previous century or so – the city of the 21st century.

This Report comes at a transitional juncture in the international agenda: in the wake of the ‘Rio + 20’ conference on the environment and development, and ahead of a fresh, updated Habitat Agenda due in 2016 (Habitat III). Against this background, this UN-Habitat Report calls on countries and cities to engage with a fresher notion of prosperity in their respective agendas. Prosperity involves a degree of confidence in the foreseeable future. As the world recovers from one of its worst-ever economic crises and a variety of interrelated predicaments, we must find a new sense of balance and safeguard against risks of further turmoil. With dominant roles in economic, political and social life cities remain critical to setting our nations on a more inclusive, productive, creative and sustainable course.

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The image is a cover page for a report. It features a photograph of a city skyline at night, with numerous buildings illuminated and their lights reflecting on a body of water in the foreground. The sky is dark with some clouds. The overall color palette is dark, with the city lights providing a contrast. There are two green rectangular blocks: one in the top left corner and one in the bottom left corner.

Part One

Prosperity and Urban Trends



Chapter 1.1



Conceptualizing Urban Prosperity

THE CITY IS THE HOME OF PROSPERITY

Cities are where human beings find satisfaction of basic needs and essential public goods. Where various products can be found in sufficiency and their utility enjoyed. Cities

are also where ambitions, aspirations and other immaterial aspects of life are realized, providing contentment and happiness and increasing the prospects of individual and collective well-being.

However, when prosperity is absent or restricted to some groups, when it is only enjoyed in

some parts of the city, when it is used to pursue specific interests, or when it is a justification for financial gains for the few to the detriment of the majority, the city becomes the locus where the right to shared prosperity is claimed and fought for.

PROSPERITY: A MISPLACED CONCERN IN THE MIDST OF CRISES?

Never before had humankind as a whole faced cascading crises of all types as have affected it since 2008, from financial to economic to environmental to social to political. Soaring unemployment, food shortages and attendant price rises, strains on financial institutions, insecurity and political instability, among other crises,

might well on their own call into question the relevance and even the viability of a Report on prosperity. This proliferation of risks might even challenge the conventional notion of “Cities as the Home of Prosperity”, i.e. where, by definition, “successful, flourishing, or thriving conditions” prevail.

As people in the latter part of 2011 gathered in Cairo’s Tahrir Square or Madrid’s Puerta del Sol, in front of London’s St Paul’s cathedral or in New York’s Zuccotti Park, they were not only demanding more equality and inclusion; they were also expressing solidarity with fellow citizens that belong with the “99 per cent” (the vast majority) as opposed to the “one per cent” (those with vastly disproportionate shares of wealth and decision-making capacity). These movements highlighted the inherent risks of ill-balanced growth or development policies, and their failure to safeguard prosperity for all. Throughout history, cities as seats of power have served as stages for protests and the recent social movements are no exception. Demographic concentrations in dense urban spaces allow critical masses of protestors to congregate and air new ideas, highlighting cities’ role as sounding boards for positive social change. This points to another of the promises of a prosperous city – not just a more productive socio-economic use of space and the built environment, but also one that safeguards the city’s role as a public forum where plans and policies can be discussed and challenged for the sake of a more prosperous society.

POLICY It is in every city’s interest to adopt organically integrated types of development and prosperity that transcend the narrow confines of an accumulation-driven model that benefits only a few to the detriment of the majority.

FACT At best, prosperity as conventionally understood seems to be an unnecessary luxury in a time of crisis. At worst, prosperity can be seen as a harbinger of yet another single-minded pursuit of purely economic prosperity that might bring the global economy to the brink again.

Box 1.1.1

Crises, Cities and Prosperity**The financial crisis: Borrowing, borrowing, borrowing**

Prominent scholars such as Joseph Stiglitz ascribe the 2008 financial crisis to rising income inequalities in countries around the world. In the face of stagnating real earnings, those households in the lower- and middle-income brackets were forced into more and more borrowing in order to maintain or improve living standards. With financiers experimenting with risky schemes at the other end of the credit chain, this situation led to a spate of defaults and, ultimately, the financial crash of 2008. The double irony of this crisis is that it originated in the efforts of a supposedly sophisticated financial system to give low-income categories a much-desired access to housing finance – and a foothold in prosperity.

