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The Urban Management Programme (UMP) represents a major approach by the United Nations family of organizations, together with external support agencies (ESAs), to strengthen the contribution that cities and towns in developing countries make towards economic growth, social development, and the alleviation of poverty. The program seeks to develop and promote appropriate policies and tools for municipal finance and administration, land management, infrastructure management, and environmental management. Through a capacity building component, the UMP plans to establish an effective partnership with national, regional, and global networks and ESAs in applied research, dissemination of information, and experiences of best practices and promising options.

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ABSTRACT

This paper summarizes the findings of a research program on the institutional framework of urban management. Research for the paper has been carried out by the Institute of Local Government Studies, the University of Birmingham, United Kingdom, under the sponsorship of the Overseas Development Administration (United Kingdom) (ODA) and the International Bank for Reconstruction and Development (World Bank).

Urban management is concerned with the policies, plans, programs, and practices that seek to ensure that population growth is matched by access to basic infrastructure, shelter, and employment. While such access will depend as much, if not more, on private initiatives and enterprise, these are critically affected by public sector policies and functions that only government can perform.

This paper focuses on selected elements of urban management arrangements and on their impact on the effectiveness of urban government in managing urban growth. Characteristics examined are the structure of urban government agencies, the division of tasks between them, their staffing and resource bases, their internal organization and management processes, their relations with central government, and their interaction with private and community organizations. It discusses how differences in these characteristics contribute to (or detract from) effectiveness. In doing so, it acknowledges fully that these characteristics themselves are only one set of factors that determine the success or failure of urban government.

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FOREWORD

This paper has been prepared for the Municipal Finance component of the joint UNCHS/UNDP/World Bank/—Urban Management Programme (UMP). The UMP represents a major approach by the UN family of organizations, together with external support agencies (ESAs), to strengthen the contribution that cities and towns in developing countries make towards economic growth, social development, and the alleviation of poverty. The program seeks to develop and promote appropriate policies and tools for municipal finance and administration, land management, infrastructure management, environmental management, and poverty alleviation. Through a capacity building component, the UMP plans to establish an effective partnership with national, regional, and global networks and ESAs in applied research, dissemination of information, and experiences of best practices and promising options.

This report is the first of a series of management tools to be produced by the UMP municipal finance component. As a whole the municipal finance component is intended to address three questions: 1) how to mobilize resources to finance the delivery of urban services; 2) how to improve the financial management of those resources; and 3) how to organize municipal institutions to promote greater efficiency and responsiveness in urban service delivery. Work during the initial phase of the Urban Management Programme has focused on the first of these questions—focusing specifically on local tax reform, intergovernmental transfers, and local access to long-term credit. Case studies and background papers on the latter questions—documenting issues in local financial management and the organization of municipal government—have also been prepared, and will provide the basis for publications to be issued under this series in the future.

Phase 2 of the UMP (1992-96) is concerned with capacity building at both the country and regional levels and with facilitating national and municipal dialogue on policy and program options. It emphasizes a participatory structure that draws on the strengths of developing country experts and expedites the dissemination of that expertise at the local, national, regional, and global levels.

The main goal of the UMP in Phase 2 is to build the capacity for infrastructure management, municipal finance and administration, land management, urban environmental management, and poverty alleviation by means of three interactive processes:

- **City and country consultations.** The UMP brings together national and local authorities, private-sector networks, community representatives, and other actors to discuss specific problems within the UMP's subject areas and to propose reasoned solutions.
- **Regional panels and technical cooperation.** To ensure sustained and effective support for the activities to follow country consultations, the UMP is establishing regional offices, each headed by a regional coordinator, in Kuala Lumpur for the Asia and Pacific region, in Accra for Africa, in Quito for Latin America and the Caribbean, and in Cairo for the Arab States. From 1993 to 1996 the UMP will gradually build up regional panels of urban

management expertise for each of the program's five areas of concern, which will provide the structure needed to institutionalize the UMP's capacity-building objective over the long term. Developing countries will be able to draw on this pool of expertise for technical advice on a sustained basis.

- **Global support and synthesis.** Nucleus teams in Nairobi and Washington, D.C., support the regional panels and national institutions by synthesizing lessons learned, conducting state-of-the-art research, identifying best practices, and disseminating program-related materials. The present paper is part of a series of management tools produced by the UMP.

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EXECUTIVE SUMMARY

The Urban Management Programme

i. This paper summarizes the findings of a research program on the institutional framework of urban management. Research for the paper has been carried out by the Institute of Local Government Studies, the University of Birmingham, United Kingdom, under the sponsorship of the Overseas Development Administration (United Kingdom) (ODA) and the World Bank (the Bank).

ii. The research is a contribution to the Urban Management Programme (UMP), which has been initiated by the UNCHS (Habitat) and the World Bank with the support of the United Nations Development Programme. The UMP is concerned with the governmental response to the scale and pace of urbanization in Africa, Asia, Latin America, and the Arab States/North Africa. Urban population in these three continents is currently growing at the rate of 6.3 percent a year and as much as 8.8 percent in low-income countries (World Bank, 1991). Their total urban population is due to increase to a total of 1.1 billion by the year 2000. Half of this increase and hence of the total urban population will be concentrated in cities of over 500,000 population.

iii. The UMP's objective is to "strengthen the contribution that cities and towns make toward economic growth, social development, and the alleviation of poverty." Moreover, it "seeks to develop and promote appropriate policies and tools for land management, infrastructure, municipal finance, and the urban environment (UNDP, 1989)."

The Role of Urban Government

iv. Urban management is concerned with the policies, plans, programs, and practices that seek to ensure that population growth is matched by access to basic infrastructure, shelter, and employment. While such access will depend as much, if not more, on private initiatives and enterprise, these are critically affected by public sector policies and functions that only government can perform.

v. The performance of government is critical to the effective management of urban growth. During the last decade in particular, both governments and international agencies have shown interest in improving the structure, process, and resources of urban government institutions. Policies of decentralization have delegated functional responsibilities and resources to lower levels of government, and new financial flows have been created to stimulate public investment. Many development projects have included technical assistance to improve the planning and operational processes of urban agencies.

vi. The effectiveness of urban government is clearly dependent on a range of contextual factors: political stability, social cohesion, and economic buoyancy, to name only the most obvious. It also depends on the skills and motivations of its policymakers and the staff who serve them. But the widespread concern to change and improve the management arrangements suggests a belief that the structures, processes, and resource bases are themselves factors that contribute to effectiveness. To illustrate, the performance of a car owes much both to its driver and to the driving conditions—that is, the state of the road, the traffic, the weather. But its inherent characteristics—engine power, road holding, fuel efficiency, and so on—

constitute a third element to the equation. Just so, the institutional characteristics of urban government play a part in determining its effectiveness, along with the people who run it and the environment within which it operates.

vii. This paper focuses on selected elements of urban management arrangements and on their impact on the effectiveness of urban government in managing urban growth. Characteristics examined are the structure of urban government agencies, the division of tasks between them, their staffing and resource bases, their internal organization and management processes, their relations with central government, and their interaction with private and community organizations. It discusses how differences in these characteristics contribute to (or detract from) effectiveness. In doing so, it acknowledges fully that these characteristics themselves are only one set of factors that determine the success or failure of urban government.

viii. In evaluating the effectiveness of urban government arrangements, six criteria have been used by the research team:

1. Technical competence in the choice, design, and execution of investment in infrastructure and in its operation and maintenance.
2. Efficiency in the use of resources—financial, human, and physical—through good budgeting, project appraisal, personnel management, and program execution.
3. Financial viability based on vigorous exploitation of the local revenue base and on sound financial management.
4. Responsiveness to the needs arising from urban growth, with the ability to plan the development of the city and its services ahead of, or at least in pace with, demand.
5. Sensitivity to the needs of the urban poor and a weighting of public interventions to promote their access to shelter, basic services, and employment.
6. Concern for environmental protection through public service provision and the regulation of the private sector.

The Content of the Research

ix. A preliminary phase of the research was funded by the World Bank and concentrated on local government reform. This research was documented in brief case studies of Brazil (Davey, 1989) and Turkey (Davey, 1988) and in the Bank discussion paper "Strengthening Municipal Government" (Davey, 1989).

x. The current phase, summarized in this paper, has looked at urban government institutions more broadly and has included case studies of Brazil (Porto Alegre and Recife); India (Ahmedabad and Anand in Gujarat and Baruipur and Bhadreswar in the Calcutta metropolitan area); Malaysia (Penang Island);

Mexico (Campeche and Hermosillo); Uganda (Jinja and Kabale); and Zimbabwe (Bulawayo and Mutare) (ILS 1991-92). An additional case study in the Philippines focused specifically on the impact of Bank-funded municipal development projects (Pasteur, 1991).

xi. Each of the case studies (apart from that of the Philippines) analyzed urban government in the study towns in terms of the individual characteristics listed in paragraph vii. The study attempted to assess the broad effectiveness of the local system in managing growth, and also tested it by examining in greater detail the operation of three services 1) water supply; 2) refuse collection; and 3) primary education. Accessibility played a part in the selection of the case study towns; however, the analysis was designed to provide coverage both of the three urbanizing continents and of a range of institutional arrangements, as discussed in Chapter I.

xii. Individual aspects of urban government have been analyzed in six working papers. These draw substantially, but not exclusively, on the case studies. They benefit also from other comparative material and from the experience of the research team, who have worked full-time in seven other countries and as short-term consultants in an additional fourteen. These six papers focus on:

- The Structure and Functions of Urban Government (No. 1)
- Internal Organization and Management (No. 2)
- The Staffing of Urban Government (No. 3)
- Urban Government Finance (No. 4)
- Central Local Relations (No. 5)
- Public, Private and Community Organization (No. 6).

xiii. These working papers have been published in draft form. They are intended to form the basis for discussion with international specialists in urban management. Final versions will be published after this review.

