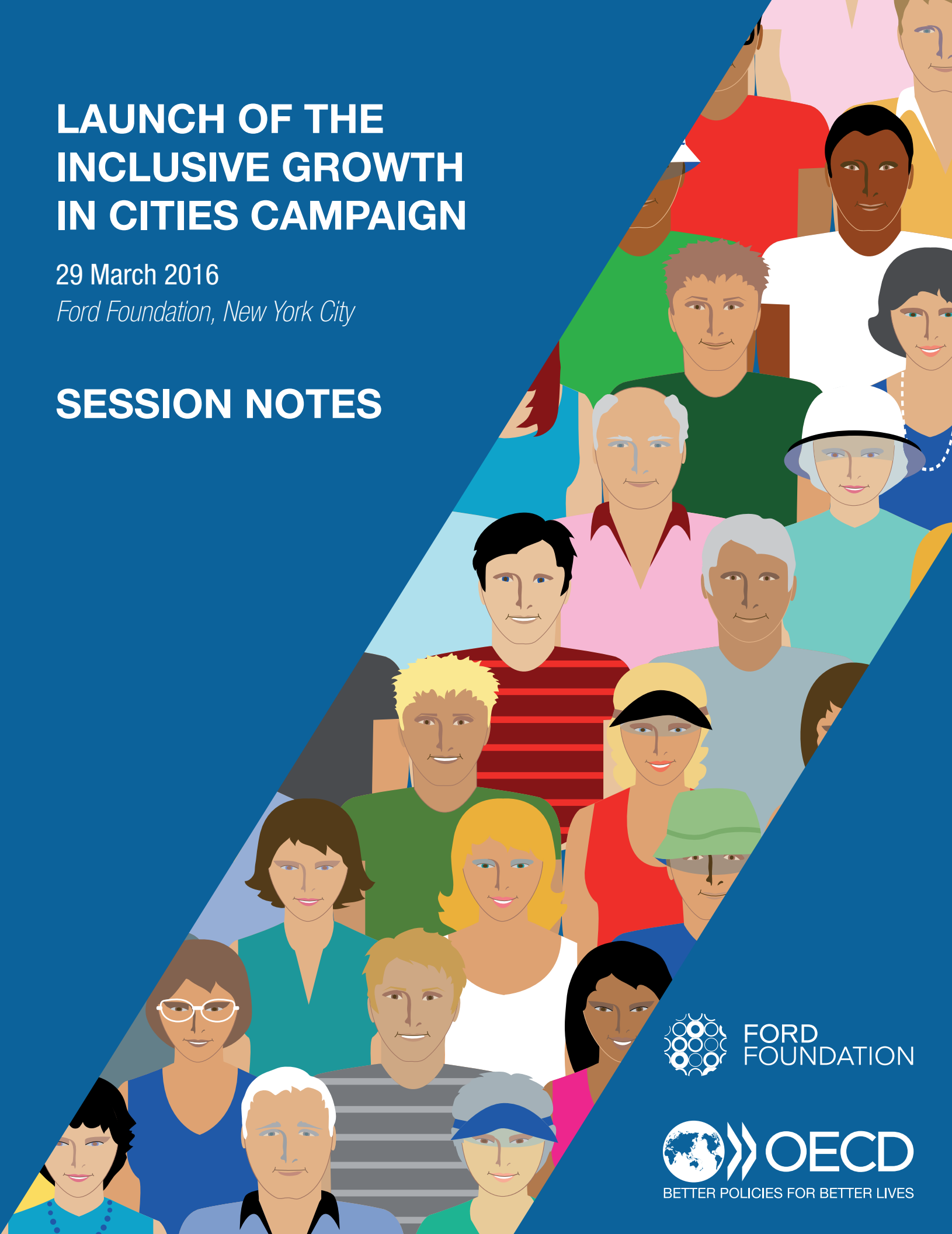


LAUNCH OF THE INCLUSIVE GROWTH IN CITIES CAMPAIGN

29 March 2016

Ford Foundation, New York City

SESSION NOTES



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BETTER POLICIES FOR BETTER LIVES

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**LAUNCH OF THE INCLUSIVE GROWTH
IN CITIES CAMPAIGN**

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SETTING THE SCENE

WHY INCLUSIVE GROWTH?

There is an urgent political and economic imperative for governments to address inequalities (Box 1). In many countries, people have not seen their real incomes rise for several years, and the gap between the rich and poor has widened, with those at the top capturing the lion's share of growth. Increased earnings and wealth inequality have become major concerns for policy makers, but money is just one aspect of life that matters for well-being. In just about every area, whether it be educational attainment, life expectancy, or employment prospects, success is disproportionately determined by socio-economic status, wealth and assets, sex, age or the places where people live.

Widening inequalities risk undermining the foundations of market economies and societies, with the potential to adversely feed back into economic growth and erode confidence in public institutions. It is no exaggeration to say that this could put the democratic process at risk, as people may become permanently disengaged if they feel that governments of all stripes no longer work for them.

