

Fostering a System of Productive and Livable Cities in Peru





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Introduction and Methodology

- Primacy of Lima and limited attention to secondary cities suggested a knowledge gap
- This policy note was prepared as part of broader work on secondary cities in Peru, including fiscal decentralization, transport, and nutrition
 - Uses secondary data (census, household surveys, and satellite imagery)
- Engagement tool with national government & secondary cities

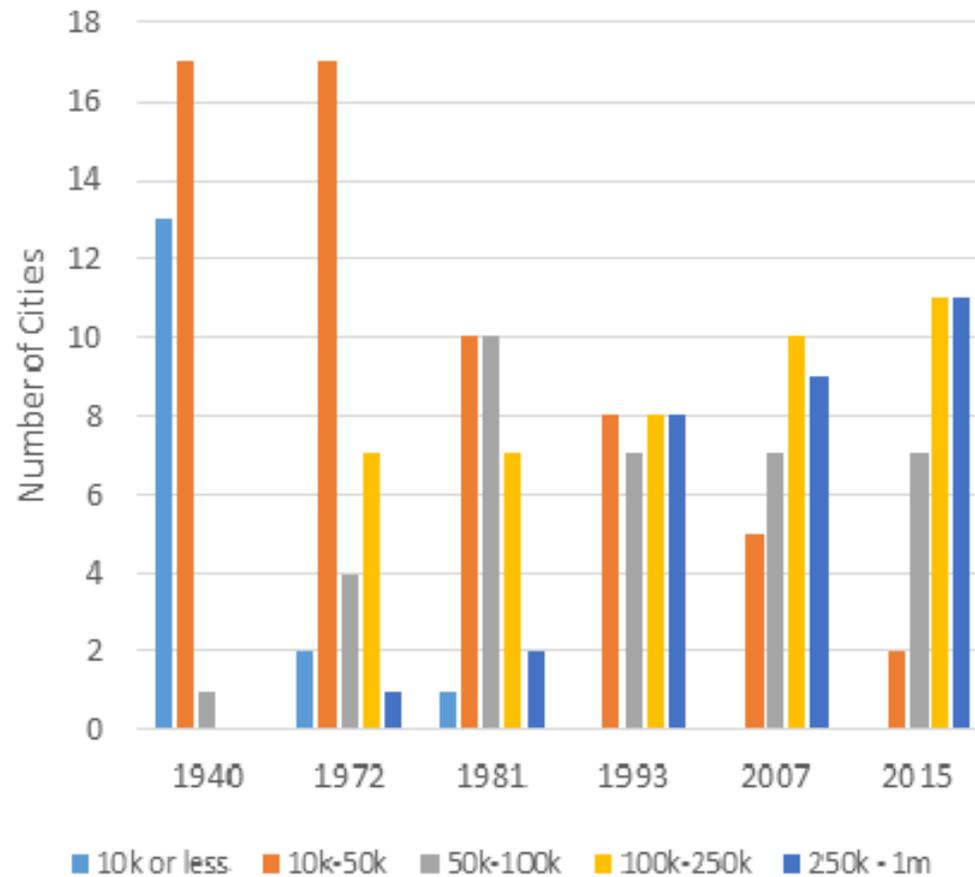


Leveraging Peru's system of cities

- Policy discussion around cities has focused on Lima, based on the size of its population and economy
- Cities of different sizes play supporting roles in the economy
 - Small cities serve as links between rural areas and farmers and output and input markets
 - **Medium cities (or intermediate cities) provide localization economies and logistic hubs**
 - Large cities connect to the global economy
- Peru's 2012 National Policies for Urban Development recognizes the country as a *Sistema Urbano Nacional*