Results of the Research

xiv. Aspects covered by the research have been the structure and functions of urban government, its internal organization and management process, its staffing and financing, and its relations with the private sector and community organization. The following general conclusions are alluded to in the paper.

xv. **Management of Individual Services.** Private provision of services may be more effective in cases in which consumers can be charged and the scale of investment, the technology, and the maturity of the business sector permit competition. Where technology and the scale of investment are likely to deter competition and encourage monopoly supply, private provision may also be effective, but only if urban government has the capacity to protect the public from excessive charges and to ensure affordable services.

to low-income consumers. Whether services are publicly or privately managed, the specification and costing of performance standards, including maintenance and replacement cycles, are vital to effective and efficient delivery.

xvi. **Management of City Development.** Effective urban management requires more than competence in running individual services. These need some degree of integration in relation to new settlement, redevelopment of deprived areas, and the response to overall challenges, such as unemployment, the decline of traditional economic activity, and environmental deterioration. Municipal government may provide effective leadership in planning the overall development of a town and in responding to economic, social, and environmental problems—that is, if it has the necessary attributes. These include comprehensive boundaries, wide responsibilities, a buoyant revenue base, and well-qualified, professional staffing.

xvii. **External Intervention.** Attempts by national governments and donors to improve urban management need to recognize the political risks and exposure of urban government. Enhancing cost recovery, labor productivity, or regulatory enforcement needs to be closely associated in time with visible improvements in services and environmental conditions to encourage public support. Political critical paths are important, including attention to the terms of municipal office and to the timing of elections.

xviii. **Central-local Relations.** Despite the current emphasis on decentralization, the role of central government will remain important in most countries because of its command over major investment funding, the statutory framework, and the operating controls over local agencies. Central-local relations are critical to urban management and need to be as positive and collaborative as possible.

xix. **Organizational Effectiveness.** Individual attributes and practices contribute to effectiveness. But it depends above all on a culture of performance, public service, and efficiency. This derives essentially from a combination of circumstances—challenging tasks, adequate powers and boundaries, buoyant resources—all enhancing the agency's ability to deliver service and command public respect.

The Purpose and Content of this Paper

xx. This paper is the seventh and last in the series of working papers. It seeks both to provide an overview of the findings of the case studies and working papers, and to focus specifically on the process and experience of reforming urban government institutions.

xxi. The paper is organized in eight chapters. Chapters I and II summarize the case studies and working papers; Chapters III, IV, and V seek to link institutional frameworks with effective management; Chapters VI and VII look at the directions and experience of attempts to reform urban government; and Chapter VIII contains conclusions and recommendations.

I. INSTITUTIONAL VARIETY: THE CASE EVIDENCE

Introduction

1.1 What urban government does, who precisely does it, and with what resources it is done vary greatly from country to country and even from town to town. In dealing with arrangements for urban management, we are dealing with diversity.

1.2 Historically, the term *urban government* has been synonymous with that of municipal administration. In Europe, growing medieval towns secured some degree of local self-government, partly because urban commerce and environments demanded interventions that rural administration was not accustomed to provide, and in part because the towns could generate resources for civic improvement. The same process was repeated in the nineteenth century, both in the new industrial cities in Europe and in the growing towns in the Americas and Asia. Local government institutions were also widely fostered by the colonial powers in Africa and Asia in the post-1945 prelude to Independence.

1.3 During the 1960s and 1970s, the national, state, and provincial governments became far more closely involved in urban management, either directly or through the parastatal agencies established by these governments. There were a number of reasons for this development, including a growing appreciation of the scale and challenge of urbanization, a post-Independence backlash against decentralization, and the intervention of international donors that were bound by protocol to operate through national governments. During the past fifteen years or so, policies of governments and donors have generally favored a revival of municipal responsibilities and resources. Both centralizing and decentralizing movements, however, varied in their intensity. The result is a great diversity in the distribution of urban government tasks and resources between central or state governments, parastatal bodies, and local government. The role of municipal administration varies from dominant to residual.

1.4 The balance of activity between public and private sectors also varies substantially. In many towns, urban growth has frequently outpaced the public sector response with the result that communities, particularly in the poorer neighborhoods, have had to fend for themselves in terms of basic services, such as water supply or refuse collection. The more affluent frequently choose to pay for private services, such as education and medical care, in preference to those provided by government. In recent years, government and donor policies have often favored participation by the private sector in the provision or management of urban services, both to ease the strain on public resources and to gain greater efficiency.

1.5 The varying relationships between public and private sectors in the management of urban services adds to the diversity within the public sector itself. This is compounded by other factors, such as the size of jurisdictions, the composition of local revenue and staffing bases, and the nature of the political system. The spectrum of institutional arrangements is well-illustrated by the following case cities.

Zimbabwe: Bulawayo and Mutare

1.6 Bulawayo and Mutare represent the classical model of urban government in which the elected local government plays the dominant role. Municipal boundaries encompass the whole urban settlement and are readily expanded to take in areas of potential expansion. Municipal functions are comprehensive and

include roads, housing, water supply and sewerage, primary education and health care, and planning and development control. The major (and disastrous) exception has been bulk water sources, which are controlled by central government. Councillors, who are elected regularly and competitively and represent individual wards, supervise the municipal administration; they are involved in executive as well as legislative oversight through an Anglophone committee system. Local accountability is reinforced by an active network of residents' associations and by a systematic process of public consultation preceding the annual formulation of budgets and the revision of taxes and charges.

1.7 The central government pays the school teachers' salaries. Otherwise, the municipalities are largely self-sufficient so far as recurrent expenditure is concerned; most capital investment is financed by loans that their tax and charging revenues service. Their revenue base is a combination of property taxes, service charges, vehicle and other licensing fees, a 5 percent surcharge on electricity bills, and the profits on liquor undertakings. The general revenues have kept pace with inflation because of regular rates and tariff revision, but not quite as well with population growth. Viability has been sustained, however, by careful budgeting and budgetary control, restraint on overhead cost, and a determined service charging policy that has kept water charges, housing rents, and so forth, in line with overall cost, including debt service.

1.8 Services are largely managed by normal departmental structures, which are supervised by council committees. Municipalities appoint and employ their own staff, although they are subject to central government approval. They have been successful in maintaining a high standard of professional qualification and competence among senior staff and in fighting off attempts to relax these for patronage purposes. Particularly in Bulawayo, town clerks play a key role in the coordination and preservation of a responsive and efficient organizational culture, which goes well beyond their formal authority.

1.9 Both cities are growing fast with estimated populations of 820,000 and 100,000, respectively, in 1991. Bulawayo's last recorded intercensal rate was 6.5 percent a year and Mutare's, 5.1 percent. Nevertheless, the general standard of services and infrastructure has been well-maintained. The major exception has been the failure (by central government) to augment the capacity of the water storage dams, which has had to catastrophic shortages in Bulawayo during the recent drought. Despite diversification, housing construction has not responded fully to population growth and to the capacities of the lowest income groups; the excess demand has been reflected in overcrowding and "backyard squatting" rather than shanty towns, so that standards of infrastructural provision have largely been sustained.

1.10 Public provision of low-income housing has been increasingly modified by diversified approaches that accord larger roles to employers, cooperatives, commercial developers, and householders in housing construction, although municipalities retain an important role in providing serviced land. Otherwise, local government has largely retained its traditional role in direct service provision and production. Nevertheless, it is considering contracting out a variety of services, including security, nursery education, community halls, and recreational facilities.

1.11 Both municipalities have maintained a professional and businesslike approach to the management of their cities. This was threatened by one period of political leadership in Mutare but was restored after central government intervention. With exceptions, the role of the central government has been supportive; its ambitions have been directed more to the upgrading of administration and services in rural areas.

Brazil: Porto Alegre and Recife

1.12 In Brazil, municipal administration also occupies a preeminent position in urban government. It has at least three sources of potential strength: one is a degree of constitutionally protected autonomy that is probably unique. The Constitution protects the regularity of municipal elections and gives the municipalities the freedom to determine their organization and functions and to exploit their allotted revenues with no external interference other than an audit. It also allocates to the municipalities guaranteed and rising shares of federal and state tax revenue, including that derived from income and value-added plus their own levies on services, property, and fuel. Finally, the concentration of executive authority in a directly elected mayor provides a strong potential focus for leadership and accountability.

1.13 This potentially strong municipal capacity for urban management is undermined in practice by a number of factors; the first is geographical fragmentation. Porto Alegre, a city of 1.4 million people, is only the largest of 22 municipalities in a metropolitan area of 2.5 million. Recife, with 1.3 million people, is one of 12 municipalities in a metropolitan region of 2.3 million. Major problems of water source protection, refuse and sewage disposal, drainage and public transportation remain unresolved through the lack of metropolitanwide agreement and action. There have been metropolitan planning and coordination authorities in both areas—METROPLAN in Porto Alegre and FIDEM in Recife. Political rivalry between municipalities and between them and the state administrations, however, has robbed them of the authority to impose solutions or gain compliance, except where they have had investment funds (largely from the Bank) to dispense.

1.14 Second, the Constitution gives municipalities ample freedom to undertake tasks but few exclusive functions. As a result, there is much functional fragmentation. State and municipal administrations and the private sector undertake parallel activities in sectors such as housing, health care, roads and public transport, industrial and commercial development, and preschool primary and secondary education. A state enterprise, COMPESA, provides water and sewerage in Recife, but this remains a municipal responsibility in Porto Alegre. Parallel provision is not a bad thing in itself. It offers potential for choice and competition, but its weakness is the absence of a clear focus of responsibility for ensuring that an adequate service is provided.

1.15 A second factor is the fragmentation *within* municipal administrations. A separation of the executive and legislative powers and the independent election of mayors and councils places the two almost in opposition. Councils cannot control the executive, but they can obstruct it, particularly when hyperinflation subjects budgets to repetitive adjustment. Similarly, within the executive, secretariats, autarchies, and semiautonomous foundations can behave like feudal fiefdoms, defying strategic direction. Their heads are appointed by the mayor—often to pay political debts.