The crisis may have exacerbated these problems, but they did not originate with the crash. The economic seeds of the inequality we see today were sown over many years. Structural changes in the labour market, the forward march of technology, integration into global value chains and the decline of unionisation in many countries all contributed to growing wage dispersion between high and low-skilled workers. But it was not just bad luck that this occurred at the very moment that the traditional redistributive mechanisms of the state began to weaken, in a climate of growing fiscal pressures and increased tax competition. It was as a result of specific policy choices and development models, which meant some people losing out.

Fostering inclusive growth calls for a major break with the past. The traditional discussion of growth and equality presented decision makers with a binary choice: either we should promote growth or we should prioritise redistribution; either we should make labour markets more flexible or we should make them fairer; either we should promote welfare spending or we should keep taxes low to promote economic activity. But this way of looking at growth and equity has led to sterile, ideologically-driven debates, and has provided policy makers with little in the way of fresh insight. Such a debate is no longer tenable; the severity of the challenge we face is too great, and the economic, social and political risks of failure too high. There is a drastic need to reassess the way in which we design our policies to ensure that they treat growth and equity as mutually re-enforcing goals.

We need to fundamentally re-think how we grow and who benefits from that growth. The **OECD and the Ford Foundation** have responded to the call to make economic growth more inclusive. Since 2102, our organisations have joined forces to make tackling inequalities and promoting inclusive growth a strategic priority. This collaboration has led to the publication of the ground-breaking report, ***All on Board: Making Inclusive Growth Happen***. The report sets out a *Framework for Inclusive Growth* to provide policy makers with a comprehensive tool to help in the design of multidimensional policy programmes. It aims to enhance policy makers' understanding of the trade-offs and

synergies that exist between pro-inclusiveness and growth-friendly policies in order to kick-start broad based growth that all parts of society can benefit from and contribute to.

The approach is based on six main insights:

1. **Policy makers must understand that the relationship between economic growth and social progress is a two-way street.** It is no longer possible to think about inequalities and growth separately.
2. **People need to be put at the heart of policy making.** While ensuring that our economies grow remains essential, individuals' well-being in areas like jobs, education and health matters, too.
3. **While economic growth is essential, the benefits must be broadly shared to generate sustained improvements in living standards.** This calls for the reassessment of our measurement tools, as simply looking at the average fails to capture the wide disparities among social groups.
4. **Inequalities of opportunities and inequalities of outcomes are two sides of the same coin.** This means there is a need to look at outcomes important for the present – such as how much disposable income a household has, or an individual's risk of unemployment – but also to consider future opportunities, like the scope for upward social mobility and the potential to live a long and healthy life.
5. **The effects of policies on growth, income, and other outcomes (like health and jobs) should be assessed simultaneously.** While there are clear win-win policies such as investment in education and skills, there might also be trade-offs (i.e. higher health spending can support a healthier population with potentially positive effects on employment and incomes, but it might also imply higher taxation and hence less material consumption).
6. **Policy making for Inclusive Growth requires a whole-of-government approach that leverages informed decision making and gives all stakeholders a voice.** Public governance institutions, tools and processes should be designed to improve coherence across sectors and levels of government while empowering the implementation and evaluation of Inclusive Growth policy packages.

Box 1. Did you know?

The incomes of those at the very top have soared.

- **Income inequality has grown rapidly in OECD countries over the last three decades.** In 2011, the average net income of the top 10% of earners was around 10 times that of the bottom 10%, up from 7 times 30 years ago.¹
- **Income inequality has also increased in traditionally egalitarian countries...** In Germany, Norway and Sweden, the average income of the top 10% expanded from less than 5 times that of the bottom decile in the 1980s, to more than 6 times today.²
- **...and it remains high in emerging economies and developing countries.** In Chile, the income ratio of the top 10% of earners to the bottom 10% had fallen to under 27:1 in 2011. In Mexico,

despite falling from the early to mid-2000s, by 2012 the income of the top 10% had once again risen to over 30 times that of the bottom 10%. In South Africa, the level of income inequality did not fall, with the average income of the top 10% estimated to be around 100 times that of those in the bottom decile.³

- **Those at the very top took the lion's share of pre-tax income growth from the mid-1970s to the period immediately preceding the crisis.** Between 1975 and 2007 the top 1% benefitted disproportionately from greater income growth. In the United States 47% of total income growth over that period went to the top 1%, in Canada it was 37%, and the figure stood at around 20% in Australia and the United Kingdom.⁴

Beyond income, inequalities affect all areas of life.

