

# What the New Urban Agenda and the Washington Consensus have in common

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Joan Clos, executive director of U.N. Habitat and secretary-general of Habitat III. Photo by: [Thomas Henrikson / SIWI / CC BY](#)

The “Washington Consensus” is mainly wonky jargon that refers to the quantitative world of macroeconomics and is typically reserved for the [International Monetary Fund](#) and central banking authorities. But its policies go a long way in explaining the international community’s foremost gathering on urbanization and sustainable development, says the head of [U.N. Habitat](#).

An estimated 30,000 participants from government, private industry and civil society will gather in Quito, Ecuador, for the Habitat III summit that will convene on Oct. 17. Their mission: to deliberate the future of cities and sustainable urbanization.

Devex spoke with the person who will facilitate much of that discussion: Joan Clos, executive director of U.N. Habitat and secretary-general of Habitat III. He will preside over the ceremony when the 193 member states of the United Nations adopt the so-called [New Urban Agenda](#) — the international community’s principal framework for sustainable urbanization.

The document establishes a wide set of visions and principles of how urbanization and city governance can be drivers of sustainable development, ranging from affordable housing, to gender rights, to clean energy and efficient mass transit.

The task in Quito will be to lay as much of the groundwork as possible for the partnerships, financing arrangements and action plans to achieve the lofty goals that the New Urban Agenda sets.

The New Urban Agenda, Clos says, places a strong emphasis on the “fundamentals” of urban planning that have been overlooked for several decades. Those include national policies that are specifically oriented towards urban

planning and design. For too long, Clos argues, urbanization and the spread of city settlements have gone unchecked, naturally expanding with industries and other economic activities.

Much of that, Clos notes, was in line with the Washington Consensus — a set of economic reforms that policymakers from the [World Bank](#), IMF and other D.C.-institutions prescribed for developing countries several decades ago as a way to boost growth. Their recommendations, broadly, placed a strong emphasis on the free market. By lowering government regulations, opening up to trade and privatizing industries, markets would thrive and industries would grow. But those types of open and deregulated policies overly exposed developing economies, economists have argued, and have had destabilizing effects when global markets took drastic turns. The Washington Consensus has come to be maligned in some development circles.

By extension, Clos says, cities that followed a similar market-force approach have grown overstretched and unable to guarantee prosperity and rising standards of living for its citizens. The aim of the New Urban Agenda is to reign that growth back in, he argues, by regulating urbanization, in a way that promotes value creation.

Here are excerpts from Devex's exclusive interview with Clos about Habitat III, the New Urban Agenda and the strategies for municipalities to finance urban development.

***There was a long road and many negotiations to arrive at the New Urban Agenda. What do you consider its most defining elements?***

The agenda focused on the fundamentals of urbanization. I think this is quite new because in international debates about urbanization a lot has been said about the cultural, social and political aspects of urbanization. But as urbanization becomes a huge process affecting billions of people there is a need to come back to the fundamentals that perhaps in the past 30 to 40 years have been a bit forgotten. In fact, when we analyze the kind of urbanization that is being built now, we see that what is failing are very fundamental issues of urbanization, such as proper rules and regulations and a lack of adequate urban planning.

As an agreed-upon document between the 193 member states of the United Nations it is the most you can expect. In that sense we are very happy with its outcome. The document is just the beginning of a process that is more detailed. It should be more specific in changing the way that urbanization is done currently, mainly in the developing world because that is where most of the urbanization is happening. But reforming ongoing urbanization in the developed world where a lot needs to be repurposed as we are entering into the new phase of post-climate change agreements.

What will come is a task that is going to be placed on U.N. Habitat to develop a framework for implementation. This framework is where we are going to see a deepening of the specifics of urbanization. That requires a review of the national policies of urbanization. Just a few countries have a national policy for urbanization. This is very problematic because it means there is no clear unity among public stakeholders on how to cooperate to improve urbanization. There is a need to increase the cooperation between different ministries which have sectoral responsibilities in order to get better urbanization. I think for example that the understanding to have a focus on national urban policy can help many countries, especially those going through rapid urbanization to advance faster in understanding the key elements of urbanization.

***Why do you think it is that there are so few national policies around urbanization and the “fundamentals” have been overlooked?***

Urban planning has fallen out of fashion. The development strategy of many countries has been relying a lot on the Washington Consensus which had no specifics on the relevant role that urbanization plays in development.