1.16 A third factor is political discontinuity arising from the weakness of political parties as a source of cohesion, the constitutional ban on reelection of officials at all levels, and the “posts of confidence” system, under which all managerial-level posts (in Porto Alegre down to head park keeper) are held by gubernatorial or mayoral appointees for the term of a single administration. A large proportion of these appointments are in fact made from within the ranks of the agency concerned, but tenure is nevertheless limited. Again, discontinuity is not all bad. It can bring a freshness of approach and permit a new leader to choose subordinates wedded to his or her values and priorities. Similarly, within the executive, responsibilities are divided between secretariats and “arms length” autarchies and foundations; all can behave as

feudal fiefdoms, defying strategic direction. Their heads are appointed by the mayor; his control is often weakened by the need to pay political debts.

1.17 Hyperinflation is a final source of instability. Both cities have elaborate hierarchies of plans, involving extensive public participation and professional input. But from case evidence, the only decisionmaking processes that have much real impact on resource allocation are the budgets governing limited periods—no more than three months. Any plan of longer duration loses relation to real levels of revenue and cost. Although most tax and fee rates are indexed to rates of inflation, they rarely keep up fully with price increases.

1.18 The revenue base of both municipal and parastatal authorities has been undermined by poor administration—defective registration, assessment, and billing and collection. During the study period, serious attempts at improvement were underway in both cities with early success in Porto Alegre but with unknown results in Recife. The main casualty has been falling levels of capital investment with the significant exception of municipally run water supply in Porto Alegre.

1.19 Private agencies operate a number of services in parallel to public provision, including education, health care, and transport. These normally cater to middle and higher income groups. In both cities a range of cleansing operations, including refuse collection, have been contracted out to private enterprise in certain parts of the city. Direct municipal labor continues to service the poorer and less accessible areas. The contractors are more efficient in their management of labor and equipment, although differences in the working environments make overall comparison difficult.

1.20 By comparison with the Zimbabwean cities, services and conditions in Porto Alegre and Recife are of more uneven coverage and quality. These services and conditions are not as superior as differences in economic levels and urban growth rates would suggest. (This also applies to a comparison between Porto Alegre and Recife themselves, which are located in regions with radically different income levels.) In both cities, refuse collection is effective, but disposal is highly defective with little separation of toxic wastes and hence with contamination of water sources. Water supply coverage is abundant in Porto Alegre but is subject to severe rationing in Recife. Sewerage covers only 46 percent of households in Porto Alegre and 20 percent in Recife; in both, sewage is discharged into rivers or coastal waters untreated. Furthermore, 40 percent of Recife's roads are unpaved.

1.21 In both cities, major efforts are being made to increase the coverage of primary education and the provision for adult literacy and to retain children of poor households through school meal provision. But dropout rates remain high. Capital investment has suffered from the withdrawal of federal loans and subsidies, but revenues could make a larger direct contribution or amortize more loan finance if they were not preempted by high administrative overheads and, in some cases, excessive staffing levels. The degree of autonomy within which all agencies operate in Brazil and the limited term of office of most senior managers encourages fresh initiatives and responses to perceived areas of need. But the extent of competition and the political discontinuity are impediments to sustained efficiency and systematic service coverage.

India: Ahmedabad in Gujarat

1.22 The case of Ahmedabad has some similarities to the Zimbabwean and Brazilian cases. As in Bulawayo, the Municipal Corporation (the Corporation) has a fairly comprehensive range of functional

responsibilities and regulatory powers within its boundaries including health, transport, primary education, and water and sewerage. Only in the case of housing is there a significant overlap with higher levels of government. Like Porto Alegre and Recife, Ahmedabad has a diverse and potentially buoyant revenue base with *octroi*, a tax on goods entering the municipality for sale or processing contributing a growing proportion—nearly half.

1.23 In the past, this system of administration has provided the base for relatively effective service coverage—for example, a large proportion (about 80 percent) of residents living in formal housing, a comprehensive network of water connections and sewer lines, and enough school places to meet demand.

1.24 Yet this coverage shows marked signs of deterioration. Water supply extensions have only been possible at the cost of severe rationing. Corrosion and seepage have been responsible for loss of quality. Coupled with a situation in which 500,000 out of the city's 3 million population have no sanitary facilities, this has led to increasing disease and to a reversal of the previous decline in infant mortality. School dropout rates are high. The quality of private schools is said to be better, although they have bigger classes, fewer and lower paid teachers, and spend less for each pupil. Only refuse collection can be said to be improving as a result of technical changes introduced by a Bank loan, but even so, from an abysmal situation in which refuse was only collected after being dumped in the streets and even then only in formally authorized neighborhoods.

1.25 Several institutional shortcomings contribute to this modest level of public performance. The first relates to jurisdiction. The practice has been to extend the municipal boundary to take in new areas of urban settlement, but only after they have been developed. The Corporation's area has doubled in size roughly every twenty-five years. The last extension was in 1991, but even so there are still about 425,000 people in peripheral urban areas. Outside the Corporation's boundary, there are few public services and little control; industries discharge untreated effluent straight into rivers, there is no refuse collection or sewerage, and only one school exists (with no building) for an area with 60,000 people. Whenever the Corporation's jurisdiction is extended, it has to wrestle with a massive backlog in infrastructure.

1.26 The second shortcoming relates to the fact that although *octroi* is relatively well-administered and buoyant, other major revenue sources are poorly exploited. Property taxation is hamstrung by judicial restraints on valuation and weak enforcement, while litigation affects nearly two-thirds of current demand. As only 12 percent of revenue, this performance would not matter too much in itself, but it drags down water charging with it. The consequences include declining percentages of capital financing and operating deficits in five out of the last six years.

1.27 Behind this decline in effectiveness lies a fragmentation of power and a reactive rather than strategic style. Ahmedabad has a directly, regularly, and competitively elected council, or general board. With 127 members, the city has a largely ceremonial mayor, an elaborate committee structure, and weak party organization and thus lacks cohesive leadership and direction. Executive authority lies not with the elected body, but with the municipal commissioner, who is a civil servant nominated and posted by the state government. Although strong in power and prestige, commissioners serve on average for no more than one year, far too short a period to assert real authority over a large organization. Effective authority lies with a hierarchy of deputy commissioners and departmental heads, who are strongly wedded to the defense of departmental interests. Power is diffused; even financial management responsibility is shared between four deputy commissioners, and professional continuity is provided by relatively junior officials. Budgeting is

largely incremental, with departmental shares jealously preserved. Staffing levels are not excessive and have generally declined in relation to population, but there is little formal training, and what limited promotion there is depends largely on seniority. To quote Batley, "at its best this is a system which gives due respect to professional standards and which maintains continuity through routines. At its worst, it is not a system which can be easily mobilized to achieve institutional objectives."

1.28 The private sector provides alternative services for higher income groups in health, education, and transport, being able to offer better standard education at lower cost through its ability to recruit graduate teachers (who are debarred from service in public primary schools by state regulation, despite their superfluity). Electricity is also privately operated under state regulation. But contracting out, even in the case of capital construction, is virtually nonexistent. Joint venture activity is undertaken in land pooling and development schemes, though under strong state government direction.

Uganda: Jinja and Kabale

1.29 The Ugandan cases illustrate a historically strong system of municipal government that has been undermined by a prolonged period of political conflict and economic collapse. Recovery is taking place but only by significant departure from the formal models. The extreme difficulties under which urban government is operating make the case exceptional. But some of the factors aiding recovery have greater relevance for other economies under severe stress.

1.30 Governed by indirectly elected councils operating through an Anglophone committee system, municipalities formally have the dominant role in urban management. Of the major urban functions, only water supply and sewerage lie outside their remit. Their tax base includes property rating and a graduated personal tax. The central government pays teachers' salaries, has strong supervisory powers, and seconds the principal officers from central cadres.

1.31 The long period of political instability from 1971 to 1986 and the hyperinflation that continued until 1990 had many devastating effects on urban management. They led to the closure or drastic decay of most of the industry on which Jinja's prosperity had been based. They removed the Asian populations who owned most of the property and business in central districts and reduced the real value of many revenue sources, including property taxes and staff wages to nominal levels. They turned municipal vehicle and equipment pools into "graveyards"—for example, to disconnect defaulters, the Kabale water department even has to borrow tools. Physical infrastructure decayed in the absence of maintenance and repair. Government revenues have declined to as low as 5 percent of GDP in 1988–90.

1.32 Recovery is under way but by varied routes. Jinja and, to a lesser extent, Kabale have increased revenues substantially in real terms by exploiting the sources of market, by collecting bus and taxi park dues, and through a graduated personal taxation that penetrates the thriving informal economy and trade in food. Jinja and, to a lesser extent Kabale, have increased revenues substantially in real terms by exploiting the sources of market, bus and taxi park dues and graduated personal taxation that penetrate a thriving formal economy and trade in food.

1.33 Meanwhile, parents effectively finance the schools by their own contributions, augmenting the negligible budget for teacher salaries, equipment, and building repair. Education has been sustained by

this process, though equity has suffered. The best teachers are attracted to the most affluent (or least poor) neighborhoods; children of poor households may be turned away.

1.34 Donors effectively supply what drugs and immunization are available, repair the roads, provide school books, and renew the water supply plant. These aspects of local services have become not so much centralized as "projectized."

1.35 The municipal councils are the fourth tier in a hierarchy of Resistance Councils, directly elected at the lowest tier and each appointing members of the next tier above. The members take an active role in urban management, supervising expenditure in detail, physically checking revenue collections, collecting money to pay local standpipe charges, and ensuring that refuse is discarded in the municipal skips. Principal officers lack support staff; only the top jobs that provide housing and transport can attract recruits, because these, rather than meager salaries, are the real rewards. The professional competence and commitment of these seconded officers has been crucial to the survival and recovery of municipal government, although management is inevitably hand to mouth and personalized.