The democratic crisis: “We are the 99 per cent!”

The recent crisis is more than just an economic one. More fundamentally, it has exposed a number of risks to social justice, fairness, participation and, ultimately, democracy. Systematic decision-making in favour of those better-off is, in itself, a form of democratic deficit, and one that has led to popular movements like New York’s *Occupy Wall Street*. The movement “calls for a society organized around the needs, desires, dreams, of the 99 per cent, not the one per cent.” The other major uprisings of 2011 – the Arab Spring in North Africa and the Middle East, and Spain’s own *Indignados* – were also motivated by similar demands for better and deeper democracy as essential for overall prosperity.

These protests highlighted the fact that economic growth was a necessary condition for prosperity, though insufficient on its own: social and political inclusion is vital for prosperity.

The environmental crisis: The convergence of climate change and urbanisation

The current pattern of urbanization both in developed and developing countries converges on one and the same model: low density-based suburbanisation. Land speculation is associated with indiscriminate conversion of rural land to urban uses in the peripheries; this phenomenon combines with a growing reliance on individual motor vehicles and new-fangled middle-class lifestyles to expand urban areas way beyond formal city boundaries. A variety of economic agents can typically be found behind this trend, including real estate developers, home- and road-builders, national and international chain stores, among others, more often than not with support from banks and finance houses. Wasteful expansion of cities in endless peripheries is a major factor behind climate change. Beyond the physical threats from climate change, some cities stand to face an array of additional risks related to the provision of basic services and public goods (water supply, physical infrastructure, transport, energy, etc.), affecting industrial production, local economies, assets and livelihoods. Climate change may have ripple effects across many sectors of urban life, affecting the potential for prosperity of the more vulnerable populations: women, youth, children and ethnic minorities.¹

CITIES: REMEDY TO THE GLOBAL CRISES

If anything, the recent crises have demonstrated that cities around the world are, to varying degrees of intensity, exposed at least as much to the destructive as to the more beneficial effects of international markets, including social and political repercussions. In this sense, these crises did more than expose systemic market failures: they also highlighted major imbalances at the core of economic policy-making.²

When responding to such crises, national macroeconomic policies definitely have a major role to play through countercyclical public expenditure, strengthening bank supervision and financial regulations, introducing progressive income taxation, and reinforcing worldwide financial governance mechanisms, among other solutions.

However, responses to global crises must also allow for a vigorous role for cities. So far, cities have been perceived as the ‘engines’ of national economies and there is no reason to depart from that view. Indeed, urban authorities find themselves, at least notionally, in a position to boost production in the real sector of the economy at local level,

with attendant employment and income generation. If urban responses to economic crises are to be effective on a local scale with positive regional or national repercussions (‘multiplier effects’), then efficient, multi-way institutional, policy and budget linkages are required between all relevant

FACT Cities are a remedy to the global crises. They provide ready, flexible and creative platforms that can mitigate the effects of regional and global crises in a pragmatic, balanced and efficient way. Cities can act as the fora where the linkages, trust, respect and inclusiveness that are part of any remedy to the crisis can be built. Acting locally in different areas and spaces, urban responses to the crisis can be structured and included in national agendas for more efficiency, with better chances of flexible responses and more beneficial effects. Although not immune to divisive partisanship and ideologies that can paralyze decision-making, cities find themselves in more privileged positions than national governments to negotiate and agree on responses with local stakeholders. They can forge new partnerships and local social pacts which, in turn, can strengthen national governments in the face of global challenges.

POLICY Cities can devise a number of safeguards against a variety of socioeconomic risks. Municipal authorities can prioritize expenditures on social security nets, local/regional infrastructure and other types of development, with a view to securing longer-term growth while stimulating consumption and/or employment in the short term.

POLICY Cities can also deploy safeguards against the risks international markets may bring to bear on local socioeconomic conditions, deploying redistributive policies in close collaboration with central government in order to reduce income gaps and other local structural problems.

