



## Analysis of the Habitat III Framework Document Policy Unit 7 - Urban Economic Development

1) *A brief analysis of the Framework Paper (one or two paragraphs with the "key messages", maximum half a page).*

The Framework Paper represents a progress from the Issue Paper previously published on Urban Economic Development, as it identifies some of the core challenges faced by municipalities on local economic development (LED): lack of financial resources (quoting UCLG's report) and particularly in Asia and Africa, institution and capacity building (political and technical powers). The paper focuses in large parts on the links between LED and employment, and specifically on decent jobs (in the terms agreed and disseminated by ILO).

The paper proposes to strengthen the tools and incentives for local governments to use financial and technical instruments to foster LED. It further suggests to link LED with a long-term strategic land-use planning policy and to better define the responsibilities between local and national levels. Finally, the Paper identifies indicators of successful implementation, based on the share of local governments' revenues in total public revenues, social and economic indicators, urban infrastructure and urban economy (however based on national data).

2) *Identify messages or proposals that are problematic for us: a brief comment or propose an alternative wording.*

Most of the pillars of the paper, including its three dimensions Challenges, Priorities and Implementation are rather private-sector oriented and lacks references to the concepts of human rights, social inclusion and citizen participation. Most of the points made start with "Business" as actor and receiver, specifically in the part on "Priorities/Enabling markets to work" and "Implementation/Analysing instruments for sustainability".

Overall, the paper looks more at economic development than economic inclusion. The paper should add that local governments and the corporate sector and intrinsically linked if LED is to aim at peace and sustainability, stating that "if local authorities create the enabling environment for the private sector to flourish, there a need for corporations to contribute to the well-being of local communities, creating decent jobs and promoting social sustainability and responsibility". We would suggest adding this wording into the Priorities and Implementation parts.

In the part on Priorities/Urban Finance, on the item on Local Autonomy, the wording proposed "the central governments to set minimum local tax rates" should be looked at and explored carefully.

3) *Are there critical points or questions that are absent in the Framework Paper? Which ones?*

The paper emphasizes a lot on urban economic development and creation of jobs/strengthening employment but more focus should be put on decent jobs and on the specific role of intermediary cities in this perspective. It should be added that "local and regional governments, and particularly intermediary cities, provide a governance of proximity and are uniquely situated to work jointly with rural neighborhoods, communities and workers to foster decent jobs and reinforce exchanges between the agricultural areas and the economic centre(s). Intermediary cities play a critical role in fostering urban-rural linkages, and by building partnerships with the rural actors, local governments foster local food production and investments in services in the rural areas in the territory, such as irrigation schemes."

As regards Priorities/Governance for employment, a strong point on decentralization is missing. We would suggest adding: "To make local economic development strategies effective, there is a need to create strong structures of governance and well-governed institutions both at local and regional levels. This may be done by reinforcing decentralization processes in all regions of the world."

Concerning the role of the informal sector, the importance of the issue is under-estimated and under-rated in the Framework Document. It should be added that "local authorities are central players in including informal economy actors in local economic development planning processes as well as social assistance. They provide direct support to workers in the informal economy, such as migrants and refugees, who are often marginalized in terms of basic services like health and education due to their origins or lack of capacity. Experience shows that it is often better to tolerate the existence of the informal economy and in particular to include the urban poor in the public system."

Finally, the paper misses an important link with the role of metropolitan areas that require tools that relate to macro-economy as they interact chiefly with a globalized economy. The localization of the economy is totally absent of the Framework Paper. We would suggest developing more and adding "relocalization of economic dynamics is essential to build local resilience and better balance globalized and localized economies".

## Comments from UCLG Committee on Culture

- Culture not mentioned at all.
- Cultural actors to be seriously considered as a “key Sector” for the economic wealth of a city.
- The following issues could be considered:
  - Culture is one of the fastest growing sectors of the economy. It generates income, employment and new businesses in large metropolis, in big cities and in all scales of local communities.
  - Culture is closely associated with tourism because heritage and the arts attract visitors and shape the “brand” of a city.
  - The production of goods and services incorporates a very strong cultural component: on one hand, traditional crafts are extremely valued internationally, and on the other hand, more ‘mass consumption’ products (from cars to clothing) include cultural designs. The value of consumer items is closely linked to their design and symbolic significance: companies look to cultural expressions and processes to develop unique products, communicate more effectively, and look for new ways to stand out.
    - Culture can foster entrepreneurship capacity and skills: Participation in culture generates skills such as being able to speak in public, being able to continuously learn and appreciate new perspectives, being able to generate a suitable climate of partnership, etc. – all fundamental to success.