- **Socio-economic standing strongly influences self-reported health status in OECD countries.** In 2012, the proportion of people who reported their health to be 'good or very good' was higher everywhere amongst the top 20% of income earners than the bottom 20%.⁵ The difference between the two groups in the proportion of people reporting good or very good health stood at over 20 percentage points in a number of OECD countries, including: Belgium, Germany, the United Kingdom, and the United States.⁶
- **Access to jobs is unequal, perpetuating income discrepancies.** Non-standard work arrangements make up a third of total employment across OECD countries.⁷ In-work poverty now affects 8% of the workforce in OECD countries.⁸
- **Those with the higher levels of education tend to live longer.** Data from 14 OECD countries show that on average people with higher levels of education live six years longer than their poorly educated peers.⁹

Inequalities have a spatial dimension.

- **Within countries, life expectancy varies between regions.** For instance, in 2011, life expectancy in the United States varied across states, on average, by six years.¹⁰
- **There is a large variation in both levels and growth of living standards across OECD regions.** Regional disparities in MDLS are consistently starker than those in household disposable income only.
- **The risk of unemployment is unevenly spread.** In 2013, the difference in the unemployment rate between the best and worst performing regions in the OECD area was 32 percentage points – almost twice as high as the difference between the best and worst performing OECD countries.¹¹
- **There are high regional differences in income inequality in many OECD countries.** In Mexico, the range in the Gini coefficient of disposable household income between the states of Tlaxcala (0.41 in 2012) and Guerrero (0.53 in 2012) is similar to the difference between Mexico (0.48 in 2012) and New Zealand (0.32 in 2011).¹²

Rising inequalities can have a profound impact on economic growth.

- **The long-term increase in income inequality may have curbed economic growth significantly in a number of OECD countries.** Between 1990 and 2010, rising inequality is estimated to have knocked more than 10 percentage points off growth in Mexico, nearly 9 points in the United Kingdom, Finland and Norway and between 6 and 7 points in the United States, Italy and Sweden.¹³

WHAT ABOUT CITIES? THE INCLUSIVE GROWTH IN CITIES CAMPAIGN

With the launch of the **Inclusive Growth in Cities Campaign**, the OECD and the Ford Foundation are now taking this work one step further – to cities and metropolitan areas. This initiative is based on the premise that cities have a central role in making inclusive growth happen. Most people on this planet now live in cities. And it is in cities in which most growth occurs. The concentration of highly skilled workers, dense and thick labour markets and most productive firms in cities yield advantages in terms of productivity, thus higher wages and job quality for high skilled workers. In emerging economies and developing countries, urbanisation is also a key driver for economic growth.

At the same time, cities are also home to rising levels of inequality. They concentrate the most highly educated in society, as well as some of the poorest and most vulnerable populations. Mexico's urban areas were home to 38 million poor people in 2014, two-thirds of the country's total poor population in 2014.¹⁴ Following the economic crisis of 2008, income inequalities have increased in many American and European metropolitan areas, even in the Nordic countries historically characterised by low levels of inequality.¹⁵ In cities, more than elsewhere, there is an increasing polarisation between highly-skilled people with high-quality jobs and low-skilled and low-paid workers.

But it is not only the *evidence* that tells us that cities matter for Inclusive Growth. It is also the *actions* of city leaders who are at the frontlines of the challenges that result from high levels of inequality. Local leaders must find effective responses to the most pressing consequences of inequalities, like unemployment, spatial segregation and social unrest. In addition, they often hold the purse strings for delivering many different types of investment, including infrastructure; consider that in OECD countries, nearly two-thirds of government investment is carried out by local authorities. Across the globe, it is increasingly clear that city leaders are pioneering efforts to overcome inequality and boost growth across a broad range of policy domains.

In recognition of the crucial role of cities in making growth happen, the OECD and the Ford Foundation are launching the Inclusive Growth in Cities Campaign. Central to this Campaign is the creation of a global coalition of **Champion Mayors for Inclusive Growth**. This initiative is open to mayors around the world who are advancing more inclusive, equitable cities in a broad range of domains. The Campaign is part of the broader Inclusive Growth initiative at the OECD, developed in partnership with the Ford Foundation and with support from the **Group of Friends of Inclusive Growth** led by the U.S. Ambassador to the OECD.

Together, Champion Mayors will help deliver on the potential of inclusive growth. Through the Campaign's global platform, Mayors will share their voices and perspectives with national governments and other key stakeholders, exchanging concrete solutions to overcome urban inequalities. Champion Mayors will not *only* continue to fight for more equal, inclusive and productive cities at home. By helping other cities address shared challenges, they will also work together to ensure that their efforts resonate well beyond their city's borders.

SESSION 1: WHAT DO WE KNOW ABOUT INCLUSIVE GROWTH IN CITIES?

Cities are important generators of economic growth and opportunities for people to flourish. However, rising inequalities, poor quality of services, fragmented labour markets, and non-inclusive institutions challenge the capacity of cities to grow inclusively – that is, to enable the majority of urban citizens to contribute to the generation of prosperity and share in its benefits. This session will explore the emerging evidence, focussing on the issues, data and policy implications of inequality in cities.