FACT This edition of the *State of the World's Cities Report* presents a fresh perspective on prosperity based on five dimensions – productivity, infrastructures, quality of life, equity and environmental sustainability.



China: busy traffic on one of Beijing's boulevards. Wide avenues such as this bring a sense of space to city centres but increasing wealth has led to a massive growth in private car use.

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tiers of government. In this respect, proper alignment of central and local government expenditures at city level can facilitate transfers and their effective use by urban authorities.

RE-THINKING URBAN PROSPERITY

A poverty-stricken plumber in Hyderabad (India), a factory worker in Bogotá (Colombia), a middle manager in Madrid (Spain), a businessman in Fortaleza (Brazil), a car mechanic in Nairobi (Kenya) – all five will have aspirations to prosperous lives. However, prosperity means different things to different people around the world. Whatever the individual perception, regardless of culture and civilization, prosperity refers to a sense of general and individual socioeconomic security for the immediate and foreseeable future, which comes with the fulfilment of other, non-material needs and aspirations.

Yet, the prevailing view continues to confine prosperity to the realm of economics; a limiting view that shuts out other dimensions that are integral to human well-being and necessary for individual and collective fulfilment. If anything, the 2008 financial crisis has amplified the need to include other, non-economic dimensions in the understanding and measurement of prosperity.

This Report introduces a new gauge for the degree of prosperity in the cities of the world. Known as the **City Prosperity Index** and developed by UN-Habitat, this new instrument combines the five dimensions of prosperity as understood in this Report and as subsumed in measurable indicators. The index pinpoints strengths and weaknesses, in the process suggesting where policy action can address imbalances.

Re-thinking prosperity in those terms requires a shift away from the current dominant perspective, which is outdated and unsustainable on many grounds with its combination of cheap fossil fuel, heavy dependence on the motor car, highly segmented urban forms, socially and economically segregated spaces, endless urban peripheries that consume land, resources and in many cases natural protected areas – and all largely steered by private, not public interest.

CONCEPTUALIZING PROSPERITY: THE UN-HABITAT APPROACH

Prosperity implies success, wealth, thriving conditions, and wellbeing as well as opportunity. In any urban setting, a key question will arise: What are the essential conditions and elements that are required for a city to thrive, or for an urban area to be described as prosperous, or for the

POLICY Shared urban prosperity puts people first, values the tangible and intangible aspects of development, promotes inclusive economic growth, protects human rights, ensures enabling equitable development, cares for the natural environment, reduces disaster risks and vulnerabilities for the poor and builds resilience to adverse forces of nature. This new city – the city of the 21st century – creates harmony between the five dimensions of prosperity and enhances the prospects for a better future.

POLICY The ‘good’, people-centred city of the 21st century stimulates local job creation, promotes social diversity, maintains a sustainable environment and recognises the importance of public spaces. In short, this is a city that comes with a change of pace, profile and urban functions and provides the social, political and economic conditions of prosperity – a city that is all-encompassing and accessible to everyone.

wellbeing of the population? Put differently, what are the manifestations or outcomes of a prosperous city? In general terms, a prosperous city offers a profusion of public goods and develops policies and actions for a sustainable use and equitable access to ‘commons’.³ More specifically, several elements which come to mind guide what constitutes the UN-Habitat conceptualization of Prosperity.

First, a prosperous city contributes to economic growth through productivity, generating the income and employment that afford adequate living standards for the whole population.

Second, a prosperous city deploys the infrastructure, physical assets and amenities – adequate water, sanitation, power supply, road network, information and communications technology etc. – required to sustain both the population and the economy.

Third, prosperous cities provide the social services – education, health, recreation, safety and security etc. – required for improved living standards, enabling the population to maximize individual potential and lead fulfilling lives.

Fourth, a city is only prosperous to the extent that poverty and inequalities are minimal. No city can claim to be prosperous when large segments of the population live in abject poverty and deprivation.

POLICY A fresh approach to prosperity is needed, not just to respond to the effects of the crisis and safeguard against new risks, but also to steer the world towards economically, socially, politically and environmentally prosperous urban futures.

