



Urban Economics 2

Questions

1. What is a settlement hierarchy?
2. Demonstrate different levels of a settlement hierarchy.
3. What is Conurbation / Megalopolis (supercity)?
4. What is Metropolis/ large city?
5. What is a Town?
6. Describe different types and characteristics of local units in Egypt.
7. What is Urban Strategic Planning?
8. Demonstrate the Importance of Planning.
9. What is meant by Long-Range planning and Strategic Planning?
10. What is the main distinction between Long-Range planning and Strategic Planning?
11. What are the main typical steps for strategic planning?
12. Describe main phases/Stages of Urban Strategic Planning Process and their components.
13. Analyze the main consequences of population growth on society and economy.
14. Describe main trends and differences of urbanization in developing countries.
15. Which countries have the fastest growing population?
16. Case Studies: Population Growth in Egypt, South Sudan, Oman, Lebanon
17. How could migration affect urbanization?
18. What is meant by migration, immigration, and emigration?
19. What is the difference between Gross migration and Net Migration?
20. Demonstrate main trends of local development in Africa since post-independence.
21. What is meant by LED?
22. What are the main objectives of LED?



UE part (1) 2017-2018 2nd semester

23. What is meant by participatory development?
24. Briefly analyze the bottom-up developmental approach
25. Briefly analyze the main required steps in LED Implementation
26. What is meant by Vicious Circles- Gunnar Myrdal?
27. Explain the following statement “Downward spiral not reversible without massive aid”
28. List of main sector-specific issues in urban development
29. Demonstrate the impact of demography on urban development
30. Demonstrate the impact socio-behavioral issues on urban development
31. Demonstrate the impact economic issues on urban development
32. Demonstrate the impact Environmental issues on urban development
33. Demonstrate the impact financial issues on urban development
34. Demonstrate the impact governance on urban development
35. Demonstrate the evolution of slums in developing countries.
36. What is the definition of slums?
37. What are the different types of slums?
38. What makes a residential area a slum?
39. Demonstrate the past strategies/approaches to solve the problem of slums?
40. Why is microfinance important for local economic development?
41. What is meant by microfinance?
42. What are main household financial goals and associated microfinance products?
43. List of the main features of the provision of financial services to low-income clients.
44. Why does financing of low-income group involve “High Risk”?
45. Why does financing of low-income group involve “High Transaction Costs”?
46. What are different ways available for lenders to reduce risks?
47. Why does financing poor need to be subsidized?



UE part (1) 2017-2018 2nd semester

48. Explain the following statement “Finance falls lower in the 'hierarchy' of needs for the poor, below health, education etc.”

49. What are the various financial services required by the poor?

50. Why are low income groups (the poor) not considered sophisticated in using financial services?

51. What is financial diaries?

52. List of various Microfinance Lending Models

53. Describe associations as a model of microfinance lending.

54. Describe Bank Guarantees as a model of microfinance lending.

55. Define Compulsory Deposit

56. Describe Community Banking (Grameen Bank or Village Banking) as a model of microfinance lending.

57. Define Eligibility

58. Define Solidarity group

59. Describe Cooperatives as a model of microfinance lending.

60. Describe Credit Unions as a model of microfinance lending.

61. List of main determinants of interest rates in MF.

62. Describe Non-Governmental Organizations (NGOs) as a model of microfinance lending.

63. Demonstrate the standard microcredit structure.

64. Describe For-profit Banks as a model of microfinance lending.

65. Describe ROSCAs as a model of microfinance lending.

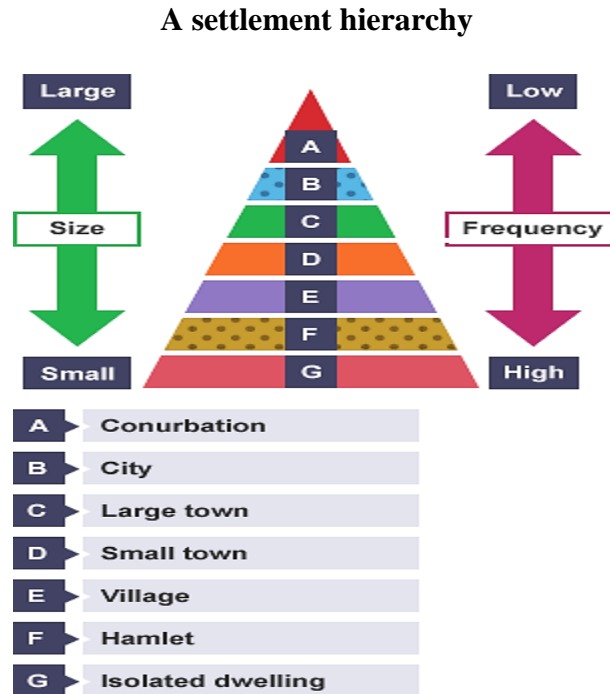
66. Define over-head costs



1. What is a settlement hierarchy?

A settlement hierarchy is a chart used to model the relationship between various human population centers based on their size, population, and available services.

2. Demonstrate different levels of a settlement hierarchy.



3. What is Conurbation / Megalopolis (supercity)?

It is a group of large cities and their suburbs, consisting of three to ten million people.

4. What is Metropolis/ large city?

It is a city is generally an extensive human settlement with a sophisticated system of transport, communication, sanitation, and housing, among others. A city with a large population and many services. The population is <1 million people but over 300,000 people

5. What is a Town?

It is a place where people have settled and is larger than a village but smaller than a city in different entities. Towns, on the other hand, may share some geographic and demographic similarities with cities, but in smaller sizes. They tend to be less densely populated than cities and have less diversity in terms of people's ethnicities. Towns also have smaller geographical areas. Towns have smaller economies usually driven by local small and medium enterprises. They have no major employers and the circulation of money is not as active as in cities. Towns do not usually grow to merge with other towns except



in rare cases and, although they have plans, these plans are not as sophisticated as in the case of cities. Generally, towns have the ability to grow into cities.