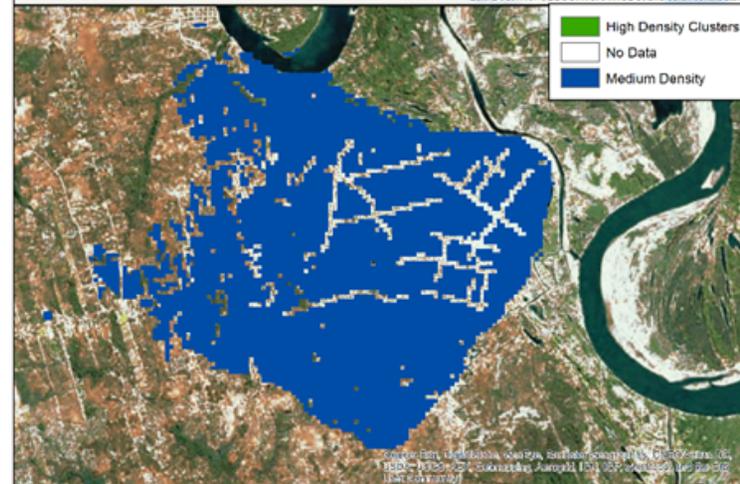
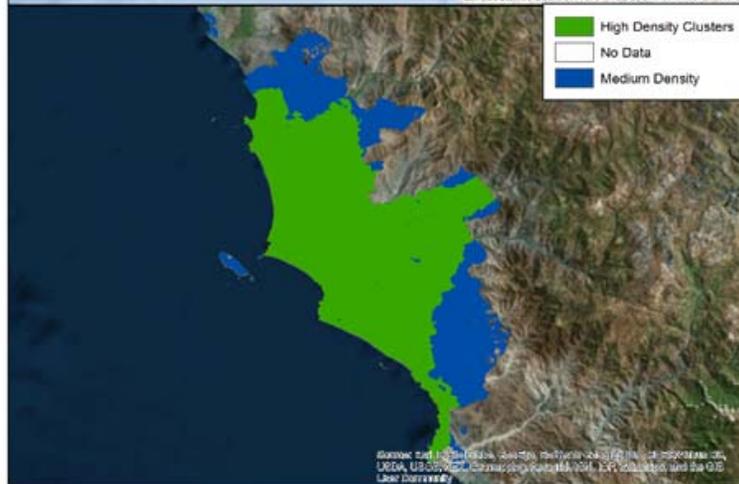
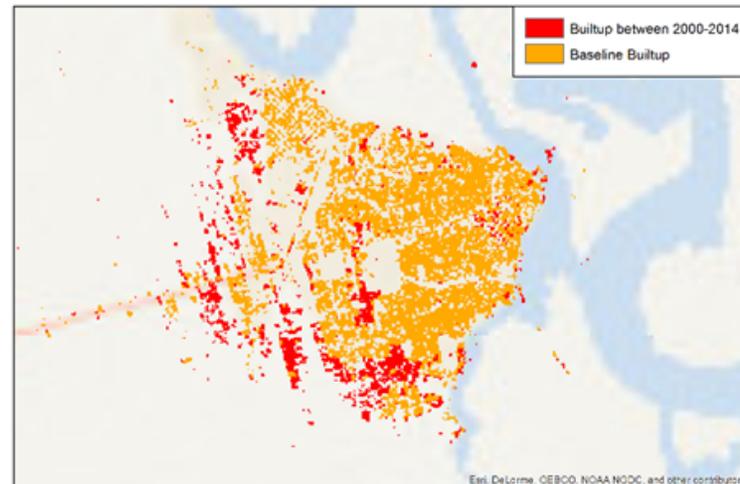
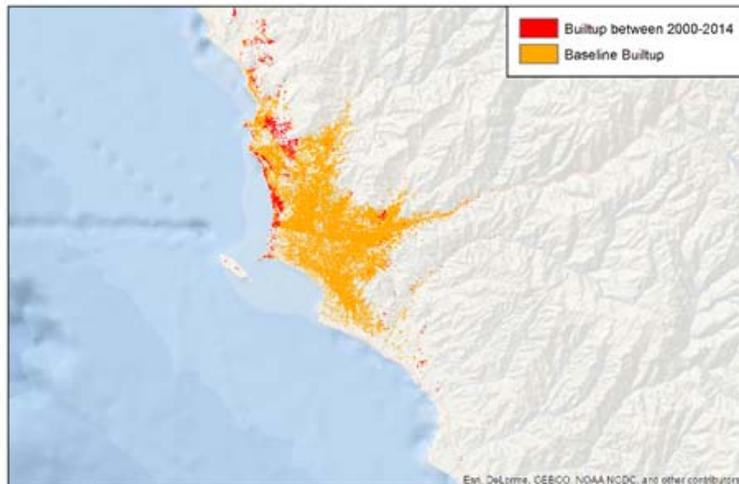
Leveraging Peru's system of cities