There are some countries, such as China for example, that have understood from the start that urbanization is a key element for development and have developed a national strategy that is based on both urbanization and industrialization. And this was tightly controlled and pursued in order to obtain results. But this kind of purpose-

oriented policy focused on the objective of providing development and well-being for a good tranche of the population has not been there in the national policy of many other countries.

Urbanization has been considered a natural phenomenon — in some places a natural catastrophe — as if the central and national governments played no part in it. This is very negative because the central government does play a very important role in the quality of urban outcomes. The national government sets the rules of the game. They're the ones who establish the strength and financial mechanisms of local authorities, planning capacities and the means for enforcement for urban rules and regulation. It also establishes the policy for land and national security policy. One of the new things that the New Urban Agenda underlines is the crucial role of central governments in defining the rules of the game of urbanization.

***Left to the market, essentially, urbanization has gone unchecked for too long ...***

Yes. The market itself is not a good urban planner. The market is good when there are solid rules and regulations. The market can be good at constructing buildings and urban projects. But the market is not designed, prepared or suited for doing urban planning and crafting urban regulations.

It's very important to understand from an economic point of view that most urban value is related to the quality of rules and regulations and the quality of urban design and planning — the provision of public space which gives private value to the buildable plots. That has not even been understood by the markets because it's not its role to understand these kind of things. That has produced a void which has been very negative for urbanization over the past 20 to 30 years. In fact, the last model of urbanization that is still applied is the modern movement of the 1930s — Le Corbusier and Towers tower in the park — the prevailing urban model is a century old model. And has not been enriched by a more qualitative debate about how good urbanization can contribute nowadays to increased prosperity and a higher quality of life.

Therefore, urbanization in many places of the world instead of being perceived as a positive thing is being perceived as a negative thing. It's a kind of disaster which concentrates poverty and problems. We're losing the main point of urbanization which is that if it's planned and well-designed, it's a tool for accelerated development.

***What are specific streams of finance that could be better utilized or deployed in greater volume to pay for sustainable urbanization?***

First off, urbanization should not be financed through debt, grants or donations. Urbanization has the capacity to generate money. And a lot of it. That has been proven on many occasions throughout human history, but it's not self-evident. Many people don't tend to understand that urbanization creates money out of nothing, which is a kind of impossibility for people who approach money in a naive manner.

For example, urbanization generates location value. If you have a piece of rural land and the mayor changes the classification overnight to classify it as urban, its value has immediately changed and money has been created. If you sell the plot the next day, money that was nonexistent exists the next day. That money was created through the sake of regulation.

Or if you design a street that has a number of private plots facing it, their values increase because of the public intervention of urban planning. Good urban planning generates value. Good urban regulation generates value. And a little bit of investment in basic services generates more private value. The capacity of urban planning to generate value is constant. Then what you need to do with urbanization is share this value. You are not going to be able to find money to invest in urbanization if you don't design the system by which you can share the value that is generated by it. That applies to the poorest of the cities, not just the rich ones. Even the slums of a city can create a lot of value because of the economies of proximity.

Every development bank will give you credit for initial basic services such as water, energy or drainage provided you can demonstrate that you can build up a reasonable system to share the value generated by it. There is enough

money available to pay for all the urbanization plans on planet Earth. The problem is, you won't get any of it if you don't demonstrate that you can build a system to manage the value that is generated by urbanization.

No country should have any problem with accessing finance for urbanization because, unlike other municipal projects or activities, it is not a cost. It's an investment. It's something that you do to generate more value. In that sense, urbanization in the purest definition is an investment. As in any project finance exercise, you need to make sure that the numbers square. This is an exercise that only the public sector can do.

***What outcomes will make Habitat III a "success?"***

If in the next five years there is a general consensus among urbanization specialists that there is a need to go back to basics and that urbanization should be guided by the principle of increased prosperity. Not just to address the problems of urbanization. It should be more ambitious than that. If we don't address the capacity of urbanization to generate value, we will never have the funds to address the issues of urbanization. We need a more comprehensive, integrated approach to urbanization. It's a very serious question. It's complex and requires political attention by central governments if they want to enhance the chances of their countries to accelerate development.

In the developed world, governments also need to revisit urbanization because there won't be any successful resolutions to the problems of inequality and unaffordability of housing continue to rise. The challenge of developing world urbanization won't be addressed again if there's no profound revision of urbanization in the developed world also. If in the next four to five years we have changed worldwide awareness of the dramatic requests that are going to be placed on urbanization to transform it to a sustainable and productive exercise, I think we will have succeeded at Habitat III.

***We'll be on-the-ground at Habitat III so stay tuned for more coverage leading up to the event. You can find relevant stories [here](#).***