1.36 Water supply and sewerage provides a contrast between the two towns. In Jinja, these are operated by the National Water and Sewerage Corporation. With substantial donor aid this is an effective organization, which has carried out a widespread repair and extension of plant, has invested in the training and performance-related reward of a well-motivated staff, and places great emphasis on cost recovery. Default by the government and parastatals is still a major financial weakness, but the Corporation is self-sufficient so far as recurrent costs are concerned. In Kabale, responsibility lies with the local branch of the ministry of mineral and water development. Its staff struggle to maintain an exiguous service with virtually no tools and equipment; cost recovery is negligible.

India: Baruipur and Bhadreswar in the Calcutta Metropolitan Area

1.37 Urban government in the Calcutta metropolitan area is extremely fragmented, geographically and functionally. The population of 13 million is divided between 107 local authorities, varying immensely in size and legal status. These carry out a restricted set of maintenance tasks. State-level agencies are responsible, among other things, for planning and development control, education, medical care, bulk water supply, trunk sewerage, and land development. Private enterprise operates electricity supply and (ineffectively) bus transport.

1.38 With major assistance from the Union government and the Bank, the Calcutta Metropolitan Authority, a state government subsidiary, has played the main role in coordinating and executing large extensions of trunk infrastructure and sium improvement. Its relative success in these efforts was offset by an inability to secure municipal cooperation in maintaining the assets it created, and a failure to develop effective secondary distribution systems, such as local roads, water connections, sewers, and alternative sanitary provision.

1.39 In response to these defects and to the growing dependence of local authorities on state subventions, the West Bengal government launched a major program of municipal reform in the mid-1980s. Election of local bodies was reinstated after a lengthy period of state administration. State government officers were to be seconded to chief officer posts in municipalities. A central valuation board was established to overhaul property tax assessment. A municipal finance commission recommended a grant

system that expected and thus rewarded improvement in local revenue collection and restraint in the growth of recurrent, and particularly personnel, costs. Above all, municipalities were accorded access to loans and grants to undertake a wide range of local infrastructural improvements selected by them from an "a la carte" menu.

1.40 The reforms have had mixed success. So long as Bank funding lasted, the infrastructural improvement program was highly effective both in volume and quality. Attempts to increase the incidence of property and water rating met much resistance and litigation, but collection ratios improved markedly, although at a considerable administrative cost. Expenditure restraint gave way under the pressure of state ordained pay rises and increased asset maintenance costs. The incentive grant system was undermined by the failure of state government to apply penalties. Secondment failed to attract chief officers of quality, but subprofessional staff proved adequate for most technical requirements. The introduction of executive chairmen has generally added direction to municipal performance. But the financial collapse of state government and the withdrawal of the Bank has brought the reform process to a halt, and the future is extremely uncertain.

1.41 Given Calcutta's long-standing economic decline, the prevalence of poverty and unemployment, the unfavorable physical environment, and the administrative and political turbulence, the standard of services is better than might be supposed. Water supplies and sanitation have improved considerably as a result of recent investment, and local road networks are relatively well-maintained. Housing conditions remain poor, though access to basic services has improved. As usual, the collection of refuse is better than its disposal. A rudimentary, but widespread, system of education and medical care is provided by a mixture of local, state, private, and voluntary agencies. Public transport is congested and unreliable, and not helped by the concentration of most public investment in a very limited metro system.

1.42 Public participation is highly politicized. Ward committees are very active in formulating demands and monitoring local capital works but limited to supporters of the ruling party. The private sector has its own spheres of operation, but is not welcome to share in those of the public sector, except in executing capital works.

Mexico: Campeche and Hermosillo

1.43 On paper, urban management is highly fragmented in Mexico as well. Some cities are divided between jurisdictions—state as well as municipal—though this is not the case in Campeche and Hermosillo, where municipal boundaries encompass the core town and substantial rural hinterlands.

1.44 Functional fragmentation applies to all towns. Although the Constitution invests municipalities with responsibility for core urban tasks, they are very dependent on higher levels of government. Lacking any legislative power, they must rely on state congresses to approve the rates and assessment conditions of taxes and charges, zoning regulations, and any other decisions imposing restraints or obligations on citizens. Federal revenue shares provide 70 percent of their revenues, exchanged historically for surrender of local taxes on commerce. Nonrenewable, three-year terms of office for municipal presidents and assemblies together with pre- and postelection hiatus severely restrict periods of effective municipal action. Because many managerial posts (or in smaller authorities *all* employment) are occupied by single-term appointments, executive discontinuity is extreme.

1.45 Federal secretariats have been directly responsible for most education and medical services. Federal enterprises provide electricity and telecommunications, while state enterprises provide most water and sewerage. State-led companies are heavily involved in land development and housing. The private sector also engages heavily in the latter sectors, sometimes in partnership and sometimes merely in consultation with the state. Much residential development is initially informal, land invasions being common and often virtually state-sponsored, and subsequent legalization and servicing involve a degree of partnership between communities and state machinery.

1.46 In practice, urban management is far more integrated than the formal structures suggest. Cohesion comes from at least two sources. The first is the pervasive role of the ruling party, PRI. A hierarchy of nomination and patronage links federal, state, and municipal officials. A close network of professionals—lawyers, engineers, planners, accountants, and the like—rotate between the appropriate posts in administrations and enterprises at the three levels. Interest groups, such as business and labor unions, and community associations are incorporated in the political movement—again by ties of consultation and patronage.

1.47 This degree of political integration could be a recipe for corruption and inertia, but for one countervailing force. Opposition parties have begun to pose a serious threat to PRI's monopoly of power, making the last presidential election a close call and actually winning control of isolated states and municipalities. PRI has had to respond to the challenge with more dynamic policies. Improving the living conditions of urban immigrants has become one of the priorities on this urgent political agenda.

1.48 The second source of integration has been a coordinated planning process, stimulated by the political cohesion and priorities just described. State and municipal planning committees bring together representatives of lead agencies at all levels and of private enterprise. Annual agreements in contractual form govern the individual investment plans of federal, state, and municipal agencies together with the allocation of regional development and national solidarity funds that are available for projects funded cooperatively but mainly designed and executed by municipal administrations.

1.49 In the case of Hermosillo, this structure of coordinated investment has been augmented by three agencies responsible for different types of land and housing development, again linking state, municipal, and private sector interests.

1.50 Although the systems of finance and management are universal within Mexico, there are contrasts in performance between the two towns studied that can be attributed to differences in organizational culture between the fast industrializing north and the largely agricultural south. Hermosillo in the fast industrializing north, has grown at twice the rate of Campeche in the south over the last two decades, spends less per capita, and still manages to provide better services. The whole population is served by water connections and twenty-four hour supply, and the bulk by sewerage; charges are well-collected, and they cover operating costs fully and capital costs partially. Refuse collection is both effective and efficient. The rate of formal housing construction has kept ahead of population growth and the backlog is lessening. In Campeche, water supply is intermittent, and informal settlements do not have sewers. Charges are poorly collected and even operating costs require some subsidy. Refuse collection is inadequate in both coverage and frequency. Nearly 40 percent of the population live in informal housing settlements, and the pace of regularization and servicing fall well behind that of Hermosillo.

1.51 Private and community organizations are drawn into the development of infrastructure in Mexico, but not into the routine operation of public services. These remain firmly in the hands of public agencies. Staffing levels in the public sector are low—possibly too low in some cases. In the 1980s, the division of responsibility between state and municipal administrations and the buoyancy of federal revenue sharing led to a severe decline in local revenues, particularly property taxation, although inclusion of incentive elements in a new federal revenue sharing formula have partially reversed the trend recently.

Malaysia: Penang Island

1.52 Urban management in Penang Island is dominated by the state government of Penang. Although functions are fragmented between federal, state, and municipal governments and their subsidiaries, it is the state government that gives a degree of strategic direction.

1.53 Although enlarged in 1974 from the historic core of George Town to take in the whole island, the municipality has lost its former central role in a sequence of changes. Since 1966, elections to its council have been suspended and members are now nominated by the state government. Its responsibility for water supply was taken over by the Penang Water Authority; for electricity, by a federal enterprise; for fire services, by a federal ministry; for housing, by the state government. The Penang Development Corporation (PDC) has constructed industrial estates, new townships, and low-cost housing, promoted a free trade zone, and undertaken extensive urban renewal. Education and health care are managed directly by the federal government.

1.54 The municipal role is subordinate and restricted but still substantial. It includes physical planning and development control and a host of other regulatory powers, roads, recreation and the services that no one else wants, such as sewerage, refuse collection, and the operation of the bus company. Its performance has been patchy, constrained by a narrow revenue base, a large and overly secure work force, rising overhead, and conditions of service that attract well-qualified staff but deter ambition. Services range in sophistication from computer controlled and interlinked traffic lights to bucket latrines. Refuse collection has suffered from the ill discipline of the public and difficulties in supervising contractors. Lack of capital has prevented adequate investment in sewage treatment, to the obvious detriment of the tourist beaches. Revenues grew modestly until a property tax revaluation was mishandled, but never sufficiently to support major capital expenditure.

1.55 Federal- and state-run services have been well-sustained. The water authority has maintained high levels of coverage and cost recovery. The education service has been well-funded and managed, with local governing bodies augmenting federal supervision.

1.56 Despite the fragmentation of responsibilities the development of Penang Island has not lacked strategic direction. Two things have helped. One is the proximity of state government and the strong interest of a long-serving chief minister. The Island occupies nearly a third of the state's area and has over half (530,000 in 1989) of its 1,142,000 population. In size rather than constitutional status, the state government corresponds to a metropolitan government.

1.57 The other important factor is the strong sense of direction imparted by the federal *Bumiputra* and *Vision 2020* policies. These have given much impetus to the PDC's programs, providing housing and employment opportunities to the lower income groups and promoting industrial and tourist development.

Of all the case cities, Penang Island demonstrates the most concerted government action to stimulate economic activity. In contrast with a 14 percent unemployment rate twenty years ago, the Island now suffers from a labor shortage. The biggest failures are in the environmental areas to which little priority has been attached until recently.

