

City Leadership: At the Heart of the Global Challenge

By Paul A. Oliver

Many of the world's greatest challenges, from environmental degradation to widening income gaps, are increasingly coming to be defined as urban challenges, given the rapid growth of cities. Paul A. Oliver, who leads the World Economic Forum's SlimCity initiative, takes a look at the options being explored by the public and private sectors.



THE WORLD'S ATTENTION is now focused on cities, and for good reasons. From a global perspective cities have become the engines of economic prosperity. In 2007, the collective Gross Domestic Product (GDP) of the top 10 cities exceeded the total GDP of 162 countries combined, with Tokyo alone generating a larger GDP than Canada.¹ Cities have become the centers of population. In 1900, only 10% of the world's population lived in cities, but by 2007 the urban population had reached 50%, and the estimate for 2050 is that 75% of the world's population², over 7 billion people³, will be living in cities. In parallel, cities have become the centers of consumption. In 2006, cities accounted for approximately 67% of global primary energy demand, a concentration that is expected to rise to 75% by 2030⁴. The corollary to this concentration of population and consumption is the concentration of activities that lead to climate change. Cities now account for over 70% of global CO₂ emissions⁵.

Asia's cities are at the forefront of the global challenges of urbanization. Exasperated by a growth rate 1,000% greater than that of Europe's major cities⁶, and a US\$30 billion shortfall in city infrastructure investment⁷, many of Asia's cities are facing the real prospect of a rapid deterioration in their urban environment and in their ability to compete on the world's economic stage. This pattern is not uniform — cities such as Singapore and Tokyo are well positioned to further increase their resource efficiency but Dhaka, Bangladesh, for example, is facing the daunting prospect of doubling in size to 22 million people within 10 years⁸.

1 *World Development Indicators*, World Bank, 2008.

2 *The Endless City*; Burdett, R. (editor), Sudjic, D. (editor), Phaidon Press, 2008.

3 *The Dynamics of Global Urban Expansion*; Angel, S., Sheppard, S., Civco, D.; Transport and Urban Development Department, World Bank, 2005.

4 International Energy Agency, 2008.

5 Ibid

6 Address to the World Cities Summit, Lee Hsien Loong, 2008.

7 Asian Development Bank, 2008.

8 Ibid

9 United States Department of Energy, 2008.

10 *A Cost Curve for Greenhouse Gas Reduction*, Enkvist, P., Nauclér, T., Rosander, J., McKinsey & Co, 2007.

As the world enters the 21st century, the term “city” has become misleading. Where once the city was a unified urban area, the majority of the today’s cities have grown beyond their original limits. They have become ad-hoc urban amalgams, spanning multiple political jurisdictions that are often in competition, offering disproportionate access to non-integrated hard and soft infrastructure.

While they are the location of many challenges, cities also present opportunities, particularly in finding solutions to the crucial global challenges of our time — climate change, energy demand and water. For example, buildings in the developed world’s cities currently account for 36% of global energy use and 30% of Greenhouse Gas (GHG) emissions⁹, but it is estimated that it is financially profitable to significantly reduce their aggregated environmental footprint — retrofitting the insulation, heating, cooling and lighting of current buildings could yield a CO₂ abatement of 3.7 gigatonnes by 2030 at a long term profit of US\$230/t CO₂e of carbon abated¹⁰. Examples of real progress can be found throughout the world’s cities — a 20% reduction in per capita water consumption by the desert city of Phoenix, Arizona¹¹, a 2.7 million

tonnes annual CO₂ saving in Helsinki through eco-efficient heating and cooling, and a 10% reduction in annual CO₂ emissions achieved by Seoul’s ‘car free’ days¹².

When asked to describe the city in which we live, most of us give a passionate answer. Irrespective of income or geography, most of us judge “our” city through a mixture of perception and reality, through a mixture of aspiration and scepticism. Above all, we judge a city through a series of local observations and a desire for continuity. Therein lies the paradox of managing cities: while the demands of citizens are focused on the local level, the social and physical structure of the city is strongly influenced by external factors. Isolated, local cities no longer exist — the world’s cities are now interconnected on a regional and global stage that is continually evolving.

11 Water Services Department, City of Phoenix, Arizona, United States of America.
 12 Best practices archives, C40, 2008.
 13 Department of Geography, Boston University, 2008.
 14 PFI: strengthening long-term partnerships, HM Treasury, United Kingdom, 2006.
 15 Governance Survey, American Public Power Association, 2005; World Winning Cities research programme, Jones Lang LaSalle, 2007.

16 Urban Governance: Global Vision And Local Needs, UN ESCAP, 2000.
 17 See: UN Habitat; UMC, India; The Earth Institute, Columbia University; GTZ China; et al.
 18 See: China Planning Network; World Bank; Success and failures in urban transport planning in Europe, Hermann Knoflacher, Institute for Transport Planning and Traffic Engineering, University of Technology, Vienna, 2007; et al.

As the world enters the 21st century, the term “city” has become misleading. Where once the city was a unified urban area, the majority of the today’s cities have grown beyond their original limits¹³. They have become ad-hoc urban amalgams, spanning multiple political jurisdictions that are often in competition, offering disproportionate access to non-integrated hard and soft infrastructure. At the same time the delivery of the city’s infrastructure itself, including utilities, transportation and health, has changed dramatically as ownership and operation has moved into the arena of public-private sector partnerships. Such partnerships often meet the immediate needs of a city, particularly in access to investment and skills, but can also give rise to fundamental tensions, where the private sector’s desire for shorter term profits conflicts with the public sector’s need for longer term custodianship¹⁴.

The increased global impact of the world’s cities, combined with the emergence of new stakeholders in the city landscape, the speed of change and the expansion across previously separate political jurisdictions, has shown existing models of city governance to be lacking¹⁵. The management authority of many cities has become an inadequate mix of national governance and local, partisan politics, undermined by a lack of precedence for engaging private sector participation and a difficulty in acquiring appropriate skills¹⁶. The dominant 20th century model of city governance, common to many cultures throughout the world, empowers a council of “wise” men and women, supported by a bureaucratic administration, to act as a benevolent custodian of the city’s assets on behalf of its citizens. In the 21st century this model fails to provide structural answers to increasingly pertinent questions that are occurring with greater frequency — Who moderates a city council’s de-

sire to foster economic growth at the expense of the living conditions in other countries? How can a positive investment climate be maintained in the face of misguided popular opinion? Who finances basic infrastructure that enables rural areas to contribute to a city’s GDP? How can initiatives that benefit the overall city be agreed upon when they bring disadvantages to local areas? How can individual citizens be protected against the onslaught of increasingly rapid and dramatic urbanization?

One alternative to city governance is the concept of “urban management” — setting the strategy and managing the operations of a city through comprehensive partnerships and interactions with multiple stakeholders¹⁷. This approach recognises the contributions of civil society, of regional and national public sector groups, and of private sector companies from different industry sectors. It reflects the reality that very few “single discipline” solutions remain that meet the challenges of present day cities. For example, where once cities were served adequately by relatively simple public bus systems, they now require complex multi-discipline solutions to the wider challenge of “mobility,” incorporating a strategic mix of transportation, IT communications, billing and revenue sharing¹⁸.

Elements of integrated urban management are not new¹⁹. For example, successfully rejuvenating inner city areas has long since been the domain of multiple stakeholders, incorporating public sector planners, private sector architects and local community groups. Many cities across the world have relied on private sector companies to augment national health systems. More recently over the last 20 years, driven by the introduction of European Union competition laws, cities throughout Europe have pioneered the widespread use of private sector contrac-

19 For example, see: *Cities in evolution; an introduction to the town planning movement and to the study of civics*, Patrick Geddes, Williams & Norgate, 1915; *Cities of tomorrow: an intellectual history of urban planning and design in the twentieth century*, Peter Hall, Blackwell Publishing, 2002.

20 For example, see: *Partnering in practice New approaches to PPP delivery*, PricewaterhouseCoopers, 2004.

21 *A Stakeholder Approach to Strategic Management*; Freeman, R. E., Pitman, 2004.

22 *Bowling Alone: America's Declining Social Capital*, Putnam, R. D., 1995.

23 See: Freeman, Putnam, Lewin, Lippitt, White, Burns *et al.*

24 International networks include C40, ICLEI and the World Economic Forum. Multilateral development banks, such as the World Bank and the Asian Development Bank, provide knowledge support for cities, as do many of the United Nations organisations. Regional and local city networks are numerous throughout the world.

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tors to plan and deliver an increasing number of public sector services. Yet by its very nature, successful urban management, which brings benefits to individuals, private sector stakeholders and the public city as a whole, is a difficult feat to achieve²⁰. Empowering a greater number of stakeholders can unleash a greater volume of self-interest lobbying, often with the result that it is more difficult to reach consensus when seeking to implement long-term benefits that have short-term costs²¹. As the pace of change and level of complexity continues to increase, managing urban areas continues to become ever more challenging.

Strong leadership, articulating a compelling vision, is required to successfully manage today's cities. In the face of rising individualism, where the social contract is being rewritten at the expense of the common good²⁰, strong leadership

is essential to foster the positive contribution of the diverse stakeholder groups that constitute today's cities²¹. Encouragingly, city mayors and governors throughout the world have proved to be resourceful, seizing the initiative to act quickly where others have been slow to change. They have acquired knowledge through regional and international peer-to-peer networks, found innovative ways to access skills and capital, and secured practical support from a myriad of sources to help implement solutions²².

Around the world, from Asia to Europe and the Americas, innovative city mayors and governors have demonstrated that it is possible to achieve successful change, and maintain social stability, even under the most challenging of situations. Beijing's low fare public transportation policy, London's CO₂ reduction programme, Milan's combined traffic congestion and pollution charging, and Mexico City's bus rapid transit system each demonstrate that city leaders are capable of delivering comprehensive solutions that go beyond the minimum requirements. They demonstrate that if city leaders are willing to seize the initiative, and have the personal courage to break from tradition, they are able to achieve far-reaching results — not just for their city, but ultimately for the benefit of the wider world.

Paul Oliver is leading the World Economic Forum's SlimCity initiative, a neutral public-private sector global platform to facilitate dialogue on the sustainable development of cities. Working at the local, national and international level with mayors of leading cities, ministers, senior private sector executives, non-profit organizations and academics, SlimCity explores regulatory policy, governance, market structures, financing, and implementation.