Box 2. Growing unequal in cities

- **Income inequality in cities has risen faster than overall income inequality** in many OECD countries, due to skills' distribution and the capturing of income by top earners. Inequality trends are different across countries, however. Inequality in metropolitan areas in some European countries with historically low levels of inequality on average (Denmark, Sweden and Norway) has increased recently, while those in Chile and Austria have seen a drop in income inequality.¹⁶
- **The contributions that cities make to wealth and inclusion vary substantially *within* and *across* countries.** For instance, metropolitan areas in Italy and Korea accounted for more than 80% of job creation between 2000 and 2014, compared to less than 30% in Switzerland and the Slovak Republic.¹⁷
- **Large cities tend to be more unequal than smaller ones, and the relationship between city size and intra-urban inequality seems to be strengthening.** This is disconcerting when seen against the backdrop of trends towards increasing concentration of populations and activity in larger cities, especially in emerging economies and developing countries. Take sub-Saharan Africa, where the pace of urbanisation is among the fastest in history – taking 50 years to urbanise (from 15% to 40%), compared to 110 years for Europe to achieve the same rate of urbanisation between 1800 and 1910.¹⁸
- **Households living in urban areas tend to have higher disposable incomes than those living outside cities.** Urban households earn on average 19% more than households in non-urban areas across the OECD. Yet people living in cities are also faced with higher costs of living, which may (at least partially) offset higher earnings.¹⁹
- **It is often harder for those living on the fringes.** People living in distressed neighbourhoods typically lack access to quality housing and public transport and are more exposed to high costs of living. Comprehensive investment in public transit can open up new employment and training opportunities for the most disadvantaged, promoting both growth and equity objectives.
- **Within metropolitan areas, educational disparities can be very large.** In the Chicago region, for instance, school districts record high school graduation rates that range from 57% in the city of Chicago to over 95% in suburban areas.²⁰
- **More unequal cities have experienced slower economic growth since the crisis.** Since the crisis, regions with higher income inequalities experienced on average a subsequent slower growth rate of GDP per capita; this relationship was stronger in metro regions.²¹

Cities are places where people and economic activities are concentrated in space. When local conditions are favourable, cities can foster opportunities for individuals to improve their well-being. When they are not, cities can limit the prospects of the most disadvantaged populations. Understanding the drivers of inequality in cities is still a major challenge, as there are many factors affecting how societal progress is generated and how it is shared across society.

Households living in metropolitan areas tend to earn more than those who do not. On average, in OECD countries, the disposable income of urban households is 19% higher than that of households living outside metropolitan areas.²² But **while income levels are higher in cities, so, too, are inequalities.** Large cities are on average more unequal than smaller ones.²³ One reason is that large cities concentrate the most productive firms and foster the rural-urban migration of people in search of better economic opportunities. This, in turn, increases productivity, but *also* income inequality, as the returns to skills of urban residents push earning differences up. While opportunities for well-educated workers are increasing in many metropolitan areas, residents with low education are more likely to have lower incomes and poor quality jobs. Many migrants from rural areas struggle with the high costs of living in cities and may lack the skills required to compete within city labour markets, leading to a rise in the “**urbanisation of poverty.**”

Inequality has a clear **spatial footprint** in cities, with rich and poor populations often segregated in different neighbourhoods. A driving factor of segregation in cities is the spatial organisation of the housing market and transport networks.²⁴ People living in the disadvantaged, economically depressed areas often have lower-quality schools, lower access to services and a lower quality surrounding environment – which ultimately translates into lower quality of life and fewer opportunities to prosper in the future. In developing countries, migration into poor cities from an even poorer rural hinterland has led to the formation of **slums**. Slums have been almost eradicated in advanced economies but deprived neighbourhoods have become a major issue in many metropolitan areas in advanced economies, including in the wealthiest cities.

Mounting evidence suggests that poverty and inequality are reproduced over time between generations. That is, children of low-income households often end up in neighbourhoods which are very similar to the neighbourhoods where they lived with their parents.²⁵ Labour market exclusion can become intergenerational, affecting a wide range of factors including health outcomes – a fact recently demonstrated dramatically in a map showing the variation in life expectancies associated with living adjacent to different metro stops in London.²⁶

The role of local governments is essential to overcome these challenges. Many of the policies that can be put in place to foster growth and inclusiveness are **under the remit of local governments**. While arrangements differ across countries, local governments may help deliver education and health care services and are taking on increasing responsibilities for social protection, labour training and employment. Local governments are also often at the forefront of pro-growth policy making, including in essential areas such as the provision of infrastructure and the regulation of business operations. At the same time, however, local governments also have less money at their disposal to invest in these essential policy fields.

Understanding the trade-offs and complementarities between growth and inclusiveness is key. Many cities and regions favour visible investments in infrastructure and discrete “development projects” rather than softer, less glamorous investments in human capital, essential services and quality housing. Yet the latter would do more to enhance quality of life and disadvantaged groups’ productivity.