1.58 The vigorous, motivated style and lean organization of the PDC contrast starkly with the municipality. Yet, the PDC is untrammled by responsibilities for maintenance and only plays the glamorous parts. It is also questionable whether an agency more exposed to public pressure would have built anything as controversial as the KOMTAR tower, a 65-storey office, shopping and recreational complex which dominates the city's skyline and contrasts with its traditional architectural character.

II. ELEMENTS OF URBAN MANAGEMENT: THE WORKING PAPERS

Introduction

2.1 This chapter summarizes the findings of the working papers that examined individual elements of urban management arrangements. It starts with the topic of public and private sector relationships (Working Paper No. 6), which establishes the scope of urban government. The paper on central local relations (No. 5) is summarized in Chapter VII.

Public and Private Sector Relationships

2.2 The role of urban government in managing urban growth cannot be taken for granted in the context of today's debate. The first question is not how well government is performing a task, but whether it should be undertaking it at all. One must first examine the boundaries of public intervention.

2.3 Rondinelli defines the four tasks of urban government as:

1. "providing infrastructure essential to the efficient operation of cities;
2. providing services that develop human resources, improve productivity, and raise the standard of living of urban residents;
3. regulating private activities that affect community welfare and the health and safety of the urban population; and
4. providing services and facilities that support productive activities and allow private enterprise to operate efficiently in urban areas" (Rondinelli, 1990).

All but the third of these tasks involve the provision of infrastructure and services. A distinction is frequently and rightly drawn, however, between *providing* a service and *producing* it. Provision is taken to mean deciding on the quantity and quality of a service and ensuring that it is financed and executed, while production describes the deployment and management of staff and other resources to deliver it. The two can be, and often are, divorced.

2.4 At some time and place, however, almost all urban services are provided by private organizations. Moreover, even if they are provided by the public sector, they may well be produced by private organizations. Are there any criteria for deciding the proper division of responsibility between the public and private sectors?

2.5 Theory suggests that public intervention is only necessary when private enterprise cannot or will not provide a service at a level essential to public welfare. First, private enterprise cannot do so if:

- There is no means of recovering costs from the consumer, because a service is of collective benefit and the amount of individual consumption cannot be measured (environmental health, for example).
- Individual consumption can be measured, but the service involves an element of

collective, rather than personal benefit, for which the consumer would be unwilling to pay.

- Imposing full costs on the consumer would prevent equitable access to a service that all income groups should enjoy.

2.6 Second, private enterprise *will not* provide a service if the investment needed is beyond its resources and the returns would be too low, risky, or delayed.

2.7 Third, there are circumstances in which private enterprise can and will provide a service, but its technical nature or the scale of investment prohibit competition. Government intervention might then be necessary to protect the public from the exercise of monopolistic power.

2.8 Although these arguments justify public intervention in a range of services, there are various options for the manner in which this takes place:

- If the problem relates solely to monopolistic power, government can leave provision with the private sector but regulate its standards and tariffs (as in the case of privatized electricity supply or telecommunications).
- If the problem is the inability of lower income groups to pay for a service, government can again leave it in private sector hands but subsidize their incomes or their consumption, however, providing that cost and eligibility can be determined (not always an easy task).
- In all the other circumstances requiring intervention, government can, at least theoretically, provide a service by paying the private sector to produce it.
- Finally, government can intervene both by providing and producing a service.

2.9 One need not, of course, accept the limits on public intervention that classical economic theory imposes. Socialist systems do not; and a number of central European countries, including Germany, have long traditions of municipal engagement in commercial enterprise that do not fit any of the categories of market failure outlined in paragraphs 2.5 to 2.7. But it is difficult to counter the argument that public intervention in these circumstances is not fully subject to the market tests of demand that determine efficient supply. Governments can, and sometimes do a) decree that all pupils should wear a school uniform they might not like and b) award themselves the sole right to sell it at an uncompetitive cost.

2.10 If public intervention is justified, should government produce a service? Or should government finance, subsidize, or regulate the delivery of a private organization? Five arguments are frequently advanced in favor of *private* sector production:

1. The intrinsic merits of private enterprise in terms of encouraging initiative and breaking the concentration of power.
2. The possibility of mobilizing extra resources of capital or expertise.

3. The superior efficiency arising from the threat of competition and a greater freedom or propensity to rationalize labor, reward performance, and so forth.
4. The freedom from the rigidity of bureaucratic procedure.
5. The ability to realize economies of scale, particularly in serving a number of jurisdictions.

2.11 Public choice theory adds the additional argument that the involvement of private organizations in service production expands opportunity for consumers to exercise a market choice between type and source.

2.12 There are two lines of counterargument. The first is that the merits of private sector production depend on the following assumptions:

- Private organizations have the capacity to invest in the physical plant or human resources needed for the task.
- There will be alternative sources of supply and a free and honest choice between them—that is, genuine competition.
- Private supply will be both susceptible and subject to effective regulation by the government.

These may not always be valid. Start-up costs or the immaturity of the business sector may restrict the number of potential suppliers. Nepotism or “ringing” may hinder an efficient choice between them and subsequently inflate costs. The lack of skills or integrity may impair governmental regulation. Alternatively, the strength of competition may drive producers to cut the quality of service or to exploit their labor force.

2.13 The second counterargument is that the same advantages can be obtained within public sector production. Efficiency can result from a sense of public service that is reinforced by professionalism, political accountability, a clearer specification of expected standards, and performance-related pay and promotion structures. Market choice can be provided within the public sector by greater participation by users (through parent governors of schools, for example) or by internal markets—self-accounting institutions competing for custom and paid according to usage.

2.14 What light does the empirical evidence of case material and parallel experience shed on these arguments? In the case study cities, private sector participation is most common in public transport, markets, education, housing, and refuse collection. Communities are typically involved in improving residential settlements and in contributing to public works. Land development is frequently undertaken by some form of partnership between government and private enterprise. The state typically provides land acquisition and trunk infrastructure while private enterprise undertakes the investment in on-site services and housing construction. Only the Indian cases offer examples of private electricity supply under franchise. There are no cases of private supplies of piped water, although these do operate in parts of Francophone Africa. Private groundwater supply and water vending are important in areas in which the infrastructure does not include the public pipes. Generally, unsponsored private provision is common with respect to all types of service—

wherever government fails to provide such. But private production under public sponsorship is less widespread than the theoretical advocacy would suggest (except at the stage of capital construction). This could be because it is less feasible or effective than its apologists profess or because the public sector is overly jealous of its own direct supply. The truth probably lies in between these explanations, although the degree of involvement of the private sector—whether through contracting out, franchising, or establishing joint ventures—does not seem to correspond with the professed ideological leanings.

2.15 The presumption that production by the private sector is more efficient than public is given only selective support by the case studies. Refuse collection illustrates a mixed experience, for example. Contracted collection is clearly more efficient than the direct municipal service provided in the Brazilian cities where both operate, even allowing for the more difficult working conditions in the areas still served by direct labor. It has been less successful in Penang Island, and municipal services in Bulawayo and Hermosillo score some of the highest efficiency ratings. Primary education offers more examples, because supply offered in tandem by the public and private sectors is common. In Ahmedabad, private schools offer better education at less cost. The main explanation—a ban on the employment of the cheap and plentiful graduate teachers in public schools—can be regarded as a nontypical factor or as one typical of public sector rigidity, whichever interpretation suits one's cause. But, the public education systems in Malaysia and Mexico also score highly on performance indexes.

2.16 One conclusion is perhaps unfortunate. The most favorable circumstances for contracting out—genuine competition within the private sector and the greatest public sector capacity for contract regulation—tend to occur in those cities where it is least needed. That is, because the same environment encourages a businesslike management of public supply.

Urban Government Structure and Functions

2.17 Urban government tasks are not confined to services. Regulatory functions have been as important to the historical evolution of urban management and are being brought back to the center of attention by environmental concerns. Both service provision and environmental protection depend on the planning and coordination of development, including the efficient placement of new settlement and responsive investment in trunk infrastructure.

2.18 Within the public sector, responsibility for urban tasks again varies between central or state governments, parastatal bodies, and local government. Municipal government has been the traditional focus for urban government tasks, but central and state governments intervened increasingly in the 1960s and early 1970s. The last fifteen years have witnessed a general revival of municipal resources and responsibilities.

2.19 The role of municipal government within urban management ranges from dominant (in Bulawayo) to residual (in Penang Island). Many factors contribute to its relative weight, some of them political and historical. Whether an urban area that includes peripheral development is covered by a single jurisdiction is crucial to the ability of municipal government to provide trunk services and to plan and service development. This is well-illustrated by the Indian cases. The Ahmedabad Corporation, as a single, local authority, is clearly more influential than the fragmented municipalities in Calcutta but is still hamstrung because the peripheral areas are not added to its jurisdiction until already settled. The range of municipal functions and the scale and buoyancy of financial and professional resources also determine the significance of local government within urban government as a whole.

2.20 Turning to the criteria of effectiveness defined in the Executive Summary, the case evidence does not indicate any inherent difference in technical competence between types of urban government agency. The provision of a service by a central government needs an element of local participation to avoid rigidity and overstrain. Single-purpose state enterprises may be more successful in developing and retaining skilled professionals, where they are in short supply. Small municipalities have obvious difficulties in deploying skilled personnel and equipment, although these are overcome in a number of countries by intermunicipal cooperation (illustrated by the case of Brazil and Turkey) and contracting.

2.21 In cases of high unemployment, union militancy, or both, that coincide with political volatility, municipal government is prone to overmanning with adverse effects on its efficiency. Conversely, the provision of employment becomes a lever of political support. This is not a universal characteristic, and efficiency may be significantly improved during periods when the local business community intervenes strongly in local politics to upgrade the physical and economic fabric of the city. In some cities, the coalition between business and municipal leadership is a permanent feature with lasting impact on the style of local authority management. Anand and Hermosillo are cases in point. In others, the interest of the business community represents a purely temporary foray, and its values of strategic direction of resources recede in importance when leadership reverts to the habitual politicians—the teachers, traders, lawyers, and trade unionists.