6. Describe different types and characteristics of local units in Egypt.

Egypt has 27 Governorates, each headed by a Governor who is appointed by the President. Within their districts, local government units establish and manage all public utilities, provide services, and designate industrial areas. Local Popular Councils are elected bodies that work closely with local government administrative units at various levels. According to the Egyptian regulation, there exists five types of local units: Governorates, cities, markaz (kisms), hai, and villages (shieakhah); each one of which has its own legal authority. Governorates are established by presidential decree and can include one city or more. Markaz (kisms), cities, and hai are established by a decree from the prime minister after the approval of the local public council. Villages (shieakhah) are established by a governor's decree, on the recommendation of the markaz (kism) public council and with the approval of the local governorate public council. Egypt has traditionally been divided into two regions: Lower Egypt (Wagh al-Bahari), north of Cairo, and Upper Egypt (As-Sa'id), south of the capital. Under the local government system established in 1960, Egypt is organized into 26 governorates, each headed by an appointed governor. The governorates are responsible for social, health, welfare, and educational services and for the social and economic development of their region. They are also required to supervise the city and village councils, which are constituted in a similar manner. Real authority resides in Cairo in a highly centralized regime, heavily burdened by bureaucracy. Since 1994, village mayors, who were previously elected, have been appointed by the Ministry of the Interior.

7. What is Urban Strategic Planning?

A strategic plan is a document that establishes the direction of a work unit, i.e. a country, a governorate, a municipality, a city, a district, a suburb, a village or town, a firm.

8. Demonstrate the Importance of Planning.

There is broad agreement among nonprofit leaders and experts that planning is a critical component of good management and governance. The aim of good management is to provide services to the community in an appropriate, efficient, equitable, and sustainable manner. This can only be achieved if key resources for service provision, including human resources and finances are brought together at the point of service delivery and are carefully synchronized. The aim of good governance is to ensure predictable, open and enlightened policy, together with a bureaucracy imbued with a professional ethos and an executive arm of government accountable for its actions. All these elements are present in a strong civil society participating in public affairs, where all members of the society act under the rule of law.



Furthermore, planning helps assure that an organization remains relevant and responsive to the needs of its community and contributes to organizational stability and growth. It provides a basis for monitoring progress, and for assessing results and impact. It facilitates new program development. It enables an organization to look into the future in an orderly and systematic way. From a governance perspective, it enables the stakeholders to set policies and goals to guide the organization. Most organizations understand the need for annual program objectives and a program-focused work plan. Funders require them, and they provide a basis for setting priorities, organizing work, and assessing progress.

It should be noted that longer-range planning requires some level of organizational stability: It is very difficult to plan in a crisis, and unrealistic to look five years ahead unless an organization has some confidence that it will exist next year. Planning that focuses on a period of three years or more requires an organized, serious effort which takes time and energy. There may need to be a formal community needs assessment as input to planning. This is extremely valuable, but also demanding. Moreover, planning is not a one-time effort; any plan needs to be reviewed, monitored, and updated. The benefits to an organization can be significant -- a clear focus, a sense of joint purpose and agreed-upon priorities, consensus on strategies, and a basis for measuring progress and impact.

9. What is meant by Long-Range planning and Strategic Planning?

The term strategic planning has become very popular in recent years. Many nonprofit organizations now talk about doing strategic planning rather than long-range planning. Yet the difference between the two is not intuitively obvious, nor universally agreed upon. Following are typical definitions and explanations of the two terms:

Long-range planning: The process by which the leaders of an organization determine what the organization wants to look like at the end of a specified period of time – usually three to five years – then use that vision to establish multi-year goals and objectives which describe what the organization wishes to accomplish, and develop programs, tasks, and timelines for achieving them.

Long-range planning predicts future conditions and realities, internal and external, and plans how the organization can function effectively within them.

Because it involves multi-year projections, it cannot be as specific as short-term or operational planning, which generates a work plan with detailed annual objectives, tasks, methods, timelines, and responsibilities. However, it tends to be more focused on specific objectives and timelines than strategic planning.

Strategic planning: The process by which leaders of an organization determine what it intends to be in the future and how it will get there. To put it another way, they develop a vision for the organization's future and determine the necessary priorities, procedures,



and operations (strategies) to achieve that vision. Included are measurable goals which are realistic and attainable, but also challenging; emphasis is on long-term goals and strategies, rather than short-term (such as annual) objectives. Strategic planning assumes that certain aspects of the future can be created or influenced by the organization. Strategic planning is ongoing; it is "the process of self-examination, the confrontation of difficult choices, and the establishment of priorities. Strategic planning involves **"charting a course that you believe is wise, then adjusting that course as you gain more information and experience"**.

10. What is the main distinction between Long-Range planning and Strategic Planning?

While closely related to long-range planning, strategic planning is generally considered to place a greater emphasis on strategies – on how the organization will achieve its vision – while long-range planning places greater emphasis on determining the vision.

11. What are the main typical steps for strategic planning?

Typical steps for strategic planning are described below. Steps 1-3 occur before a strategic planning retreat, Steps 4-7 during the retreat, and Steps 8-10 after the retreat.

1. Agree on a strategic planning process: Provide an understanding of what strategic planning is and how it is done; Discuss its potential value to the organization, in terms of providing a common vision and focus, with agreed-upon goals and strategies; Consider whether the organization is "ready" for a long-range plan or whether it may best focus on a short-term plan, perhaps doing a one-year plan and then undertaking longer-term planning at the end of that year; If strategic planning seems appropriate, consider what procedures or steps can be used to establish and implement a strategic plan.
2. Carry out an environmental scan: This helps provide an understanding of how the organization relates to its external environment. The scan usually includes an external component -- identifying and assessing opportunities and threats in the external environment -- and an internal component -- assessing organizational strengths and weaknesses. This process is often referred to as "SWOT": strengths, weaknesses, opportunities, and threats.

The external component of the environmental scan: it includes an assessment of the organization's opportunities and threats facing the organization. This might include the following: (1) examining changes in trends of demographic, political, economic, social, and sometimes technological and laws and regulations variables that may affect the community or the institution and the population it serves. (2) looking at actual and potential competitors, including organizations which may serve the same neighborhood and/or target population or may seek funds from the same funding sources, public or private. This



process may involve a community needs assessment with interviews, focus groups, and fax or e-mail surveys that is conducted by a consultant, or may be limited to a small number of informal discussions with clients and other community residents, public officials, funder representatives, and other appropriate individuals.