The challenge, then, is to devise and implement **integrated strategies for inclusive growth in cities**, rather than discrete interventions that address the needs of specific constituencies. To be sure, sorting out the myriad policy possibilities can be hard. For instance, cities may choose to build *equality of opportunity* by ensuring equal access to schools, improving accessibility to employment opportunities, or addressing discrimination in the labour market. Alternately, they might focus on ensuring *equity of outcomes*, by putting in place mechanisms to raise incomes such as a living wage, or supporting the development of decent jobs. Still further, cities might want to reduce the knock-on effects of having a low income – in other words, making poverty matter less – through the affordable provision of services like housing and transport.

The ongoing **OECD/Ford Foundation** work on *Making Inclusive Growth Happen in Cities and Regions* will advance both the measurement of inequalities in OECD metropolitan regions, and develop a policy framework for promoting more inclusive growth in cities.

Box 3. Measuring Inclusive Growth: The OECD approach

Inclusive Growth means that economic growth creates opportunities for all groups of people and translates to better lives in terms of both material conditions and quality of life. The OECD Inclusive Growth Framework adopts a specific approach to measure the improvements of (policy actionable) outcomes that matter most to people’s lives and of the extent to which such improvements are shared across groups of people. The measurement framework is based on the computation of a welfare measure called Multi-Dimensional Living Standards (MDLS).

The index of MDLS considers three well-being dimensions: **household income, jobs and health**. The choice of these dimensions is based on people’s preferences, as revealed through empirical micro-analyses on the main determinants of people’s life satisfaction. The indicators that are used to measure such dimensions are, respectively, household disposable income, the unemployment rate and life expectancy at birth. Each of these indicators is expressed in different units and, as such, they are not directly comparable. The computation of MDLS is made possible by adopting an equivalent income approach, which requires the identification of shadow prices for the non-income dimensions (i.e. jobs and health) in order to convert them in monetary units. Shadow prices are then used to compute the equivalent income of each person, which is the level of income that would make an individual indifferent between his/her current situation and the one where the other non-income dimensions were set at their respective benchmarks (e.g. the maximum life expectancy and a situation without unemployment).

The MDLS methodology has been applied at both national and regional level. At city and metropolitan level, however, data are more limited. The OECD is currently supplementing its metropolitan database with comparable indicators for several well-being dimensions (e.g. income, jobs, education and environmental quality), as well as income inequality (Gini coefficients) and other socio-economic variables (demography, GDP, innovation) for 310 metropolitan areas across the OECD (see www.measuringurban.oecd.org).

Source: OECD (2014), “Changing the Conversation on Growth: Going Inclusive”, OECD and Ford Foundation Publishing, Paris. Veneri, P. and F. Murtin (2016), “Where is Inclusive Growth Happening? Mapping multi-dimensional living standards in OECD regions”, *OECD Statistics Working Papers* 2016/01, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5jm3nptzwsxq-en>.

SESSION 2: GROWING TOGETHER IN CITIES: POLICIES AND PARTNERSHIPS

Local authorities have control over a wide spectrum of policy instruments that together can help shape urban growth and foster inclusion – from social welfare to transport, housing, and education, among others. However, such policies can fall short of delivering growth and equity when they are created in silos or fail to give a voice to those most in need. In this session, participants will engage in table thematic discussions to exchange practical experiences for tackling inequalities in specific policy domains and discuss the keys to effective partnerships and successful implementation.

THEMATIC ROUNDTABLE | EXPANDING OPPORTUNITIES FOR URBAN DWELLERS THROUGH MORE INCLUSIVE EDUCATION, ECONOMIC DEVELOPMENT AND LABOUR MARKET POLICIES

Rising **skills polarisation** is one of the core drivers of inequality in cities. Highly skilled people increasingly move to cities and metropolitan areas to take advantage of the agglomeration economies that they offer. So, too, do lower skilled people, who are instrumental in providing city services but may struggle to cope with the high living costs that accompany stiff competition for space and land. Cities thus need to be adept at attracting highly skilled talent – essential for fuelling productivity and innovation – as well as upgrading the skills, working conditions and opportunities for upward mobility of lower-skilled residents. This means investing in the skills of young people and disadvantaged groups, as well as helping to upgrade the skills of existing workers.