2.22 The quality of service management does depend considerably on two other factors. The first priority is attached to the individual service as a result of its visibility and the political weight of its clientele. Sewage treatment suffers from neglect on the first count and primary education on the second (when public schools serve only the poorer families). The second is the extent to which service quality depends on public behavior as well as on staff competence; refuse collection clearly suffers in this respect.

2.23 Case evidence reveals no marked difference between type of urban government agency in the determination with which they maintain financial viability by uprating tariffs and enforcing payment. Both municipalities and parastatal enterprises (and their parent ministries) have shown temerity and timidity in face of these challenges. The parastatal enterprises are not more markedly successful in cost recovery than local authorities; the political leaders of their parent governments are even more prone to give in to public resistance to tariff revisions or enforcement because they are not faced directly with the financial consequences.

2.24 The case studies provide some examples of a flexible response by municipal governments to the needs of poor communities, to whose demands they are most directly exposed. That they are equally exposed to elite pressures and to an overall bias to the low-income groups or neighborhoods is not a typical or lasting characteristic of local government. Such priorities tend to be spasmodic, arising occasionally from political ideology, more commonly from a temporary threat to electoral position or arising from the service of particular patron-client relationships between individual leaders and communities.

2.25 Local authorities often play a highly effective part, however, in implementing national policies of poverty alleviation, usually with financial aid from the central government or donors. A sense of ultimate responsibility for political position and stability may spur central government to attend to the needs of low-income groups in countries with inclusive political systems. In any case, central governments often control most of the public economic levers affecting income distribution.

2.26 Parastatal enterprises may also promote services or employment for low-income groups under strong political direction, the work of INDEUR in Hermosillo being an outstanding example. But they are often oriented heavily to the development of services for middle-class and commercial areas, driven by the pressure to maximize rates of return on their invested capital and by the technocratic bias of their management.

2.27 With comprehensive boundaries and functions and a strong financial and professional base, municipal governments have shown the capacity for sustaining reasonable coverage and standards of service in the face of rapid urban growth. But this combination of attributes is the exception rather than the rule. More commonly, urban settlements are fragmented between municipal jurisdictions, and the functions that need to coalesce in responding to growth are divided between public agencies. These shortcomings are most acutely felt in the larger metropolitan areas.

2.28 Various solutions to fragmentation are examined in Working Paper No. 1. These solutions include the amalgamation of municipalities, boundary extensions, a two-tier system of local government, intermunicipal cooperation, and the creation of metropolitan planning and development authorities. Each has success stories to its credit; each serious obstacles to general replication. Political rivalry is often the biggest impediment; it can jeopardize amalgamations, thwart boundary extensions if both core and peripheral areas are governed by municipalities of equal legal status, and undermine the necessary degree of cooperation between multiple tiers of government. But the experience is not all negative; the research has illustrated cases in which common political loyalties are a cohesive influence.

2.29 The multipurpose development authorities established in many Asian cities have been successful in developing large tracts of land for middle-income residence and commercial use. But conflicts of interest, divorce from responsibility and resources for maintenance, and weak lines of public accountability have generally undermined their performance in the planning of physical development and investment. Their Latin American counterparts have generally been dependent on political and financial support from national governments and donors that has proved too ephemeral for sustained performance.

2.30 Fragmentation, both functional and geographical, is a particularly strong impediment to environmental protection. Pollution rarely respects boundaries. Most of the relevant regulatory tasks are normally performed by municipal government, but often their implementation arouses politically ambivalent attitudes. In the larger cities, environmental improvement usually depends on extensive cooperation between the levels of government as well as between the jurisdictions and thus on a sense of political urgency and external intervention by national government and donors. The air pollution abatement program in Mexico City provides a vivid illustration.

Internal Organization and Management Process

Executive authority

2.31 Experience shows that structural solutions alone cannot rectify the deficiencies of urban government. Improving urban management is also a matter of process, of the way decisions are made between and within organizations.

2.32 A central need is political leadership with the authority, vision, and commitment to address the overall challenges of city growth, degradation, and deprivation.

2.33 Within municipal government, the location of executive authority varies between extremes of a) concentration in an executive mayor, elected at large (according to the Brazilian pattern); and b) diffusion between council committees, as in the traditional Anglophone systems of Uganda and Zimbabwe; or c) between council, committee, and government-appointed administrators, as in Indian municipal corporations (case of Ahmedabad).

2.34 There are dangers with the strong political executive—that is, of guerilla warfare between mayor and council, of partisan use of resources, of overpersonalized administration. (The inscriptions on the sculptures in the Belo Horizonte Park in Brazil give more prominence to the name of the mayor, whose administration installed them, than to the artists or the subject.) A combination of a business-oriented political culture and strong administrative leadership clearly works most effectively in Bulawayo. But on balance, political executive authority—whether exercised by a mayor alone or in concert with some form of cabinet—appears to provide the best focus of public accountability and the capacity to take a strategic view of city needs and development. There is a trend toward such systems in South Asia, with mayors or chairpersons assuming executive leadership in Bangladesh, Pakistan, West Bengal, the Gujarat municipalities, such as Anand (but not the larger municipal corporations), and Sri Lanka (though usually with a political cabinet). They are, of course, universal in Latin America.

2.35 Strong municipal leadership does not guarantee the effective coordination with or the management of functions performed by the government departments and by the parastatals. But an executive mayor is generally in a stronger negotiating position because of his or her personal electoral mandate and the ability to deliver the municipal side of a bargain. The Malaysian and Mexican cases illustrate the possibilities of integrated policy in which municipal leadership is part of a wider and cohesive political system. In the Mexican case, it is the strength of the ruling party that provides this continuity.

2.36 Strengthening the role of political leadership may be a risky option, however, if local political systems are particularly immature and office is an almost exclusive path to financial advancement. In such circumstances the diffusion of power in committee systems may retain advantages.

Administrative leadership

2.37 Political authority needs the support of strong administrative leadership. The principal administrative officer—town clerk, secretary, or whatever the title—needs the power and status to exercise clear managerial control, particularly over departmental heads, and to deter political leaders from excessive intrusion in managerial functions. Political and management functions are complementary and, at their best, mutually supportive, but they are nevertheless separate. The principal administrative role may be defined, in general terms, by law or by adoption of a standard job description. But it should remain subordinate to political leadership. Attempting to entrench managerial independence in the law does not work well, as demonstrated by the commissioner system in India.

2.38 Both the professional status and span of control of financial managers vary considerably. Financial functions may be integrated in a single department or divided between units responsible separately for investment planning, budgeting, accounting, revenue administration, and internal audit. These may be,

headed by career professionals or by administrators moving between assorted functional roles. On balance, the financial management of a large public agency, whether a municipality or a parastatal corporation, deserves integrated direction by managers with professional training and commitment. There is also a strong case for imposing on financial managers a fiduciary duty to advise councils or boards on issues that involve financial probity or risk, thus preventing irregularity.

Submunicipal organization

2.39 Four patterns of submunicipal organization have been identified 1) administrative decentralization; 2) submunicipal government; 3) municipal or government-sponsored community representative structures; and 4) independent community associations. These may contribute to four main functions 1) area management and coordination of services by managers; 2) participation by community representatives in direction of local services; 3) representation of community interests to public agencies; and 4) contribution to service provision through self-help. This is a complex pattern of structural and functional options.

2.40 Delegating management of *individual services* to cost centers has many advantages; this may be accomplished with user participation through parent governors or tenant associations. It can improve efficiency, mobilize extra resources, and contrary to expectation, increase budgetary control. Effective financial delegation does depend, however, on confidence in revenue expectations, which is difficult in cases of hyperinflation or of a highly volatile revenue base. It also needs the support of competent financial information systems. Equity can suffer if financial stringency leads to a situation in which cost centers are expected to raise money for costs that rightly belong to central tax-borne budgets.

2.41 It is more questionable whether *multipurpose* area managements or submunicipal governments are desirable, except perhaps in very large cities. Both forms of government are complex and costly, involving a new level of administration and change in relationships between departments in the first case and risks of political conflict between tiers in the second.

2.42 Community-based structures are playing an increasing part in supporting urban services through self-help, even taking on contracts for service components. Case evidence provides effective examples of consultation with residents' associations over revenue increases or the design of neighborhood improvements. In Porto Alegre, community representatives are involved in deciding overall budget priorities. Cases have also provided example of a community organization that is heavily incorporated in the ruling party structure; on balance, it is more effective if this is not the case, although generalization is risky. The greatest potential strength of community organization is in providing an active counter to the dangers of executive abuse and a stimulus to public accountability.

2.43 One variable is the extent to which municipal councilors play a local representative role. This is much stronger if they are elected by wards than on a citywide, party list basis. Alternative bases of community representation are more necessary if the latter electoral systems prevail.

Strategic planning and management

2.44 The evolution of urban management is littered with attempts to develop an effective methodology for strategic planning and management at the metropolitan and municipal levels. The literature has uncovered few examples of good practice in this respect; case studies reveal the usual array of land-use

plans that are irrelevant or ignored (above all by government agencies), capital development plans that are not reflected in annual budgets, and budgets that are based incrementally on previous years with limited review of policy. Hyperinflation, in countries such as Brazil, undermines any planning for periods exceeding three months at a time.

2.45 Parallel research by the Urban Management Programme through EDU International has concluded that rolling three-year investment forecasts have a better chance of success than fixed period (usually five-year) development plans.⁹ These should be primarily action plans for the development of individual urban services, combining medium-term capital investment programs with forecasts of revenue and recurrent expenditure (including debt service). (This ties in with the issue of performance management discussed below.) Far more emphasis is needed on the projection of operating and maintenance costs. The related disciplines of maintenance planning and costing have received far too little attention that has been lavished on the more esoteric tools of project appraisal, which are given so much weight in the selection of schemes for donor credit.

2.46 Investment planning needs to be related to the expected or desired directions of physical growth, and these need to be located as efficiently as possible in terms of servicing cost. There is a general consensus that physical planning needs to be more indicative and less prescriptive and that patterns of settlement are likely to be more readily influenced by incentives (trunk infrastructure, land assembly, and so forth) than attempts at land use prohibition.

Performance management

2.47 Research stresses the need to improve the management of service delivery and maintenance, together with the productivity of staff and other resources employed. Procedures and techniques are needed that are both simple enough not to overload the capacity of managers and also realistic in terms of the activities being measured. Components of such a system are:

- Inventories of infrastructure to be maintained or services to be delivered.
- Service delivery standards and indicators (for example, Bombay Corporation aims to have at least 93 percent of its buses on the road every day, and Curitiba expects planning applications to be approved or objections notified within a fortnight of submission).
- Specifications of service maintenance tasks and frequency, together with budget estimates of staff and resources required for execution (as with the Indonesian POMMS system).
- Indicators of service efficiency in cost-output terms with year-on-year comparison at constant prices.
- Short-term work planning, organizing, resource planning, and control.
- Productivity improvement measures, incentives, and training (for example, Bombay's bus mechanics receive a bonus if they achieve the target described in Component 2).

Urban Government Finance

Adequacy and buoyancy

2.48 Growth in prices, population, and economic activity in rapidly urbanizing countries imposes demands for public expenditure that can only be met by both substantial *and* buoyant resources. The challenge is to identify sources that combine these characteristics with an equitable incidence and the encouragement of efficient use.

2.49 Both the yield and buoyancy of a specific revenue base depend to some extent on its inherent qualities, such as the volume of activity charged or taxed, and its responsiveness to growth in prices, population, and so forth. But political sensitivity and the relative ease or difficulty of administration—the degree of hassle involved in identifying payers, assessing liabilities and recovering payment—also play a far larger part than acknowledged by the conventional public finance literature. Revenue administration is much easier, not necessarily more equitable, if the object of a tax or charge and the extent of its liability are automatically identified and do not have to be sought out. Taxes and charges are more readily assessed and paid when the payer can transfer the ultimate cost to others. (Such indirect extraction may be regarded as objectionable because of the weakening of public accountability, but it does, after all, apply to most national government revenue sources.) The most difficult revenues to levy tend to be taxes on corporate profits and property as liabilities are more difficult to assess and more readily disputed by payers, because they cannot pass them on. Difficult also are sales and service taxes on small businesses, which are under no compunction to record transactions openly and accurately.

2.50 The adequacy and equity of a revenue source are also interconnected, because there is a link between the perceived relationship of a tax to ability to pay and its political acceptability. If the distribution of a tax burden is not seen as related to the taxpayer's capacity, the levy will only be acceptable at a low rate of incidence.

2.51 Conversely, any tax, which is not too difficult to collect and not glaringly inequitable, may have to suffice in economies with large proportions of informal employment and commerce. This is amply illustrated by the comparative success of Jinja in taxing the informal economy through market fees and by graduated personal taxation based on presumptive incomes. Levies on fuel or electricity consumption have similar virtues of rough justice and simple administration in similar circumstances.

The importance of charging

2.52 The familiar arguments for charging for services that benefit individuals measurably and exclusively are well-known a) the need to rationalize limited resources, to test market demand, and to generate the resources to meet demand; and b) the fairness of imposing costs on those who benefit.

2.53 There are drawbacks to charging as well: the practical difficulties and costs of measuring consumption and excluding nonpayers; the reluctance to deter or penalize consumers if some collective spin-offs are involved (for example, the reduction in communicable disease by treated water supplies and sewerage); the danger of depriving the poor of access to services that are regarded as a basic human right,

such as primary education. Some variation in practice and in degree of cost recovery arise from these doubts; full cost charging for gas, electricity, markets, and telecommunications is normal, but water supply, sewerage, public rental housing, and public transport receive tax borne subsidies in some, though not all cases.

2.54 The case evidence tends to support the more conservative approaches to charging. Services, such as water supply and sewerage, are improved for all if charges fully cover both operating and capital costs (the latter usually through amortising loans). If water supply costs are not fully recovered, for example, low-income groups end up with a few hours of treated water a day, or none at all. If fares remain static (unchanged in Cairo for thirty years, for example), buses simply break down. The public does not really gain from subsidy, least of all the poor.

Taxation

2.55 Taxation is still the correct way to fund services of *collective* benefit, and the relative ability to pay is the right basis for its distribution. A variety of channels through which tax revenues support urban services include:

- Local taxes, levied by local authorities.
- Local surcharges on national and state taxes.
- Transfers of national and state tax revenue to local authorities or parastatal agencies through grants, subsidies, or percentage revenue shares.
- National and state taxes spent directly by central departments.

2.56 Levy of local taxation has theoretical advantages for urban government in terms of providing a separate and potentially autonomous revenue base. An independent tax base should allow urban authorities to respond more flexibly to local demands and to promote efficient decisions over the respective levels of taxing and spending.

2.57 These advantages can only be realized, however, if the division of taxes between tiers of government bears some relation to the division of tax-borne expenditure. This is compromised in practice by a number of factors, including the frequent preemption by the central government of the more elastic sources; the technical efficiency attached to central or state government collection of major revenues, such as excise, value-added, and corporate profits taxes; and the need for some redistribution of tax revenues to mitigate disparities in local, taxable capacity.

2.58 The case studies provide only one example of a local tax base that is almost sufficient to support a range of devolved functions that include expenditure on education and health—that is, the *octroi* levied in Ahmedabad and Anand. (This is a tax on goods entering a town for processing or consumption, levied in Nepal, Pakistan and parts of India.) This is a substantial and buoyant revenue, though controversial because of the delays to transport caused by its collection. Zimbabwe's combination of property tax, vehicle tax, and a 5 percent levy on electricity bills has proved adequate in Bulawayo and Mutare but only with central government funding most education and health costs. In Anglophone countries, the leading local tax is most

frequently on property; and elsewhere, a levy on business payroll or turnover—for example, the patente. These levies are important and could usually yield considerably more with improved administration. Replacing plot-by-plot valuation by mass appraisal techniques can improve property tax assessment; a combination of multiple collection points, computerized tracking, and tougher sanctions can boost collection of any tax. But the relationship of most local property and business taxes to differences in the taxable capacity of their payers is too tenuous to make substantially higher levels of incidence politically tolerable, and they can thus only support a limited range of public good services.

2.59 A wide measure of local responsibility actually requires access by urban governments to the more buoyant and potentially equitable fields of income and expenditure taxation. These tend to be exploited primarily by national and state taxes. Urban governments may gain access to them by grants or by percentage revenue sharing. Such grants are only of limited importance in the case study cities, although far more significant in some other countries, such as Indonesia. They are significant mainly if services with major national policy objectives, such as education, are devolved to urban government. But percentage revenue sharing is more common in the case cities and is generally gaining in significance, partly because of the increasing emphasis on decentralization, partly as a replacement for local levies perceived as inimical to economic growth.

2.60 The disadvantages of intergovernmental transfers are the lack of local control over the levels of resources allocated, and in some, but by no means all cases a degree of unpredictability. The unreliability of discretionary transfers has been a serious weakness in several African countries, but this experience has not been widely repeated elsewhere; most formula-based systems are dependable. Transfers can promote inefficiency if their scale is unrelated to the devolution of expenditure responsibility. The importance of transfers tends from experience to increase with economic growth, because of the greater devolution and concern for equalization. Much more investment is thus needed in the development of formulae, such as those operating in South Korea and recently introduced in Malaysia, which aim to match transfers to differences in local spending need and taxable capacity.

2.61 To some extent sharing tax bases through surcharging represents the best of both worlds. It can give urban governments both access to the more buoyant taxes on income and expenditure levied by central or state governments and to the technical efficiency in revenue administration of the latter. At the same time, it leaves scope for local discretion over rates of taxation. This does depend, however, on the feasibility of different surcharges and thus of the variance of gross tax rates between jurisdictions. In Europe and Japan, surcharging has applied most substantially to personal income taxation, a tax with far greater potential in economies with a large percentage of the labor force in regular wage employment. The yield of surcharges, as of straight local taxes, reflects disparities in local fiscal capacity; equalizing policies would still depend on some form of intergovernmental transfer.

Capital funding

2.62 Access to credit is often important in financing capital investments that generate revenue or are too "lumpy" to be borne by annual budget surplus. Municipal development funds have played a valuable part in making loan finance available to a wide range of towns for basic infrastructure. There are dangers, however, of such funds being driven by national or donor investment targets that outrun local debt service capacity, particularly when lenders are protected from risk by the deduction of repayments and interest from intergovernmental transfers, a familiar scenario. Credit should always be demand rather than supply led.

intergovernmental transfers, a familiar scenario. Credit should always be demand rather than supply led. Debt service capacity also needs careful forecasting of revenue and expenditure trends (and of the government policies on which they may partially depend) rather than the application of blanket ratios. Municipal credit banks can have a useful role, but can only sustain their effectiveness in a true market situation of competing both for capital and borrowers.

2.63 Other sources of capital finance often deserve more attention. These include a) the various mechanisms for recovering the capital cost of local infrastructure from owners and developers, who benefit from enhanced land values; and b) the use of depreciation or renewals funds to replace limited life equipment.

Financial management

2.64 Case evidence shows that the quality of service provision is dependent on careful management of expenditure, as well as the buoyancy, of the revenue base. The specification of service standards and unit costing advocated in the section entitled "Internal Organization and Management Process" is also important to the efficient use of resources. Another vital element is restraint in the growth of administrative overhead costs that can absorb an excessive and growing proportion of local resources, unless rigorously controlled. This is an area in which more, rather than less, government intervention may be well justified.

2.65 Urban government operations are frequently undermined by growing deficits. These are usually due to unrealistic budgeting, with revenues inflated to avoid uncomfortable budget decisions. However strong or weak the underlying revenue base, conservative estimation is crucial to sustained viability, coupled with the strict monitoring and comparison of the actual progress of revenue and expenditure throughout the budget year.

