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# IMPACT OF INVESTING IN CITIES AND LOCAL GOVERNMENTS



As stated in the 2024 Democracy, Human Rights, and Governance (DRG) Policy, the U.S. Agency for International Development (USAID) seeks to optimize and align its investments to maximize impact and contribute to democratic development. Democratic systems have intrinsic value given their superior track record in upholding human rights and justice, respecting individual dignity, enhancing equality and inclusion, providing spaces to productively address conflict, delivering better public goods and services, and producing more prosperous communities. Through work such as the Making Cities Work (MCW) indefinite delivery, indefinite quantity contract (2014-2024), USAID works to improve urban governance and advance democratic outcomes. These investments enable USAID to address the challenges and opportunities presented by the unprecedented pace of global urbanization and advance USAID's implementation of its DRG Policy.

## LINK BETWEEN INVESTING IN CITIES AND DEMOCRACY

Urbanization promotes democracy by catalyzing coordinated public action, increasing the demand for democracy, and fostering the development of civic capital<sup>1</sup>. As demonstrated under MCW, USAID can make progress toward desired democratic benchmarks (citizen participation, local economic development, service delivery, etc.) through investments at the municipal level. This is supported by the link in academic literature between local government capacity-building programs, fostering democratic practices and resourcing decentralized democratic institutions to promote transparent and accountable governance and improve local delivery of goods and services.

Urbanization raises demands for infrastructure and services, prompting a call for a decentralized system to manage these needs.<sup>2</sup> Programs that address supply and demand challenges in tandem can provide local bureaucracies with support to promote accountability and transparency while maintaining quality public services.<sup>3, 4, 5</sup>

Several MCW task orders (TOs) focused on the transparency and accountability of local governments with activities including increasing community access to social auditing, participatory development, accountability events, and public information.

MCW TOs successfully built local government capacity to provide quality services by creating tools for local governments and their partners to assess their own capabilities and determine priority areas for local investment.

<sup>1</sup> Glaeser, E. L., & Steinberg, B. M. (2017). Transforming cities: Does urbanization promote democratic change? *Regional Studies*, 51(1), 58–68.

<sup>2</sup> van Veelen, B., Rella, L., Aiken, G. T., Judson, E., Gambino, E., Jenness, A., Pinker, A. (2021). Interventions on democratizing infrastructure. *Political Geography*, 87, 102378.

<sup>3</sup> Hogge, B. (2010). Open data study: New technologies. *London: Transparency and Accountability Initiative*.

<sup>4</sup> Jha, G. (2018). *Fragile urban governance: Evolution, decline, and empowerment of local self-government in India*. Routledge.

<sup>5</sup> Waddington, H., Sonnenfeld, A., Finetti, J., Gaarder, M., John, D., & Stevenson, J. 2019. Citizen engagement in public services in low-and middle-income countries: A mixed-methods systematic review of participation, inclusion, transparency and accountability (PITA) initiatives. *Campbell Systematic Reviews*, 15(1-2), e1025.

MCW intended for service delivery improvements to help establish or improve government legitimacy (thereby improving stability), ameliorate humanitarian crises, and encourage citizens involved in local governance, thus promoting more democratic practices and reinforcing MCW's other governance aims.

MCW TOs took steps to ensure that local governments responded to citizen inputs and demands such as facilitating citizen participation in development and investment planning sessions and council meetings. These actions increased citizen participation and led local governments to implement, introduce, or adopt public policies that were created through consistent citizen input.



Urbanization may also promote an increased demand for democratic political systems. Improved local democratic processes lead to higher quality public goods and services.



Making cities more livable requires both local government empowerment and resourcing. Increased national spending on local public services coupled with improved local government capacity can enhance service delivery.

Gains in public financial management reduced opportunities for mismanagement and corruption. Transparency mechanisms allowed increased citizen engagement and participation in municipal projects and decision making.

A key intervention of MCW involved assisting municipalities in amplifying their own-source revenue, notably through enhanced local tax and service fee recovery mechanisms. Many TOs perceived increasing local government revenue as critical to fostering local government autonomy, and these TOs saw promising successes in this area. With increased independent revenue, municipalities were better able to provide public services and strengthen local government autonomy as they minimized their dependency on national revenue streams.

<sup>6</sup> Díaz-Cayeros, A., Magaloni, B., & Ruiz-Euler, A. (2014). Traditional governance, citizen engagement, and local public goods: Evidence from Mexico. *World Development*, 53, 80–93.

<sup>7</sup> Jha, 2018

<sup>8</sup> Otieno, J. O., Obosi, J. O., & Magutu, J. M. (2023). The impact of devolution policy on water service delivery in Kenya. *Journal of Public Policy and Administration*.

# LINK TO THE DRG POLICY

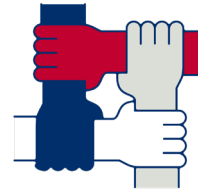
The 2024 DRG Policy describes four pivots that USAID needs to make to contribute to a sustained, global renewal of democratic governance that better delivers justice, security, and inclusive development. USAID's urban investments can support these pivots in the following ways.



## PIVOT 1

Harness all of USAID's influence and development programs to pursue democratic progress.

USAID has committed to embracing a whole-of-Agency approach to democratic renewal, leveraging all of its resources, capabilities, and partnerships to drive meaningful change. Continuing to invest in programs like MCW that deliberately link USAID's work in other sectors (e.g., WASH, sanitation, climate resilience, economic growth) at the local level to support DRG outcomes can lead to sustainable development outcomes.



## PIVOT 2

Intensify the focus on norms and values that build social cohesion and cultivate democratic political culture and processes.

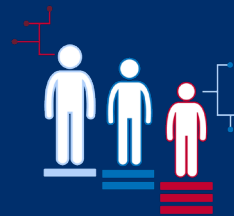
Focusing on supporting local governments can change local norms and values surrounding the democratic political culture and processes in a way that does not jeopardize national or geopolitical dynamics. Successful investments at the municipal level are closer to citizens and can have a faster tangible impact on citizens' lives, potentially creating greater social cohesion and positive attitudes towards democratic processes.



## PIVOT 3

Advance digital democracy by supporting rights-respecting approaches to data and technology.

Digital development and technology remain major opportunity areas due to their ability to cheaply reach a wide range of citizens, including young people, and enable participation, strengthening local governance and transparency. USAID should invest in programs that build municipal capacity for collecting, analyzing, distributing, and using the data to create informed policy going forward. USAID should also be mindful of serious inequities in internet access between larger and smaller municipalities in some countries.



## PIVOT 4

Elevate anti-corruption as critical to democracy and development, with a focus on transnational corruption, grand corruption, and kleptocracy.

Local governance improvements in transparency and accountability are designed to disincentivize administrative corruption. However, local government investments may also uncover grand corruption driving administrative corruption (e.g., criminal rings, collusion with private entities). While it may be beyond the scope of the activity to tackle these networks directly, this awareness can ensure that USAID protects resources crucial for development and mitigates programmatic risk.