Targeted policies that focus on education, economic development and labour markets access are essential to advance more Inclusive Growth:

- Policies that **improve access to education and training, transport and other essential services** can serve equity objectives, while also supporting growth in a particular place, and they require an understanding of local conditions. For example, policies aimed at improving the supply of affordable housing need to be co-ordinated with transport planning, service provision and labour-market interventions in order to minimise the risk that such policies will result in the creation of ghettos.
- **Active labour market policies** (ALMPs) can facilitate a better match of jobs with skills, thus lowering unemployment and making a strong contribution to social equality. Yet, ALMPs still need a place-based dimension. Policies concerned with improving information about labour-market conditions, or with improving targets for matching, training or subsidising employers are more effective when designed at the regional or local levels.²⁷
- **Immigrants** can experience particular barriers to the labour market. Cities and national governments must work together to meet these populations' immediate needs for housing and sustenance, while devising longer-term solutions to ensure that new migrants and their children are integrated into education and labour

markets. For instance, with sufficient resources, cities can help to facilitate the integration of new immigrants by building bridges to employers; supporting recognition of skills gained overseas; and providing training that helps people to adapt their skills to new work contexts (including language training). OECD work shows that when managed well, migration can play a positive role in the economy spurring growth and innovation.

- Ensuring **equal access to quality education** is essential for long-term inclusive growth in cities. Children growing up in poorer neighbourhoods are often disadvantaged by only having access to poor quality schools, making it more likely that their relative poverty will persist over their lifetime. A number of solutions have been pursued to drive up school quality and promote more equal access to education, including teacher attraction and retention initiatives, school vouchers to provide households with greater educational choices, or lottery systems to enable a more level educational playing field. Improving the resources available to schools in poorer neighbourhoods and ensuring peer-to-peer learning across schools may be equally effective.
- Even when taking into account the socio-economic backgrounds of students, the **location of schools** matters greatly in determining the quality of education. In the OECD area, 15-year-old students in urban schools outperform those in rural areas on the PISA test by more than 20 points on average, which is the equivalent of almost one year of education.²⁸ However, these trends do not necessarily hold in cities in emerging and developing economies: in surveys in Delhi and Bangladesh children from poor urban neighbourhoods are less likely to attend school than children from other urban areas and rural areas.²⁹ Meanwhile, in several African countries, enrolment improved in the non-slum urban areas in the late 1990s, but worsened in the urban slums.
- **Entrepreneurship** in cities can be an important route to prosperity. City policies such as microfinance, loan guarantees, crowd funding networks, and mentoring projects can help to facilitate inclusive entrepreneurship by making sure that start-up funding and training courses reach non-traditional groups. Welfare-bridge schemes can also help previously unemployed people to create firms with some financial security to cover immediate bills.
- Family policies can also contribute greatly to more inclusive labour markets. Otsu, Japan, for instance, has prioritised implementing **family-friendly policies** – like the creation of day care centres – that help women to stay in the workforce.

Questions to guide discussion

- Which local policies work to foster skills of low-incomes groups and disadvantaged? How can cities balance the need to attract new talent *and* upgrade skills of existing residents and workers?
- What role can city governments play to ensure that all children grow up with access to good quality education? And what do they need from national governments to achieve this?
- How can cities support the development of decent jobs? How can city governments best promote more inclusive growth vis-à-vis the informal economy?
- What barriers exist to inclusive entrepreneurship? How can they be overcome?

THEMATIC ROUNDTABLE | BUILDING A MORE INCLUSIVE URBAN ENVIRONMENT THROUGH POLICIES FOR HOUSING, TRANSPORT AND SERVICE PROVISION

Environmental, housing and urban transport challenges are intrinsically linked – yet, too often, the policies designed to address them are not. When well co-ordinated, they can spur growth and improve inclusiveness in cities, providing vital access assets for economically deprived areas to high-quality jobs and education. For instance, integrating land-use, transport and economic development planning can contribute to outcomes that are greener (increasing reliance on public transport), more equitable (improving access to labour markets for disadvantaged areas) and more efficient (reducing congestion, commuting times, etc.). These issues are even more acute in fast-urbanising middle-income and developing countries. Settlement and urban patterns are still changing fast in those countries, so decisions made today can have lasting consequences.

On the flipside, however, when poorly designed and implemented, transport, housing and environmental policies can also exacerbate social exclusion in cities. Transport routes can act as barriers, cutting through neighbourhoods and destroying local vitality while disconnecting people from broader city opportunities. Affordable housing development can increase exclusion if not carried out carefully; for instance, housing that is affordable to lower-income groups that is designed as part of existing street networks is generally more supportive of social inclusion than physically separated large estates, which are mono-use and disconnected. If poorly conceived, environmental policies may risk generating new areas of exclusion, as is the case in some “green neighbourhoods” accessible only to middle and higher-income households.

Making the built environment more inclusive requires a holistic planning approach. Improving access to urban amenities calls for a drastic rethink of the urban planning paradigm, moving away from concerns about average speeds, travel times and the percentage of driving time spent in congestion. Instead, a new paradigm should focus on

citizens' ability to access urban facilities, services and opportunities, such as jobs, public services of various kinds, shopping and leisure.

When it comes to **transport**, striking a balance between network coverage, affordability and financial sustainability can be a challenge. Many cities and metropolitan areas have put specific mechanisms in place that aim to strike this balance. For example, targeted subsidies (as opposed to generalised ones) allow transport operators to charge fares that are close to cost-recovery rate for most of the population while cheaper fares are set for vulnerable groups.