Table 1.1.1

Defining a prosperous city

A prosperous city is one that provides	
Productivity	Contributes to economic growth and development, generates income, provides decent jobs and equal opportunities for all by implementing effective economic policies and reforms
Infrastructure development	Provides adequate infrastructure – water, sanitation, roads, information and communication technology in order to improve urban living and enhance productivity, mobility and connectivity
Quality of life	Enhances the use of public spaces in order to increase community cohesion, civic identity, and guarantees the safety and security of lives and property
Equity and social inclusion	Ensures the equitable distribution and redistribution of the benefits of a prosperous city, reduces poverty and the incidence of slums, protects the rights of minority and vulnerable groups, enhances gender equality, and ensures civic participation in the social, political and cultural spheres
Environmental sustainability	Values the protection of the urban environment and natural assets while ensuring growth, and seeking ways to use energy more efficiently, minimize pressure on surrounding land and natural resources, minimize environmental losses by generating creative solutions to enhance the quality of the environment

This involves reducing the incidence of slums and new forms of poverty. Prosperous cities are equitable and socially inclusive. The benefits and opportunities that come with a prosperous city are equitably (re)distributed. A prosperous city ensures gender equality, protects the rights of minority and vulnerable groups, and ensures civic participation by all in the social, political and cultural spheres.

Fifth, the creation and (re)distribution of the benefits of prosperity do not destroy or degrade the environment, instead the city's natural assets are preserved for the sake of sustainable urbanization.

THE 'WHEEL OF URBAN PROSPERITY'

Prosperity, as defined by UN-Habitat, is a social construct that materializes in the realm of human actions. It builds deliberately and conscientiously on the objective conditions prevailing in a city at any time, wherever located and however large or small. It is a broader, wide-ranging notion that has to do with well-balanced, harmonious development in an environment of fairness and justice.

As described above, prosperity takes in all urban functions as subsumed in five main categories. Since shared, balanced development is a crucial feature of prosperity, none of the dimensions must prevail over the others and all must be kept roughly 'equal' – for the sake of a smooth 'ride' on the path of prosperity. In practice, of course, it is a rare city where the five dimensions will be found equal at any point in time, and this is where policy interventions will be called for, as suggested graphically by the profile of the city's specific 'city prosperity index'. For instance,

infrastructure may be well-advanced, but inaccessible to large portion of the population, therefore compromising the notion of equity. In other, frequent situations, a city may be economically efficient, enhancing job opportunities, but the natural environment is neglected.

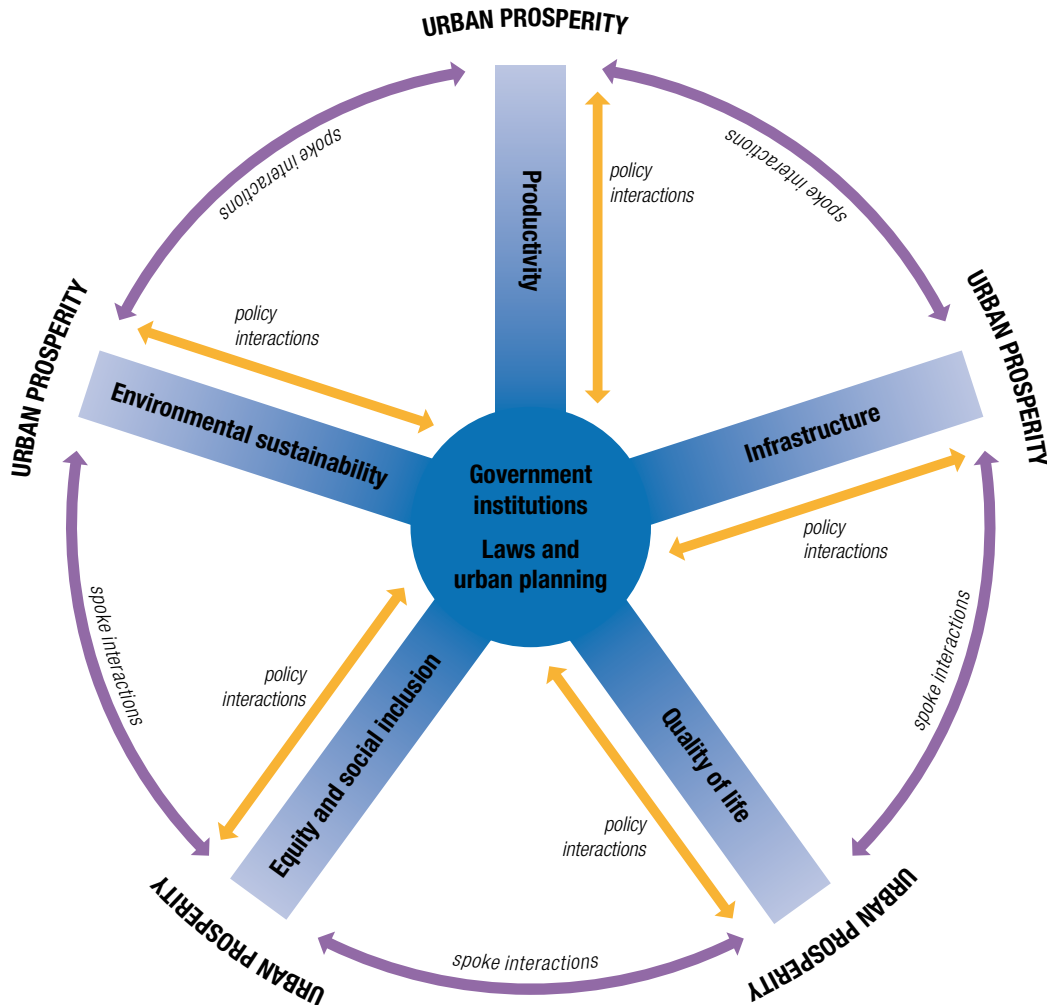
Since socioeconomic conditions keep changing on a local and a broader scale, they will have an effect on one or more of the five dimensions of prosperity, and it will be for policy interventions to restore the balance. In this endeavour, urban authorities will find that the various interlinkages and interdependencies between the five dimensions can also be of a positive nature.

For instance, provision of water and sanitation in informal settlements will improve both equity and quality of life, and even the environment. This points to the 'natural' or 'spontaneous' interdependencies between the five dimensions along the outer rim of the wheel. These can also be strengthened with a multiplier effect through deliberate, well-targeted interventions through the 'hub' of the wheel, i.e., the

FACT The 'hub' is made of the local urban power functions, both public (municipal and other institutions and agencies, laws and regulations, including urban planning) and non-public (civil society, business, etc.). they combine in a variety of ways according to local needs and conditions, with the synergies between them resulting in innovative institutional or policy practice, all for the sake of the public interest and shared prosperity.

Figure 1.1.1

The Wheel of Urban Prosperity



combined power functions at work in the city. For instance, building a school and a covered market next to a poor area is likely to have multiplier effects across the five dimensions of shared prosperity.

This goes to show that far from some new ‘model’ or ‘utopia’ or branding/marketing technique, UN-Habitat’s ‘wheel of prosperity’ symbolises the well-balanced development of the five dimensions, the current condition of which is graphically represented in the City Prosperity Index (CPI – see below). The ‘outer rim’ absorbs the cumulative forces transmitted through the ‘spokes’ – the five dimensions of prosperity. At the centre is the ‘hub’ – the local urban power functions, with four interrelated roles: (i) ensuring the prevalence of *public* over any other kind of interest; (ii) controlling the direction,

pace and momentum of the ‘wheel’; (iii) ensuring the balanced development of the five ‘spokes’ and associated synergies; and (iv) in a two-way relationship, absorbing and amortising any ‘shocks’ transmitted by the ‘spokes’. The ‘hub’ brings together the power functions (e.g., laws, regulations and institutions, urban planning, civil society, trade associations, special agencies, etc.) associated with the five ‘spokes’. In this role the ‘hub’ represents human agency in all its embodiments.

POLICY UN-Habitat suggest that the project for the city of the 21st century is one of achieving balanced prosperity, implying making the ‘wheel’ well rounded with synergetic spokes and a dynamic hub.