The internal component of the environmental scan: it includes an assessment of the organization's strengths and weaknesses. This might include the following: (1) assessing current organizational performance in terms of financial and human resources (inputs), operating methods or strategies (processes), and results or outcomes (outputs). If the organization does not have extensive objective measures of its outcomes, perceived performance can be partially determined through asking clients and stakeholders. Try to understand how key players or stakeholders in the broader community -- as well as constituents or clients -- view the organization. Sometimes, brief written forms are sent to, or interviews conducted with, key stakeholders; interviews are best conducted by a consultant, to assure frank and honest responses. Once you have this information, be sure to further analyze the reasons -- in terms of inputs and processes -- for perceived weaknesses in outcomes. The committee responsible for the strategic plan should work with staff to plan the environmental scan, help to conduct external interviews with community leaders – especially if no consultant will be used, and assure that the board receives a full report on the results of the environmental scan process.

3. Identify key issues, questions, and choices to be addressed as part of the strategic planning effort.

The planning group might work to identify strategic issues emerging from the environmental scan, and then prioritize them in terms of importance, timing, and feasibility. The result should be a set of strategic issues that will be addressed as part of the strategic planning process. e.g., the need for new programs to address a particular community need such as education or housing, expansion of the organization's target area from particular neighborhoods to the entire city or county. Once Steps 1-3 have been completed, you are ready to develop a strategic planning retreat agenda.

4. Define or review the organization's values, community vision, and mission.

This involves agreeing on values, vision, and mission:

- Organizational or institutional core values: those beliefs or principles that guide the organization or institution.
- Community Vision: your vision for the community; it might be viewed as your image of what the community you serve would be like if your values were shared and practiced by everyone.
- Mission: It might be viewed as your organization's public statement of the contribution it promises to make to help accomplish the community vision.



5. Develop a shared vision for the organization.
6. Develop a series of goals statements which describe the organization in a specified number of years.
7. Agree upon key strategies to reach the goals and address key issues identified through the environmental scan.
8. Develop an action plan that addresses goals and specifies objectives and work plans on an annual basis.

Once the longer-term elements of a strategic plan have been developed, it is time to ensure a specific work plan to begin implementation.

9. Finalize a written strategic plan that summarizes the results and decisions of the strategic planning process.
10. Build in procedures for monitoring, and for modifying strategies based on changes in the external environment or the organization.

Progress towards goals and objectives and use of strategies is monitored regularly, with strategies revised and annual objectives developed yearly, based on the progress made, obstacles encountered, and the changing environment. Have procedures for taking advantage of unexpected changes such as more sympathetic elected or appointed officials, improvements in the economy, changes in local funder priorities, or changes in the target population.

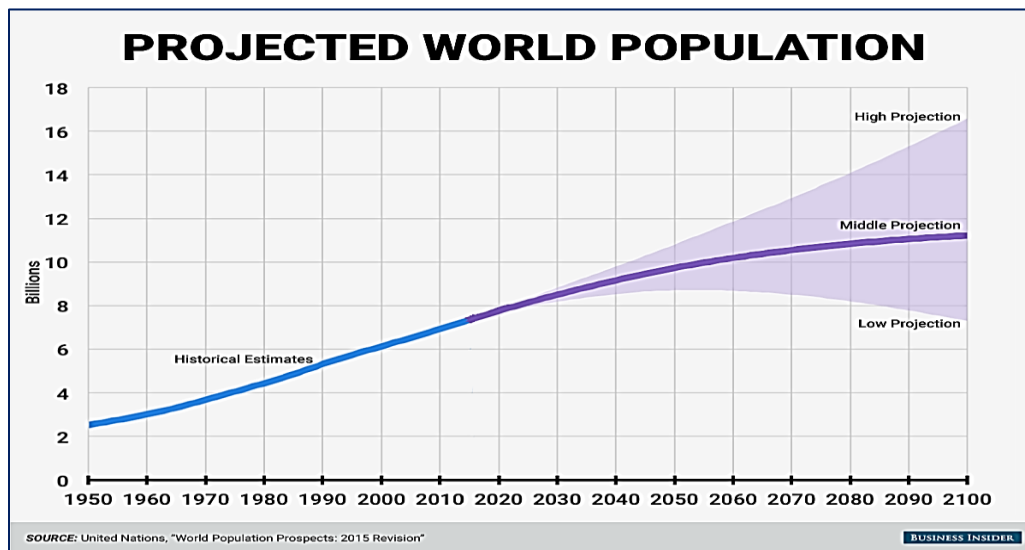
12. Describe main phases/Stages of Urban Strategic Planning Process and their components.

<u>Phase 1: Urban Situation Analysis that involves:</u> -Stakeholder Analysis -Urban Situation Profiling -Urban Situation Appraisal -Investment Capacity Assessment -Consolidated Urban Diagnosis	<u>Phase 2: Sustainable Urban Development Planning that involves:</u> -Urban Consultations -Drafting the Strategic Urban Development Plan (SUDP) -Approval and adoption of SUDP
<u>Phase 3: Sustainable Action Planning that involves:</u> -Drafting Action Plans -Local Resource Mobilization -Public-Private Partnerships	<u>Phase 4: Implementation and Management of Projects that involves:</u> -Project Design -Management and Coordination -Monitoring and Accounting -Reporting



13. Analyze the main consequences of population growth on society and economy.

For a lot of countries, moderate population growth reflects a healthy economy (i.e., an economy that improves the following three goals: growth, high employment, and price stability) and a functional society (i.e., a society that considers promoting solidarity and community's stability). But, for other nations (particularly less developed), a growing population brings an entirely new set of challenges. Since, more people means a high demand for resources, infrastructure, jobs, and housing. Thus, as the global population continues to grow, the economic and social problems will only become larger in regions that are ill-equipped to handle them. Experts say that the global population will reach 10 billion by 2060. Population growth in countries like China and the US has decreased over the last few decades.



14. Describe main trends and differences of urbanization in developing countries.

Developing countries have dramatically urbanized over the past 60 years. While their urbanization process shares many similarities with the urbanization process of developed countries in the 19th century, the two processes also differ in several dimensions:

- A. Urban growth has been faster in today's developing world. Since, the Industrial Revolution led to a dramatic acceleration of urbanization. Europe's urbanization rate increased from about 15% in 1800 to 40% in 1910. In 1950, Africa and Asia were made up of predominantly low-income, rural countries (urbanization rate around 15%). In 2010, their urbanization rate was around 40%. African and Asian countries have thus experienced the same growth in urbanization as Europe, in half the time.