Source. Adapted from INEI and 2007 population census and 2015 projections



Lima is the only high density cluster in Peru



Source: Authors' calculations using WorldPop 2013 data



Intermediate cities: challenges and opportunities for policymakers

:Pillar 1:

1. Supporting affordable housing, land use planning, and information management
2. Building city management capacity in an increasingly decentralized Environment

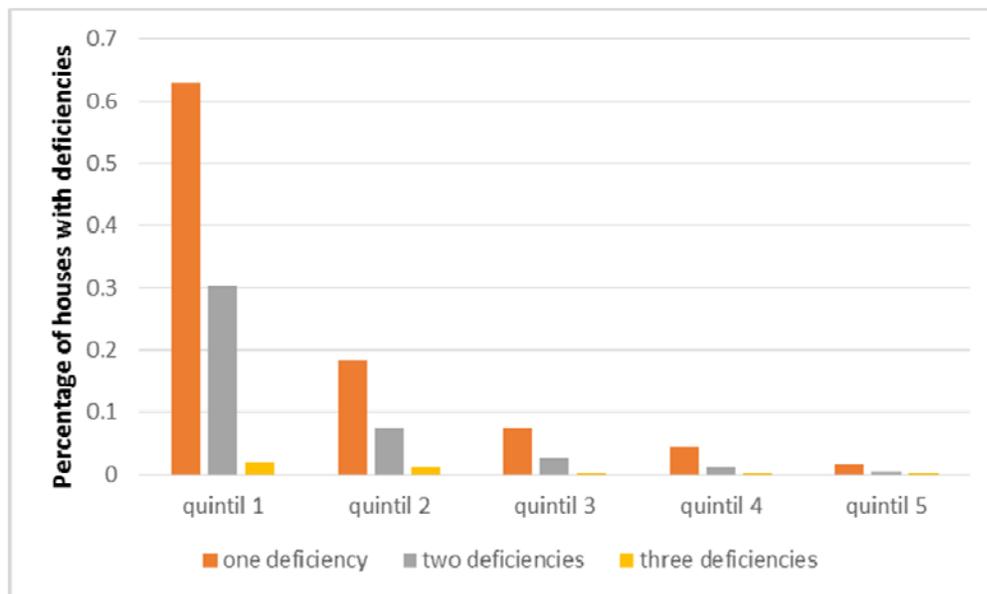
Pillar 2:

1. Improving infrastructure and service provision in growing cities



Pillar 1: Lack of Affordable Housing

Housing by Quintile According to the Number of Deficiencies – Intermediate Cities



- Peru faces a large housing deficit - **1.86 million households**
- Deficiencies are concentrated in lower income segments

- Formal housing unaffordable for 55% of the population
- Given affordability constraints to housing, many low-income families resort to illegal occupation and informal construction in peripheral areas