- In some cases, pro-growth strategies can have explicit equity objectives. The **congestion charge** in London, for example, was accompanied by important improvements to the public bus and underground systems. This dual strategy helped to ensure more equitable outcomes as well as public acceptability of the new system. Ultimately, improvements in bus services also had positive spill over effects for the general population using public transport, beyond those who may have been “priced out” by the congestion charge.
- **Transport policies can also reconcile economic, social and environmental objectives.** Recent research from the International Transport Forum (ITF) suggests that there can be significant reductions in emissions, congestion, and transport costs from the deployment of demand-responsive, shared mobility solutions in Lisbon. At the same time, they can also strongly reducing inequities in accessibility. Such an approach could lead to a deep revision of the traditional concepts of urban public transport.

In terms of **housing**, many cities face a severe affordability gap. This can lead to overcrowding in sub-standard accommodation, as well as people living in peripheral neighbourhoods that are disconnected from public amenities and economic opportunities. The problem of **intra-urban spatial segregation** is closely linked to that of affordable housing, because many affordable housing policies – particularly the direct public provision of social housing on a large scale – can have the effect of addressing one symptom of exclusion (lack of adequate and affordable housing) while aggravating another (the spatial concentration of the poor). Better design of social housing can help integrate low-income households in the wider community. In many cities, housing policies need to be better co-ordinated with infrastructure investment and urban planning – in other words, housing policies should aim to **build cities, not just houses**. These questions will be at the heart of the global housing agenda at Habitat III.

- Many cities are facilitating the development of below market-rate housing in areas that are well served by public transport, working to reduce segregation, and increasing access to public amenities across all city neighbourhoods.
- Other important strategies have included accompanying new investment in public transport, and especially in mass transit, with adequate land-use policies that can effectively generate transit-oriented development patterns.

Policy makers must also ensure that housing and transport **decisions are taking place at the right scale**, which in many cases may not correspond to fixed administrative (i.e. city) boundaries. This is because within metropolitan areas, decisions in one municipality often have consequences on outcomes in other municipalities. For example, a newly built

residential neighbourhood in one municipality might increase congestion throughout the metropolitan area if it is not connected to the public transport network in other municipalities. Effective policies regarding transport and land use –as well as many other policy fields – necessarily go beyond the limits of individual municipalities in metropolitan areas. **Rotterdam and The Hague**, along with more than 20 smaller neighbouring municipalities, have joined forces to form a new metropolitan-scale authority to tackle regional challenges jointly.³⁰

Questions to guide discussion

- How can urban transport and housing investment be best bundled together to ensure both affordability and access to opportunity? Is it possible for housing and transport policies to be green, efficient *and* inclusive at the same time?
- What role is there for smart technologies in ensuring that urban public transport systems and other public services are more equitable and accessible to lower income groups?
- What are the best mechanisms for reducing urban segregation? What is the right scale to produce effective strategies: metropolitan-wide or neighbourhood strategies?
- How can policy makers avoid that urban regeneration programmes lead to gentrification? How can it be ensured that all local residents (including those who rent) can benefit from investments at the neighbourhood level?
- When it comes to measuring the impact of inclusive housing and transport policies (i.e. to ensure that housing and transport costs are not disproportionately high for poorer groups, forcing them to live in areas with fewer job opportunities), what are the most appropriate indicators to measure policy effectiveness and monitor implementation?

THEMATIC ROUNDTABLE | PARTNERSHIPS, COLLABORATION AND NEW SOURCES OF FINANCING AS THE KEYS TO SUCCESSFUL IMPLEMENTATION OF INCLUSIVE GROWTH INITIATIVES IN CITIES

Effective partnerships and financing are crucial for delivering on the cross-cutting policy challenges that are central to the Inclusive Growth agenda. Partnerships are needed across policy domains: co-ordination of housing and transport policies, for instance, is necessary to ensure that urban areas are accessible and affordable, allowing all residents to benefit from urban opportunities. They are also essential among different actors within a given sector: for instance, employers, employment agencies, skills providers and labour organisations must work together to reduce labour market inequality and promote high quality jobs, just as schools and other education providers need to work together to raise standards and ensure that every child has an equal chance to succeed.

- Partnerships **across government jurisdictions** are increasingly necessary in metropolitan areas of all sizes to account for the fact that many challenges (and solutions) do not stop at city borders, but are fortunately happening more and more.
- Inclusive growth strategies may also rely on collaborative, **participatory approaches** between a range of public policy makers, as well as with other stakeholders.
- Many cities could also better partner with the **private sector, philanthropic organisations and with citizens** to develop inclusive initiatives. Achieving such a collaborative approach can sometimes be challenging and time-consuming for city governments, but can lead to stronger and better targeted policies, while harnessing a much wider pool of city innovators.

Delivering on Inclusive Growth will also depend on securing access to **new sources of financing**.