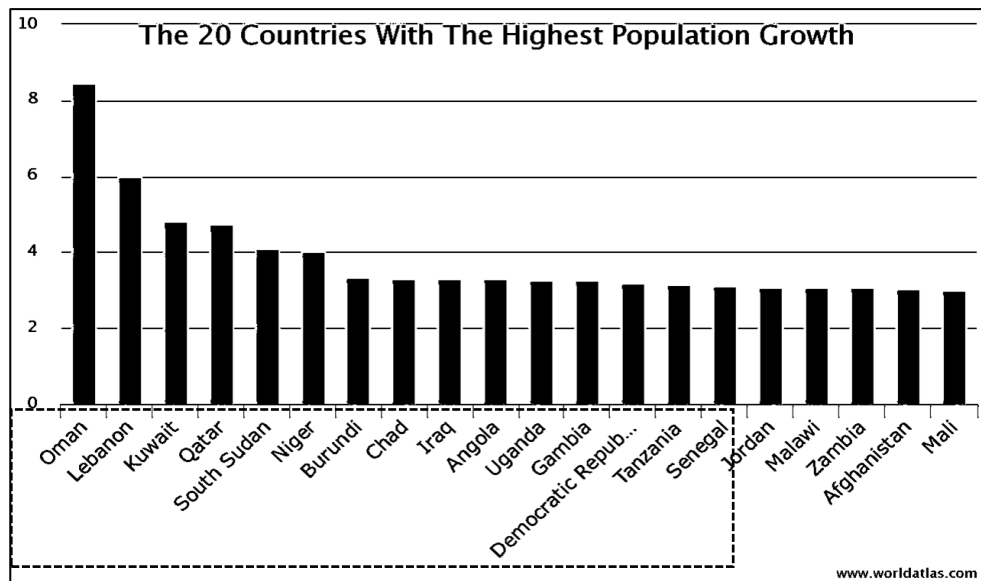
- B. While income growth remains the main driver of urbanization, the world is becoming more and more urbanized at a constant income level. In 1960, the 35 countries whose income per capita was less than \$2 a day had an average urbanization rate of 15%. In 2010, those countries with similar incomes had an average rate of 30%.

- C. The cities of today's developing world are also much larger. E.g., Mumbai, Lagos and Jakarta have the same population as New York, Paris and London respectively, at a much lower income level. Dhaka, Kinshasa and Manila are urban super-giants located in very poor countries.

15. Which countries have the fastest growing population?

Population in impoverished countries tend to grow faster than their developed counterparts. The least developed countries have the highest population growth rate in the world - triple that of other developing countries - and are the least able to meet the needs of growing numbers of people. The overall population of the 48 least developed countries is growing today nearly twice as fast as that of the developing world: at 2.3 per cent annually vs. 1.2 per cent per year. Over the next forty years (i.e. from 2010-2050) the population of the LDCs will increase by about 100 per cent, whereas the population of the other developing countries will increase by about 30 per cent and the population of the developed countries will grow by a mere 3 per cent, according to the median projection of the United Nations Population Division

The following chart shows the 29 countries with the highest population growth.





In fact, most of the fastest growing countries are in **Africa (Niger, Angola, Uganda, Congo)**, which has an overall population that is expected to double over the next 40 years. For example, since 1950, the populations of Niger and Uganda have increased six-fold and those of most of the other countries considered have at least quadrupled. According to the no-change scenario of the United Nations, these populations are expected to increase multiple times by 2100 due to the high levels of fertility. With constant levels of fertility and mortality, Niger's population would increase 57 times and Uganda's population 34 times.

16. Case Studies: Population Growth in Egypt, South Sudan, Oman, Lebanon

A. Population Growth in Egypt

Egypt's population still grows each year by approximately 2.5 million people, or the equivalent of the population's size of a country such as Qatar and half of the population's size of a country such as Kuwait. The recent population projections of the UN Population Division suggest that the population of Egypt might reach, based on the medium scenario, 151 million by 2050. Such increase will have its significant impact on natural resources, especially water and energy, and might have serious implications on food security, poverty and social stability. The increase is due to two main reasons: (1) fertility rate is still high in many parts of Egypt (Urban government 2.5; Urban Lower Egypt 3; Rural Lower Egypt 3.6; Urban Upper Egypt 3.2; Rural Upper Egypt 4.1), and (2) population momentum will cause the population to continue to increase even after fertility rates reach replacement level (about two children per woman). Population momentum occurs when a large proportion of women are in the childbearing years, when this is the case, the total number of births can increase even though the rate of childbearing per woman falls. In recent year, particularly between 2011 and 2014, Political instability had its impact on health services delivery including reproductive health and family planning and had a significant impact on economic growth, job creation and poverty. The lack of advocacy activities supporting the two-child policy and spacing between births coupled with a conservative mindset contributed to turning the stalled fertility levels between 1995 and 2005 to an increase in total fertility from 3 to 3.5 child per women in 2014. For such challenges, policy makers in Egypt has adopted a set of policies and strategies including the population and development strategy 2015-2030 within Egypt vision 2030.

B. Population Growth in South Sudan

Since 2000, the country's population has grown by more than 4% percent every year. This is considered high when compared to a global growth rate 1.2% a year. One explanation for that high growth rate is partially reflects South Sudan's effort to rebuild their population after more than 50 years of conflict with the North. Another explanation is the high fertility rate of more than 5 births per woman when compared to the global average of almost 2.5.



Third explanation is the lack of use of methods of contraception due to lack of access and cultural norms that discourage birth control.

C. Population Growth in Oman

Oman is considered one of the fastest growing population in the Middle East. The country's population has nearly doubled in the last 25 years and grown by nearly more than 8% every year since 2011. However, these numbers don't reflect high fertility rates (i.e. 3 child per woman (Oman Rate) compared to 2.5 child per woman (the world rate)). Oman's growth rate is largely a result of immigration. Out of a population of four million, nearly half are immigrants who are coming from India, Pakistan, and Bangladesh.

D. Population Growth in Lebanon

Similar to Oman, Lebanon is one of the fastest growing population in the Middle East. Since 2011, it showed a population growth rate above 5.5% (i.e. 1.7 child per woman (Lebanon Rate) compared to 2.5 child per woman (the world rate)). Considering the country's extremely low fertility rate, Lebanon's sudden growth can almost entirely be attributed to the increasing number of refugees from neighboring Syria, Palestine, and Iraq (i.e. Refugees account for about 30% of Lebanon's population in 2014). This has placed a huge burden on Lebanon's relatively weak economy and unstable infrastructure.

17. How could migration affect urbanization?

People are moving from place to place more than ever before. Rates of international and internal migration are increasing, and more than half of the world's population now lives in cities. Many personal, economic, and environmental factors drive migration, and the pressures of population growth often contribute to individuals' decisions to move. In 2010, more than 200 million people—about 3 percent of the world's population—lived in a country different from the one in which they were born, and internal migration within countries continues at high levels.

Regarding international migration, it impacts a receiving country's age structure in three ways: (a) through the numerical size of the immigrant population, (b) the concentration of immigrants among the working-age adult population, and (c) the fertility rate among immigrants. The movement of people from developing to developed countries can lessen the economic effects of population aging in low-fertility countries. As large numbers of a country's citizens move into retirement, the labor force shrinks, putting a strain on the economy. Migrants are usually of working age and fill employment gaps in labor sectors. If all international migration ended immediately, the working-age population of developed countries would decline by more than 20 percent between 2005 and 2050.



Regarding internal migration (rural-to-urban migration), it is mainly due to the income gap between rich and poor (as long as the expected urban real wage is higher than the rural real wage). This wage gap could result in a rural push¹ or an urban pull². Urban populations generally benefit from higher incomes and better access to health care services compared with rural areas³, but disparities remain between the rich and poor within cities. Informal settlements and slums—which house more than 1 billion of the world’s urban dwellers—are often not equipped with basic sanitation systems.

18. What is meant by migration, immigration, and emigration?

Migration: The movement of people into and out of a specified territory. It may be voluntary or involuntary.

Immigration (in-migration): the act of entering a foreign country (inward movement) to live and work.

Emigration (out-migration): the act of leaving a country (outward movement) to live in another.

19. What is the difference between Gross migration and Net Migration?

- **Gross migration: it is the total number of people coming in and out of an area.** It refers to the Level of population turnover.

Note: Population turnover measures the rate of gross moves (i.e. the number of people moving into an area plus the number of people moving out) in relation to the size of the population. Population turnover is different from population growth, which is the net change in population. It is quite possible, for example, for an area to have its population estimate remain virtually unchanged from one period to the next, but for many of its current residents to be different people than those who were residents in the previous period.

- **Net Migration:** it is the difference between immigration (in-migration) rate and the emigration (out-migration) rate. It can be a Positive value if more people coming in. In this case it results in a population growth. It can be a negative value if more people coming out. In this case it results in a population decline.

20. Demonstrate main trends of local development in Africa since post-independence.

The post-independence years in Africa were marked by a centralized, macroeconomic and sectoral public policy management. This centralized management of public policies resulted in significant inequalities regarding income, access to housing, access to basic

¹ Rural push factors involve agricultural modernization and rural poverty.

² Urban pull factors involve industrialization and urban-biased policies.

³ In principle, urban areas are better in creating value added, jobs and delivery of services and Until now, urban areas provide a creative environment for social, economic, green and political innovations



services like water and electricity, health, education, etc. Centralization resulted in some glaring inefficiencies in the provision of local services for several reasons:

- High cost of local services and lack of financial resources
- Services poorly adapted to the preferences of the local population resulting in waste of resources and an inefficient allocation which hinders national development.
- On top of being at a macroeconomic level and directed from the central level downward, these policies were supply-driven, generally timeless, sectoral, delivered locally at neighborhood level and unsustainable from an intra communal perspective.

Gradually, local concerns became increasingly evident in many African countries. As,

- 1) The concept of “local” took more prominence in development strategies with the starting point being the elaboration of strategies that had a territorial and spatial impact, i.e., what is so-called “LED”.
- 2) Another innovation appeared in development practices in these countries, namely, the concept of participatory development.

21. What is meant by LED?

Communities, cities and governments around the world increasingly turn to Local Economic Development (LED) strategies in response to the challenges of globalization and the drive for decentralization. LED means more than just economic growth. It is promoting participation and local dialogue, connecting people and their resources for better employment and a higher quality of life for both men and women.

LED therefore refers to a territory-based economic development strategy. LED is a partnership approach focused on strategic planning and centered on local demand to facilitate, through improved economic governance, the following job growth, poverty alleviation, and improved living conditions. The partnership is set up by local and regional authorities with the private sector and civil society, community organizations, rural producers, etc. Local economic development is based on a territorial integration of urban and rural sector. The approach is driven by the demand of local actors.

22. What are the main objectives of LED?

LED aims to (1) boost local economies; (2) promote job creation and income generation; and (3) improve governance and municipal performance. The promotion of local economic development is based on a different approach to traditional development strategies. Since, it focuses on improving a territory (that is, a region or a city and its hinterland)’s competitiveness and economic performance.



23. What is meant by participatory development?

Participatory development (or Community Participation in Development/ Social Inclusion in Development/ Bottom-up Approaches in Development) is a process through which stakeholders can influence and share control over development initiatives, and over the decisions and resources that affect themselves. Participatory development requires a solution to Vicious Circles- Gunnar Myrdal.

24. Briefly analyze the bottom-up developmental approach

Dialogue with the people is achieved through the distribution of a number of activities:

Activity	Description
"Decision Points" or "Major Step workshops "	These are key planning forums that bring together the main stakeholders involved in each major step. These must be effective, transparent and representative.
Inclusive Community Consultations	Participants to these meetings share information and develop ideas with their various constituencies and communities.
Capacity Building Processes	Depending on local needs and resources, capacity building and networking activities are set up to facilitate effective dialogue and decision-making.
Media Campaign	Depending on local priorities and standards, a media campaign is implemented throughout the process so as to ensure transparency.

25. Briefly analyze the main required steps in LED Implementation

Required Steps	Description
1- Assessing the local economy	This includes <u>quantifying</u> local economy sectors and identifying interactions between sectors as well as those sectors driving the local economy.
2- Moving from knowledge to vision, and then programmes	This includes <u>defining</u> the vision, moving from vision to objectives, and from objectives to programmes.
3- Moving from programmes to projects	This includes <u>prioritizing</u> and selecting projects through dialogue processes.
4- LED strategy and action plan	This includes <u>defining</u> the planning document and a charter, and their ratification by a public forum.
5- Implementation and monitoring	This includes <u>developing</u> systems to ensure the implementation of the strategy and monitoring and evaluation.



26. What is meant by Vicious Circles- Gunnar Myrdal?

It is a model which describe a chain of cause and effect relationships (i.e., Cumulative Causation), in which one unfavorable circumstance leads to another and produces downward spiral of circumstance. For example, high birth rate causes large families & low PCI and low PCI causes poverty & low output per worker and on the same time, low PCI causes low productivity & poor health & inadequate housing.

27. Explain the following statement “Downward spiral not reversible without massive aid”

It should be noted that aid would stimulate growth in modern sector and reduce size of ‘informal’ or traditional sector. Thus, eliminate dualism and the major causes of unequal distribution of wealth. Most developing countries are characterized by economic dualism: A high-wage, capital-intensive industrial sector coexists with a low-wage traditional sector. In such circumstances, foreign aid would allow countries to increase low levels of productivity and then PCI.

28. List of main sector-specific issues in urban development

- Demographic
- Socio-behavioral
- Economic
- Environmental
- Financial
- Governance

29. Demonstrate the impact of demography on urban development

From a demographic point of view, more than 9 billion people are expected to live on planet earth in 2050, two-thirds of them in cities. Demography can cause an increase in demand for urban housing and infrastructure services due to more urban citizens in the future. The rapid increase in population could put pressure on urban housing and infrastructure. It should be noted that cities are considered as center location of financial services and knowledge economy and their economic performance is related to their livelihood (i.e., the quality of urban housing and infrastructure).

30. Demonstrate the impact socio-behavioral issues on urban development

The following factors put pressures on urban areas and negatively affect their effectiveness: (1) Increase of social differentiation and increase of heterogeneous communities in urban areas (e.g., education, consumption, Unsecure tenure of slum dwellers, and culture) and (2) moving away from collective to individual cultural values due to growing ethnically diverse cities



31. Demonstrate the impact economic issues on urban development

Domestic macroeconomic growth needed to provide the basis of urban development, but citywide microeconomic is as important as macroeconomic performance. Housing and infrastructure are critical key factors of the economic production function of cities yet national budgets for investment are generally too low. Global inequality between rich and poor is due to poor micro and macroeconomic policies. This is because although cities are the center of productivity, but they represent also a source of increasing poverty linked to a lack of housing and infrastructure services. In the course of the urban millennium, poverty has begun to shift towards the urban and peri-urban areas. Indeed, while extreme poverty, between 1990 and 2008, is estimated to have declined by 550 million in rural areas, urban poverty is estimated to have only declined by 30 million, resulting in the observation that approximately 24 percent of the extreme poor are recognized to now live in urban areas, up from below 18 percent in 1990.

32. Demonstrate the impact Environmental issues on urban development

Since consumption of natural resources of urban residents is often faster than the environment's ability to reproduce, the followings are considered adverse impacts on environment due to urban development: (1) Growing demand for infrastructure puts pressure on natural resources; (2) increasing costs of accessing natural resources, e.g., potable water.

33. Demonstrate the impact financial issues on urban development

From one side, current levels of foreign direct investment (FDI), international development assistance (IDA), and government financing are not meeting the demands for urban infrastructure upgrading. Maintenance of housing and infrastructure services is frequently not included in budget plans, which would eventually decrease the new annual domestic investments. From another side, formal financial institutions have no interest in general to go down-market and extend their lending to lower income groups.

34. Demonstrate the impact governance on urban development

Urbanization is an essential determinant of social change. For social change to take place, the process of urbanization requires extensive management (through urban governance). With the rapid increase in urbanization, the need for effective and efficient local governments is crucial. Improved and inclusive urban governance (which aims at enhancing the participation of low-income groups in the national upgrading programs), and greater resilience to climate induced shocks should be part of broader governance reforms in countries. Improvements in public participation, transparency, accountability, responsiveness and equity are required for local governments in urban areas to respond



more effectively to the challenges posed by social, economic, and environmental changes, such as bad living conditions of citizens who live in slums and informal settlements.

35. Demonstrate the evolution of slums in developing countries.

It is almost certain that slum dwellers increased substantially during the 1990s and 2000s. It is further projected that in the next 30 years, the global number of slum dwellers will increase to about 2 billion, if no firm and concrete action is taken. Within the developing regions, sub-Saharan Africa had the largest proportion of the urban population resident in slums. The majority of slum dwellers in developing country cities earn their living from informal sector activities located either within or outside slum areas, and many informal sector entrepreneurs whose operations are located within slums have clienteles extending to the rest of the city. Most slum dwellers are in low-paying occupations such as informal jobs in the garment industry, recycling of solid waste, a variety of homebased enterprises and many are domestic servants, security guards, piece rate workers and self-employed hair dressers and furniture makers. The informal sector is the dominant livelihood source in slums. The main problems confronting the informal sector at present are lack of formal recognition, as well as low levels of productivity and incomes.

Percentage of urban population living in slums	
Africa	61
Asia	42
Latin America	32
Europe, N-America	6

36. What is the definition of slums?

According to UN-Habitat, slums can be defined as neglected parts of cities, in which living conditions are appallingly poor.

37. What are the different types of slums?

Two main types of slum:

- a) Degraded old planned urban areas
- b) Unplanned informal squatter settlements: Most slum dwellers in the developing world live in this type of slum

38. What makes a residential area a slum?

- The low income (poverty) of who live there
- The living conditions
- The lack of basic urban services

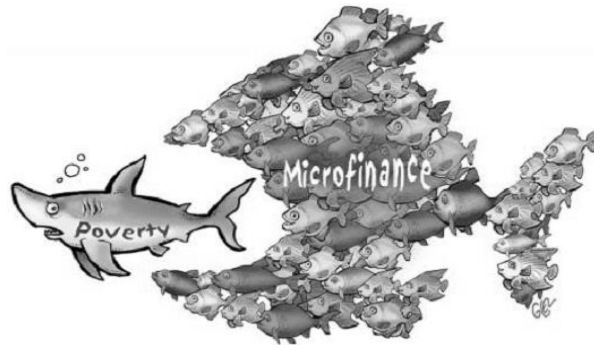


39. Demonstrate the past strategies/approaches to solve the problem of slums?

1. Resettlement approach: it is the transfer of slum inhabitants from a slum area to another planned area that ultimately grant them permanent settlement.
2. Slum upgrading approach: it is a process through which informal areas are gradually improved, formalized and incorporated into the city itself, through extending land, services and citizenship to slum dwellers. It involves providing slum dwellers with the economic, social, institutional and community services available to other citizens. These include legal (land tenure), physical (infrastructure), social (crime or education, for example) or economic services.
3. Slum Networking approach: it was successfully pioneered in India and is now being used elsewhere. It is a citywide, community-based sanitation system and environmental improvement programme. It seeks to upgrade the infrastructure of a whole city using the network of slum settlements as a starting point. The result has been a dramatic improvement in the city infrastructure, with a piped sanitation system, clean rivers and a much-improved road network.

40. Why is microfinance important for local economic development?

Microfinance is generally seen as a way to fix credit markets for low income group and unleash the productive capacities of poor people dependent on self-employment. Microfinance would transform customers' businesses by providing capital; that would increase borrowers' earnings and ultimately eliminate poverty of many local governorates. In the recent years, microfinance has been introduced as a financing way that could assist poor people to improve their quality of life by providing small amounts of money to initiate small developmental projects.



41. What is meant by microfinance?

It refers to the provision of financial services to low-income clients. MF which involves the provision of small individual and business loans, has witnessed dramatic growth, reaching over 150 million borrowers worldwide. Much of its success has been attributed to overcoming the challenges of information asymmetries in uncollateralized lending. Microfinance includes microcredit, micro savings/deposits, micro insurance plans, and micro money transfer.



42. What are main household financial goals and associated microfinance products?

Household Financial Goals	Microfinance Products
1) Cost of health care and replacement costs after natural disasters	Various insurance plans
2) Retirement plans; farm equipment; home upgrade	Pension plan or long-time deposits
3) Irrigation; livestock; startup microenterprise; schooling and education	Medium time credit or deposits
4) Send money to families; microenterprise working capital	Funds transfers and cheques
5) Meeting urgent family disasters (sickness/crop failures) Buying housing, irrigation system	Emergency loans
6) Buying housing, irrigation system	Longer-term loans

43. List of the main features of the provision of financial services to low-income clients.

- 1) High Risks
- 2) High Transaction Costs
- 3) Finance falls lower in the 'hierarchy' of needs
- 4) Special Financial services required by the poor
- 5) The poor are not sophisticated in using financial services.

44. Why does financing of low-income group involve “High Risk”?

The poor are not creditworthy. The real causes probably had more to do with the mechanisms of service provision and inadequate regulation. Nobel Peace Prize winner Muhammad Yunus, known as the "banker to the poor", and who founded Grameen Bank shows that poor can be creditworthy. The poor's lack of collateral can be overcome with joint liability within a group of borrowers, and this has resulted in very high repayment rates in micro credit over the last three decades.

45. Why does financing of low-income group involve “High Transaction Costs”?

In general, transaction costs can be defined as the costs of transferring resources between markets or between participants in the same market. In the finance field, transaction costs refer to the resources required to transfer (lend) one unit (e.g. dollar, peso) of currency from a saver to a borrower and recover that unit of currency at a later date plus some agreed interest charge. Interest and other charges represent the returns to the lender as compensation for the cost of mobilizing the funds, allocating them to borrowers, and



recovering them through loan repayments. Unlike transactions in other markets, financial transactions always involve some risk because the contract is not completed until some future date when the loan is repaid.

46. What are different ways available for lenders to reduce risks?

- Credit rationing;
- loan collateral;
- and collateral substitutes

47. Why does financing poor need to be subsidized?

Failed government initiatives towards financing poor are caused because the poor households cannot afford to borrow at high interest rates. Costs would quickly mount and financing programs would quickly get bogged down, giving little incentives for any expansion. Note: The experience of Bangladesh's Grameen Bank turned this around and now a broad range of alternative microfinance models are in place.

48. Explain the following statement “Finance falls lower in the 'hierarchy' of needs for the poor, below health, education etc.”

The poor use many financial instruments frequently, but due to absence of suitably formal mechanisms, they have to rely mainly on unreliable informal service providers. However, recent financial services such as Microcredit and Digital Finance are available for the poor. Microcredit is developed especially in the developing countries, where it makes it possible to enable microprojects. Digital Finance (as opposed to conventional financial services); which provide a great way for financial inclusion.

49. What are the various financial services required by the poor?

Poor need a range of financial services such as:

- A. Risk mitigation mechanisms, for example insurance, to protect against exogenous shocks;
- B. Savings facilities to smooth consumption and get reasonable returns even on small amounts;
- C. Investment/risk management mechanisms that allow for wealth creation and diversification of risk

50. Why are low income groups (the poor) not considered sophisticated in using financial services?

Due to the absence of well-designed formal services, the poor end up creating a complex network of informal financial mechanisms around their lives. It seems that this is the only way they can meet multiple needs using informal instruments. For example, financial



diaries of the poor show how they creatively use a variety of loan sources to deal with the irregularity in their incomes and expenditures.

51. What is financial diaries?

Financial Diaries are one of the innovative research methods. They track the cash and non-cash monetary inflows/outflows of an individual or household in order to better understand their economic behavior.

52. List of various Microfinance Lending Models

- 1- Associations
- 2- Bank Guarantees
- 3- Community Banking/ Grameen Bank/ Village Banking
- 4- Cooperatives
- 5- Credit Unions
- 6- Non-Governmental Organizations (NGOs) Finance
- 7- For-profit Banks
- 8- Rotating Savings and Credit Associations (ROSCAs)

53. Describe associations as a model of microfinance lending.

An association is formed by the poor in the target community to offer microfinance services (micro savings, microcredit, micro-insurance, etc.) to themselves. The association, which can form on the basis of gender, religion, or political and cultural orientation of its members, then gathers capital and intermediates between banks, MFIs and its members.

54. Describe Bank Guarantees as a model of microfinance lending.

A donor or government agency guarantees microloans made by a microfinance/commercial bank to an individual or group of borrowers. Compulsory deposits by borrowers in such banks are also included in this model.