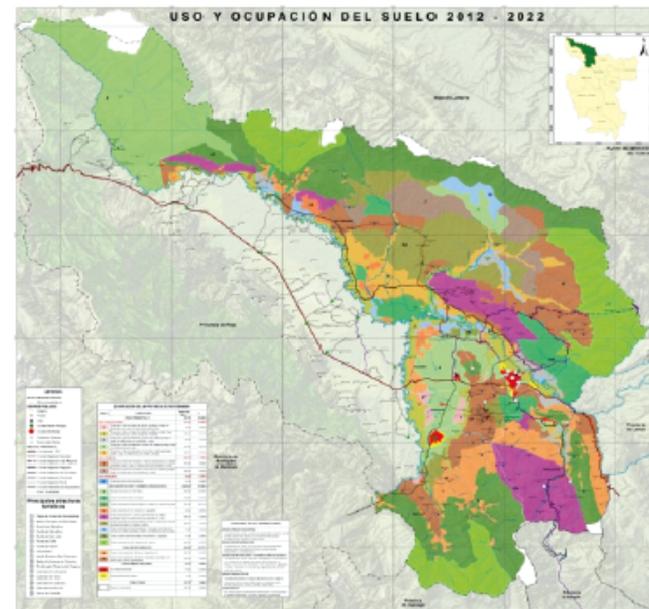


Pillar 1: Lack of information and capacity for land and infrastructure planning

Chiclayo



Moyobamba



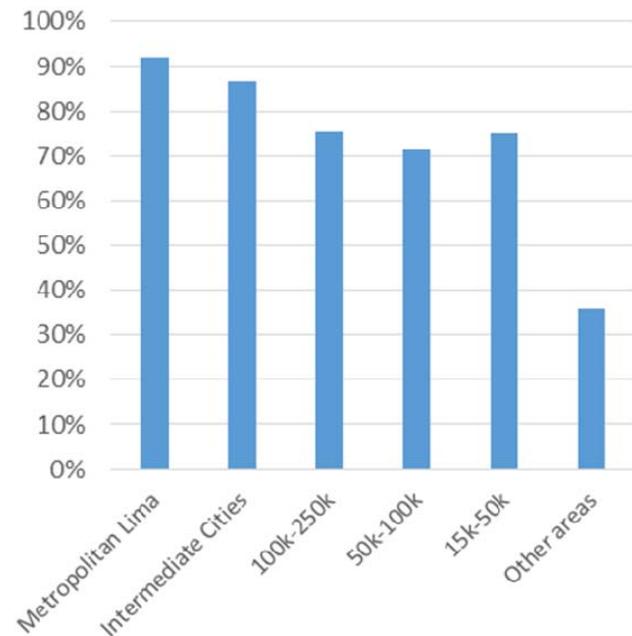
- Most cities lack capacity and instruments for urban planning and coordinated infrastructure investment decisions
- Limited own source revenues of subnational governments
- Poor coordination between levels of government administration



Pillar 2: Limited Basic Services and Infrastructure

- Access to sanitation declines by city size and distance to the city center
- Access to potable water in intermediate cities has not yet achieved universal coverage

Households with connection to the public sanitation system

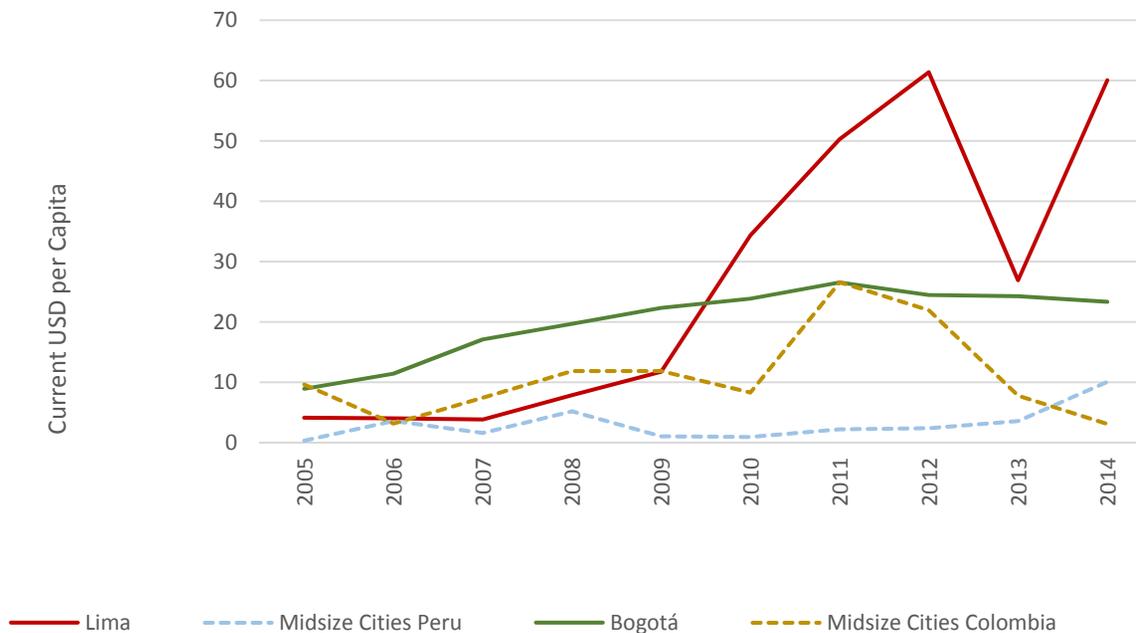


- Outside of Lima continuity of service has slightly declined to 16.2 hours a day on average with variation across utility type



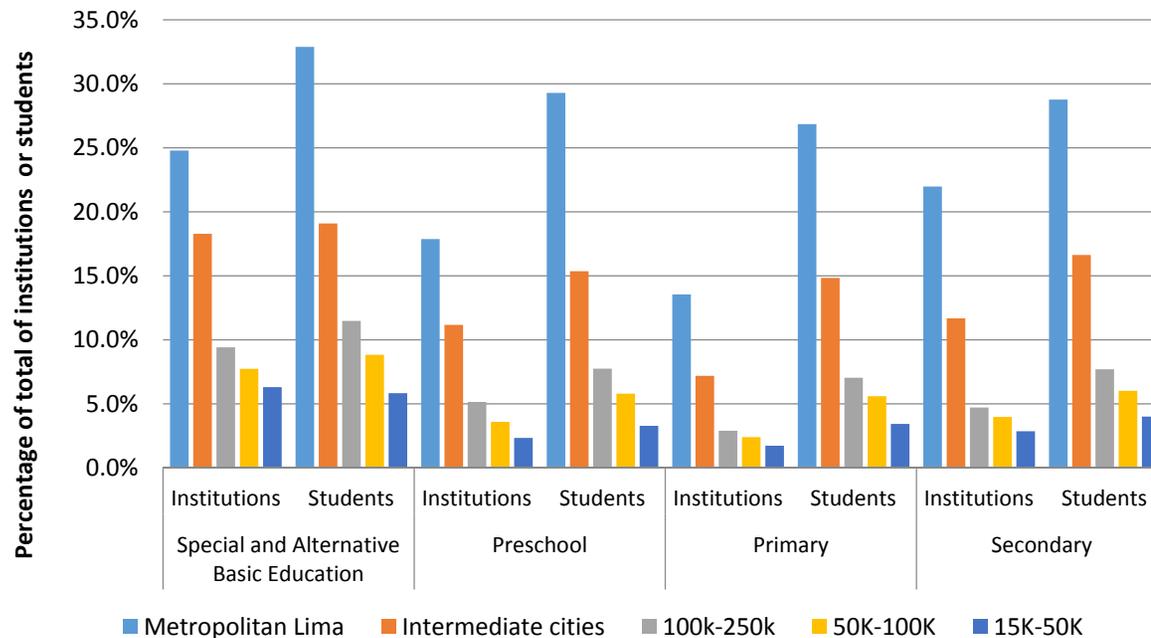
Pillar 2: Low investment in urban transport outside of Lima

Urban National Government Investment in Peru and Colombia (USD PER CAPITA)



Pillar 2: Varying quality in education despite good coverage

Distribution of Educational Institutions and Students across city size



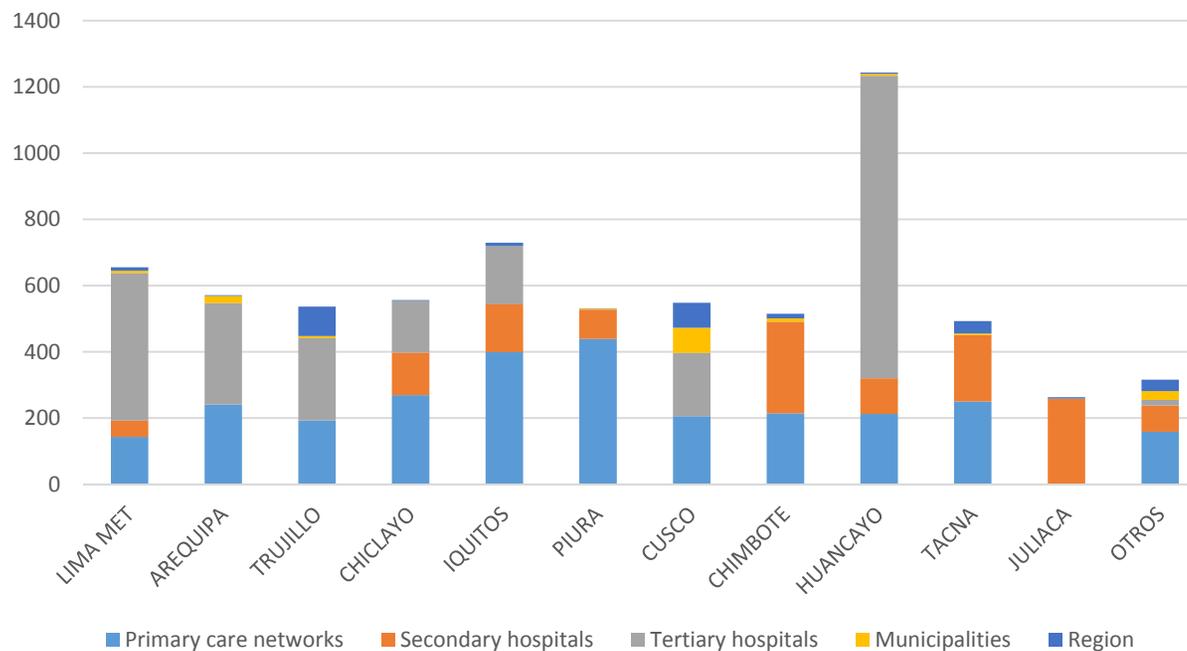
Source: 2014 School Census, 2010 University Census and Population estimates for 2015 (INEI).

Note: Percentages are calculated over the total number of institutions or students.



Pillar 2: Public Spending on Health not keeping up with growing population

Per Capita Public Spending on health, by city and entity



Source: ENAHO 2014.



Policy Recommendation 1- Establish transparent, harmonized land use planning and information systems

- **Arusha, Tanzania** has developed an innovative local government revenue collection information system integrated with a Geographic Information Systems (GIS) platform to improve revenue collection efficiency. Since implementing the new tools, the city has already registered a 76% increase in own-source revenues.
- **Bogotá, Colombia's** cadastral reform began in 2008. By updating information on land parcels, the local government aligned cadaster reform with tax reform and estimated that increase property tax revenue by 30% in the initial year of operation in 2010.



Policy Recommendation 2- Boost infrastructure investment in intermediate cities

- Harness land value capture, land banking, and other innovative approaches to infrastructure investment
 - Medellín, Colombia is developing new land value capture instruments to fund large scale urban redevelopment (Tax Increment Financing)
- Coordinate infrastructure investments with land use planning
 - To increase availability of serviced land for social housing
 - Incentivize infrastructure and housing investment through block grants programs and private sector engagement
- Design transport investments that respond to emerging urban mobility needs



Policy Recommendation 3- Enhance coordination across government levels and sectors

- Investment decisions have been decentralized to local governments per the *Ley Organica de Municipalidades*
- The national government has an important role to play in supporting and accompanying cities in their growth and development
- Develop a national housing strategy that enhances coordination across sectors
 - Housing as an aggregator of infrastructure
 - Brazil's National Housing Plan provides an actionable example of such strategy



Gracias!

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