- Local economic adjustment in terms of land use, infrastructure, skills and amenities is driven by the rate at which new investment can be secured. However, in the context of the global economic downturn, public investment in many local economies has shrunk: in Ireland, Iceland, Turkey, Spain, Greece, Estonia, Portugal and Italy, public investment has contracted by more than 5% yearly since 2007.³¹
- Cities are using new innovative financing mechanisms to support inclusive growth, including public procurement, local sales taxes, social impact bonds, land banks, community land trusts, value capture (for example selling public land made available during the construction of new transport hubs), and community wealth building.
- The private sector, as well, has a lot to invest in cities – according to one estimate, more than USD 1.3 trillion over the next four years. Effective partnership between private investors and local governments is needed to ensure that the gains are felt by local populations. For instance, cities have often used large-scale events like

the Olympics to channel private investment into more deprived areas, sometimes bringing lasting benefits.

Questions to guide discussion

- What have been the key “success factors” in developing effective partnerships for inclusive growth in cities? What challenges have you found difficult to overcome?
- Do new types of partners need to be brought on board to deliver genuine inclusive growth in cities? If so, who and how?
- Can community engagement and social innovation be scaled up from neighbourhood level to city/metropolitan level and still deliver a sense of democracy?
- Are alternative financing mechanisms for inclusive growth realistic? How could the support of the private sector be further harnessed?
- What strategies are effective for further engaging the business sector to promote equity?

SESSION 3: JOINING FORCES FOR INCLUSIVE GROWTH

*This session, which will be open to the media and webcast, will officially launch the **Inclusive Growth in Cities Campaign** and present the **New York Proposal for Inclusive Growth in Cities**. The New York Proposal is intended as a first step toward a global policy roadmap for tackling inequalities and fostering inclusive growth in cities. In this moderated conversation, Champion Mayors will be invited to focus on the ways in which the New York Proposal can be brought to life in cities around the world and share concrete suggestions to help chart the road ahead for the Campaign.*

The **Inclusive Growth in Cities Campaign** is part of the broader Inclusive Growth initiative at the OECD, launched in partnership with the Ford Foundation and with support from the Group of Friends of Inclusive Growth led by the U.S. Ambassador to the OECD. It aims to provide mayors with a unique platform in the global debate on inequality, enabling them to share their voices and perspectives with national governments and other key stakeholders. The campaign will also facilitate the exchange of concrete solutions to inequality and empower local governments as leaders in the transition towards more inclusive growth.

Central to this campaign is the creation of a global coalition of mayors to promote Inclusive Growth. Champion Mayors for Inclusive Growth are invited to:

- Voice support for an inclusive growth policy agenda in their city, within their country and worldwide.
- Exchange best practices and policy tools for more inclusive cities in different policy domains, such as housing, transport, education and workforce development, among others
- Support the *New York Proposal for Inclusive Cities*.

The **New York Proposal for Inclusive Growth in Cities** is a soft, non-legally binding commitment endorsed by Champion Mayors and leaders of supporting institutions. This document:

- Recognises the urgent political and economic imperative to address rising inequalities within our society
- Calls for a major break with policy making approaches of the past, to ensure that growth *and* equity are treated as mutually reinforcing goals
- Advocates for cities to play a central role in making inclusive growth happen
- Identifies a series of key policy objectives that can help shape more inclusive growth in cities, including *more inclusive education systems, labour markets, housing markets and urban environments, and infrastructure and public services*.
- Will help build bridges with policies at national level and inform other global agendas that aim to advance more sustainable, inclusive and resilient cities, including the implementation of the UN-Sustainable Development Goal 11, the

New Urban Agenda that will result from the Habitat III conference; and the post-COP21 agenda.

Questions to guide discussion

- Are the essential components of a policy agenda for inclusive growth in cities sufficiently covered in the *New York Proposal*?
- How do Champion Mayors want to move forward the *New York Proposal*? What specific actions they will do in their cities? Which particular areas should be addressed through the global platform?
- What are your most effective tools in your policy toolbox as Mayors to help advance more inclusive cities? How can the *Inclusive Growth in Cities Campaign Platform* help your efforts in the future?

SESSION 4: GETTING TO INCLUSIVE GROWTH IN CITIES: SPOTLIGHT ON SUCCESS

Rising inequality affects cities' capacity to deliver public services effectively, yet some leaders are making significant headway. In this interactive moderated conversation, select mayors will have the opportunity to share a successful initiative to tackle one of the many dimensions of inequality in their city.

Questions to guide discussion

- What policy challenge(s) were you aiming to address with this initiative? What were the critical "success factors" in making it happen?
- What did you try that did not work? Why not?
- What advice would you give other Mayors who are facing similar challenges? Any pitfalls to avoid?

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www.oecd.org/inclusive-growth/about/inclusive-cities-campaign

Supporting institutions:



With special thanks to:

