

A Road Map for Pursuing City Cluster Development Initiatives

ADB's long-term development strategy envisions a shift in development banking from the traditional role of transferring capital from outside the region to Asian countries to a new role of reducing poverty by supporting economic growth and inclusive development. To achieve this goal, ADB focuses on six core areas:

- infrastructure development,
- financial strengthening,
- energy and the environment,
- regional integration,
- technological development, and
- knowledge management.

Since its founding 40 years ago, ADB has had a good track record overall, particularly in infrastructure development. The 2007 report of the Eminent Persons Group to the President of ADB stated that to build upon this accomplishment, "infrastructure development has been and must remain the primary focus of ADB activities in all developing member countries" (ADB 2007).



The CCD approach provides an opportunity to bring together, thematically and structurally, closely related urban sector activities. In pursuing urban infrastructure projects, it is not enough to focus on single sector-initiatives like roads, water supply, or energy systems. Rather, a CCD—type approach is required so that economic growth potentials of urban regions can be linked into coherent infrastructure scheme to achieve synergy. It is also necessary to focus on city clusters rather than on individual cities since most urban infrastructure and services, because of their very nature, require an area-wide approach.

For example, constructing a road is not a simple engineering activity that will enable people to travel from point A to point B. It requires comprehensive analysis that takes into account where people work and where they live; what is current land use pattern and how it will change in short- or long-term perspectives; how these different economic activities should be efficiently connected; whether different modes of transportation can be more efficiently managed by the public or the private sector; the type of institutional mechanisms required to make transportation efficient; and whether building the road will require relocation of individuals, houses, and commercial and industrial establishments. If clusters of industrial and commercial activity in the areas are served by the road, how can these be linked to supply points and outlets for the delivery of goods? If urban settlements form a city cluster, what is the best way of linking them together by the road system to achieve synergy that will help achieve economic growth? Similarly, providing water to an urban settlement is a complex undertaking that involves economic, financial, health, sanitation, technological, managerial, environmental, and equity considerations.

ADB's 2006 special evaluation study of its urban sector strategy recommended that a business plan be formulated to translate the broad goals of urban sector strategy into reality. An initial step in formulating such a business plan is the setting out of a road map for pursuing CCD as an integral part of an urban-led development strategy. Such a road map assumes that ADB will make a commitment to pursue urban sector development, that a more effective mechanism for coordinating urban sector activities will be created, that CCD will be designated a preferred method for pursuing urban sector projects, and that additional funds will be allocated to support urban sector initiatives. After a careful review of CCD as a concept, an analysis of ADB policies and operations, formulation of a strategic framework for pursuing CCD, and an exploration of the

situation in India, this study suggests the following steps for a road map for pursuing CCD.

Including Urban Sector Initiatives in Country Development Strategies

ADB regularly included potential urban sector programs and projects in its country development strategies. This was natural because most country development strategies focused on development of infrastructure and services and these tended to be located in urban areas. To help client developing member countries identify CCD-type projects, sector review and strategy development (SRSD) exercises may be conducted in specific countries. SRSD exercises evaluate potential areas for CCD using a number of criteria, many of them suggested in this study. SRSD exercises can be assisted by internationally known consultants with expertise in CCD working closely with ADB task managers. Most SRSD experts, however, should be drawn from the countries themselves to tap the local knowledge and experiences of people who know the conditions in the country firsthand.

Identifying Potential Areas for CCD Initiatives

ADB's 2006 evaluation of its urban sector strategy and operations concluded that multisector projects (like those in a city cluster) can be successful if they are carefully designed before project approval. An approach focused on a single sector—for instance, roads, water, or energy—fails to take advantage of the synergy that arises from the interlinks among various sectors. The inherent complexity involved in using a multisector approach might be made more manageable by initially concentrating on a specific pilot city region. Identifying potential CCD areas should always be based on the rationale of urban-led development strategy, that is, “building an engine of growth”—which area has a better potential to be the stepping board for triggering economic growth, with bigger spillover benefits to a region, given limited time and resources? Focusing on a pilot area, a CCD approach and process should be built up, taking into account data availability for analyzing economic potentials to grow, its sphere of economic influence, feasible financing instruments, and cooperative governance structures in the field.

Adopting a Set of Guidelines for Selecting Potential CCD Projects

Almost all Asian countries have limited financial and other resources (even with ADB assistance) to devote to CCD projects. Guidelines are therefore needed to decide which city clusters are appropriate for CCD. How can one determine the seeds that can be nurtured so that, with proper interventions, development can occur in a particular city cluster? What factors can serve as indicators that a certain city cluster is the right site for a CCD project? Based on a review of the literature and discussions with urban specialists, the following factors are proposed for assessing an area's potential for CCD:

- **Distance of cities from each other.** Less distance between cities in a cluster makes it easier to pursue CCD. Some authorities suggest 75–100 km at most. Others believe that the distance covered in an hour of travel from the center of one city to the center of another at the legally allowed vehicular speed is a good measure for an acceptable city cluster boundary.
- **Location of city clusters in relation to large cities with robust economic and social development.** As shown in the planned development of the Shenzhen Special Economic Zone (20 km from Hong Kong, China) and Suzhou Industrial Park (85 km from Shanghai), locating a city cluster adjacent to a highly developed urban center enhances its viability for development.
- **Felt need for key urban infrastructure.** The availability of urban infrastructure and services in cities within a cluster will enhance CCD. Seriously deteriorated infrastructure and services requiring costly repair and maintenance will be a hindrance. If new infrastructure is required for CCD, problems such as difficult terrain or the existence of ecologically sensitive areas should be carefully considered.
- **Commitment of local officials to urban development.** Because CCD is a novel concept that requires entrepreneurial abilities and good urban management talents, the availability of local government officials committed to urban development is an important prerequisite. The presence of at least one official with a reputation for sound leadership in a city within a cluster is necessary for potential success.

- **A record of sound project management.** The record of local government bodies in managing urban sector projects should be reviewed before deciding to implement a CCD project. At specific sites where ADB, the World Bank, or other multilateral or bilateral agencies have supported projects, a careful review of the agencies' experience in managing the project would yield valuable information on the area's potential for CCD.
- **Financial performance of city governments.** A careful review of the financial management experience of local government bodies within a cluster can provide excellent clues about their ability to pursue CCD. For example, an analysis of a city's income and expenditures will yield important information on its capacity to finance, operate, and maintain urban projects. A city government's record in financing and managing urban infrastructure and services is also a good source of information about its ability to engage in sound fiscal management.
- **Developmental potential of industries in the cluster.** Although it is possible to set up CCD from scratch, the presence of productive activities in a cluster is a positive asset that can be tapped. For example, the presence of high-end manufacturing enterprises, free trade economic zones, centers of information technology, or high-tech ventures would facilitate CCD. Sites with good potential for tourism can also be good candidates for CCD.
- **Presence of renowned institutions of higher education, research centers, and research and development groups.** The presence of universities, research centers, innovation "incubators," and other knowledge-based groups can greatly help CCD. These institutions can supply the ideas for entrepreneurial ventures as well as the professional and technical human resources required by CCD.
- **Previous experience in formulating and adopting a comprehensive development plan.** CCD requires well-thought-out, comprehensive development plans that will integrate the economic, social, and technological elements required by integrated development in a city region. The presence of a professional planning group would be a great asset for CCD initiatives, especially a planning group that had previous experience in formulating, adopting, and carrying out a comprehensive development plan.

- **Proven use of efficient institutional arrangements for project management.** Government bodies with experience in using innovative management approaches would be assets in pursuing CCD. For example, familiarity with processes such as participatory budgeting, performance budgeting, and systematic monitoring and evaluation of projects would indicate sound management potentials. The presence of an area-wide administrative coordination mechanism, such as a metropolitan government, would be an asset for achieving CCD.
- **Availability of facilities that make mobility easier.** The smooth economic functioning of enterprises and commercial establishments in a city cluster depends on the availability of facilities for the movement of goods and services. The greater the number of ports, harbors, airports, and other transport facilities or logistics, the higher the viability of CCD.
- **Availability of financial resources that can be leveraged to support CCD.** Although central and local government financial resources are important sources for setting up urban infrastructure and services, they are often limited and need to be augmented by private capital from foreign or domestic sources. The use of innovative financing schemes—including public-private partnerships and bilateral and multilateral assistance—enhances the possibility of CCD.

Seeking and Using Local Expertise

In identifying potential areas for CCD, ADB should seek and use local expertise. An academic institution or research center located within the city cluster may be contracted to prepare a study of the potentials for and constraints on CCD faced in a specific city cluster. The review should take an in-depth look at the industries with growth potentials, performance records of urban sector projects (both those funded by ADB and those supported by other institutions) and identify the factors responsible for their success or failure. Guided by this report, a sector review and strategy development mission can validate the report's findings. The mission can meet with national, provincial or state, city, and other local officials responsible, as well as civil society and community-based groups to

learn their views on the possibility of CCD, paying special attention to urban infrastructure and services projects that can be developed with ADB assistance.

Mobilizing Financial Resources

ADB should identify funds within each country program that could be allocated to CCD projects. Discussing potential projects and identifying sources of funds will highlight the interrelationships among the various elements in complex CCD projects, which often require initiatives for roads and transport, energy, water and sanitation, housing, and solid waste management. One of the findings set forth in ADB's 2006 special evaluation study is the need for co-financing for urban infrastructure and services projects. ADB has to exert special efforts to tap public-private participation for urban development projects and leverage funds from other development partners or financial institutions