55. Define Compulsory Deposit

A requirement for borrowers to set aside funds as a condition of receiving the loan.

56. Describe Community Banking (Grameen Bank or Village Banking) as a model of microfinance lending.

Community Banks/Village Banks are formal versions of 'associations' and are created by members of a target community who wish to improve their living standards and to generate employment. By offering microfinance services, these banks seek to develop their communities. Guarantees are provided by social collateral/Solidarity group (peer-pressure)



as services are distributed through 3-7 member groups where each member's eligibility for loans is based on his/her peer's Performance. Examples: Grameen Bank (Bangladesh).

57. Define Eligibility

The characteristics that borrowers must meet in order to be qualified to receive a loan product.

58. Define Solidarity group

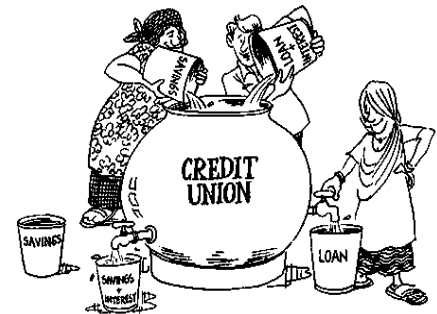
Lending methodology where borrowers are in a group of typically 3 - 7 members. Members provide collateral or loan guarantee through a group repayment pledge.

59. Describe Cooperatives as a model of microfinance lending.

Cooperatives are very much like 'associations and Community Banks' except that their ownership structure does not include the poor. A group of middle or upper-class individuals may form a co-op to offer microfinance services to the poor. Example: Agricultural cooperatives

60. Describe Credit Unions as a model of microfinance lending.

Credit unions are financial cooperatives created for and by its members who are its depositors, borrowers, and shareholders. In a credit union, members of a target community gather their money and make loans to one another at low interest rates. Compared to community banks, credit unions are smaller and non-profit oriented, charging interest rates that merely allow sustainability.



61. List of main determinants of interest rates in MF.

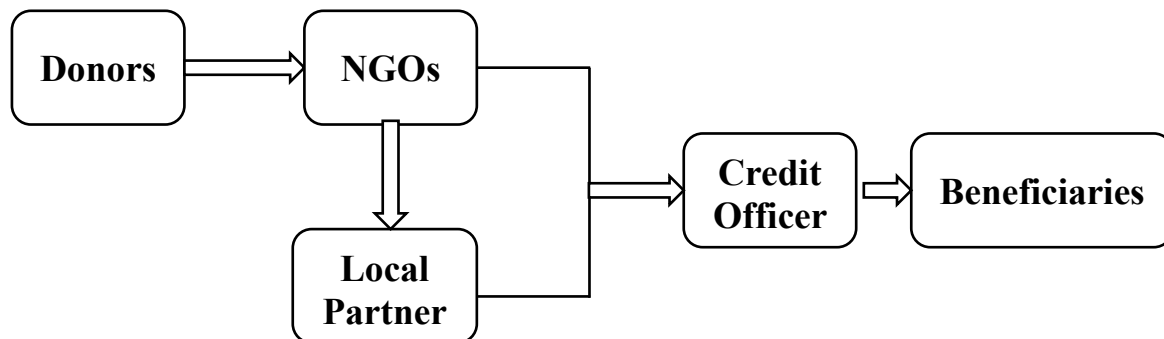
- a) Cost of Funds: the larger the cost, the higher the interest rate.
- b) Operating Expense: the larger the operating cost, the higher the interest rate.
- c) Contingency Reserves (Provisions for Bad Debt): the larger the contingency reserves, the higher the interest rate.
- d) Tax expenses: the larger the tax expenses, the higher the interest rate.
- e) Credit Rating of Client: the lower the credit rating of a client, the higher the interest rate.
- f) Inflation Levels: the higher the inflation level, the higher the interest rate.
- g) Level of Competition: the lower the competition/the higher the concentration, the higher the interest rate.



62. Describe Non-Governmental Organizations (NGOs) as a model of microfinance lending.

Unlike community-based models, NGOs are ‘external organizations’. Their activities range from offering microfinance services (loans, insurance, savings, etc.) to improving credit rating of the poor, training, education and research. NGOs may also act as intermediaries between the poor and donor agencies (UN, ADB, World Bank) and operate locally, as well as globally (through a physical or online presence). NGOs helped many countries in providing small loans, often without traditional guarantees, aimed at improving the life of clients and their families or at sustaining small-scale economic activities. The resources of NGOs came mainly from funds donated by states (donor countries) and Multinational organizations and channeled to their recipients. It should be noted that donor countries operate together with other locally based organizations, such as municipalities, governments, or development agencies, which help to better identify the needs of local communities as well as to facilitate the screening and management of credit positions.

63. Demonstrate the standard microcredit structure.



In order to reduce the physical, and often cultural, gap between intermediaries who provide credit and the beneficiaries of the microcredit, many institutions have recourse to a network of local promoters, known as ‘loan/credit officers’, who visit potential clients to gather information during the selection and monitoring phases and, later, to collect instalments for loans granted.

64. Describe For-profit Banks as a model of microfinance lending.

Commercial Banks, as well as specialized Microfinance Banks offer various financial services to the poor, but the main purpose may be to secure a high return on investment. Unlike other models, the aim is social development as well as financial progress and institutional sustainability.



65. Describe ROSCAs as a model of microfinance lending.

ROSCAs (Rotating Savings and Credit Associations) are small groups, typically composed of women, where each member makes ‘regular cyclical contributions into a common fund’, which is given entirely to one member at the start of each cycle (weekly, monthly, quarterly). In this model, the community agrees on: (1) a contribution amount; (2) a contribution period; (3) rules (e.g., the fund cycle (weekly, monthly, quarterly)).

The benefit of this model is:

- The community are relying on each other;
- The matching of a client’s cashflows with the loan;
- The ability to structure the deal without interest rates; thus, it helps community getting access to credit at very low or zero interest rate;
- The community keeps all the interest;
- The absence of over-head costs.

66. Define over-head costs

The indirect costs or fixed expenses of operating a business (that is, the costs not directly related to the manufacture of a product or delivery of a service) that range from rent to administrative costs to marketing costs.