2.66 Consultants' reports on financial management in urban agencies habitually conclude that accounting records are badly in arrears and that more complex systems are needed. The resulting recommendations are inherently contradictory. It is usually advisable to concentrate effort on bringing existing systems up to date and on introducing modest additions to the records. Systems, such as accrual or capital cost accounting, can simply delay the production of records as well as giving misleading information. Accounts are of no practical value unless they can be produced punctually, and their degree of sophistication needs to be matched to the skills and equipment available to their maintenance, and the ability of decision-makers to utilize the information they provide.

Urban Government Staffing

Critical factors

2.67 Past analysis of urban government staffing has been heavily influenced by the United Nations classification of employment systems and their respective attributes. This classifies staffing systems as:

- *Separate*, meaning that each urban authority or agency appoints and employs its own staff.
- *Unified*, meaning that posts are filled by deputation from a central cadre employed specifically for service in local authorities.

- *Integrated*, meaning that staff of central and local government agencies form a common cadre and exchange freely between levels of government and localities, according to central posting.

2.68 Case evidence shows that effective staffing conditions derive from a far more complex variety of factors. Four factors are of particular importance to staff commitment, interest, and work satisfaction:

1. Personal status and influence.
2. Financial reward and other material benefits.
3. The intrinsic satisfaction of the work itself.
4. The awareness of being of consequence within a clearly defined organization, whether a corporate body or a component department.

Good staffing practice should contribute to these circumstances, but individual systems or practices are unlikely to have a significant impact in their absence. Whether good professional staff will work for urban government depends largely on their total effect.

Personal status and influence

2.69 There are both internal and external dimensions to personal status. Certain internal practices make an obvious contribution, including:

- A clear definition of the job and its requirements.
- Recruitment with a sensible rather than slavish adherence to these specifications.
- Promotion based on a recognized process, clear criteria, and objective assessment.

The case of Bulawayo shows how well a separate system can foster such practices; that of Penang, the sensitivity of promotion issues in a closed authority; and that of the Latin American cities how effectively an unstructured system based on patronage can operate, that is, if the game is understood and played consistently. The Indian cases also underline the problems created by reserving the senior municipal posts for state officials and by the static grade structures, allowing little mobility for the lower level work force.

2.70 The external dimension relates to the status and public image of urban government agencies. A narrow range of functions dominated by maintenance tasks, such as refuse collection and street cleaning, invites low public esteem; a wider range including significant involvement in capital investment enhances status considerably.

Personal benefits

2.71 Cases suggest that urban government tends to offer terms sufficient to attract and retain most of the skills required, especially when combined with a high degree of security. Good practice includes a) comparability between public sector agencies, with flexibility to pay more for rare skills; and b) significant incremental and promotion progression to reward responsibilities and performance. The Uganda National Water and Sewerage Corporation presents an effective example of consolidating allowances into a single bonus that can be earned or forfeited for well-defined reasons. Practice of questionable value is reflected in the compression of scales in India, and a mass of automatic allowances comparable in value to the basic salary.

Work satisfaction

2.72 Work satisfaction is associated with the intrinsic interest of the job, its professional ingredient, the worker's ability to see a task through from inception to completion, and the human relationships of the workplace. The motivating impact of these circumstances is best illustrated by some of the water authorities surveyed in the case research, possibly because of the measurable and controllable nature of the tasks and of the value attached to their commodity. The research also demonstrated the perverse effects of exposing staff to monotonous roles with low-performance targets, potential conflict with the public, and no prospect of alternative employment.

Organizational identity

2.73 The identity and status of an organization have an important influence on its ability to attract and retain good staff. These are reflected in a sense of corporate awareness and by a concern for standards and improvement, demonstrated in the case research by agencies such as Bulawayo City Council, the Penang Water and Development Corporation, and the Uganda National Water and Sewerage Corporation. These qualities tend to be internally generated, and state intervention generally has only negative consequences. Again, the intrinsic challenge of the organizational tasks helps to encourage such a culture. It is also more difficult to develop in agencies with large manual work forces, particularly if combined with inflexible terms of service and powerful union affiliations.

2.74 Individual practices and well-structured training systems contribute to the development of a positive working environment, but are not enough in themselves. A sense of belonging to an organization with positive values of service and achievement is important to individual commitment, more so the feeling that one is of consequence to it. The best of the urban government agencies visited have consciously sought to encourage such awareness.

III. DRIVING FORCES

Political Accountability

3.1 The case evidence illustrates the importance of political commitment to effective urban management. There is a tendency to regard political will as an independent variable, an Act of God. If it is present, things work; if it is absent, everything fails. This is, however, too simple an explanation. There is a strong interaction between the force and direction of political commitment and its institutional setting.

3.2 Local accountability is usually regarded as the hallmark of municipal government. It should be the characteristic that distinguishes this form of public agency from most other forms—one that makes government more responsive to local needs and municipal officials more directly answerable for their decisions and performance.

3.3 In practice, a host of political and constitutional factors restrict and dilute the power of the ballot box. Councillors may be appointed by the government (in Malaysia) or elections may be frequently suspended (in India). Electoral choice may be limited by single-party monopolies, by elections dominated by national rather than local issues, and by turnouts that are too low to be representative. Moreover, the elected representatives' powers may be curtailed by unstable political alliances that may undermine consistent policy or by the external appointment of chief executives (of Indian municipal corporations, Indonesia).

3.4 But however constituted and for whatever reason, municipal government is highly exposed to political gaze. It is far more accessible than other government levels and agencies, both in terms of distance and public expectation. Within most municipal systems, there is also a different balance of political and professional weight in decisionmaking compared with central government or parastatal bodies.

3.5 This heightened political exposure is matched by vulnerable relations with higher levels of government. Most governments adhere to the rhetoric of decentralization, but their commitment can be both equivocal and ephemeral. To the Indonesian government, decentralization means strengthening the capacity of local government to implement the mandates of central government (at least there is no concealment or hypocrisy about this). The West Bengal government restored elective councils in its battle to "subjugate the bureaucracy"; it aimed to reinforce the power of CPI(M)—not to share the power. Others espouse devolution mainly to pass the fiscal buck in hard times. Political upsets can blow even the best-intended decentralization policies off course; an example is ethnic turmoil in Sri Lanka. Local government leaders can rarely be certain of stability in their relationship with the center and in the responsibilities and resources that this confers on them.

Political Risk

3.6 It is in this exposed and uncertain political environment that local leaders are called on to provide effective urban management. But according to most prescriptions, this involves a host of politically costly and risky actions: increasing water rates, turning off water supply if not paid for, firing surplus labor, sending polluting cars off to the scrap heap, and vetoing multistory redevelopment projects in congested downtown areas. (This is a tall order!)

3.7 Pasteur refers to the differences in styles of leadership illustrated by the case studies. These range from a strategic approach—that is, from the readiness to address priority needs in the community and to take aggressive action, if needed, to a largely reactive style that is concerned with averting risk and responding to the loudest complaint.

3.8 The strategic approach involves political risks, but these may be acceptable in two, usually complementary circumstances. The first occurs when city politics are dominated by a managerial culture that values efficiency, environmental improvement, and so on and also shares the willingness of private enterprise to accept risk. Batley refers to the growth coalitions of civic and business leadership that clearly establish the businesslike culture in which urban management operates (in a city such as Curitiba or Hermosillo, for example) and that supported Dalan's ruthless drive to "clean up" Istanbul. The second circumstance occurs when civic leadership is confident of the ability to show results for tough action—for example, to demonstrate that higher tariffs do result in better water pressure, that labor discipline does free the streets of litter and potholes, and that clamping down on fuel emissions does clean the air. This confidence depends on the command of the resources and functional responsibilities to make these things happen. Such confidence is difficult to muster when municipal revenue bases are narrow or restricted by legal constraints and functional powers are highly fragmented. It is no wonder that the municipality of Penang Island is condemned to "satisfice," to use Norris and Phang's description (ILS 1991-92).

3.9 The Porto Alegre case has illustrated a third situation in which a strong ideological commitment to restoring taxation as an agent of social justice has also prompted strategic risk taking. This is a striking example but regrettably rare and unfashionable.

3.10 It is important for external agencies to recognize the political cost-benefit equation of urban management. The failure of interventions such as the Cukorova Project in Turkey illustrate the importance of the political critical path. For example, improvements in revenue bases and collections should not be expected too far ahead of the capital investments that would demonstrate results—and certainly not in an election year.

Incentives

3.11 Classical economic theory seeks to explain all human behavior in terms of rational self-interest. This theory has been followed by the remainder of the social science fields that interpret social and political behavior in similar terms, whether applied to individuals, groups, or classes.

3.12 Psychologists, however, tend to recognize that people are driven by mixed motives, wanting to defend and possibly enhance their standard of living, perhaps while under social pressure to do the same for their neighbors and kin. But they also derive satisfaction from doing a good job, and not just for the esteem that it may earn. This insight was echoed by Samuel Beer (in Wallace Oates' "Fiscal Federalism") who criticized the failure to recognize "other-regard" as a significant element of human behavior.

3.13 It would be foolish to ignore the widespread abuse of office by political leadership to further family fortunes; the recent erosion of the purchasing power of urban wage earners, as a result of structural adjustment, has also encouraged an increase in rent seeking throughout many bureaucracies. But the case studies do not support a purely cynical view of public service motivation. Commitment to public service and hard work characterized many of those interviewed.

3.14 The discourse of public service management has somewhat belatedly recognized the importance of motivation. But it tends to focus on incentives, on the supposition that politicians and bureaucrats have to be rewarded materially for taking action in the public interest. This may not be an accurate way of assessing the problem. It may be better to assume that these public servants actually want to perform more effectively and then to tackle what discourages them. The latter may take many forms—the complex legal procedures involved in enforcing a property tax demand, the hassles of interagency coordination, the prospect of an acrimonious dispute with unions over changes in work load and manning. The emphasis needs to be on removing disincentives, making it easier to get a job done.

Values

3.15 What public servants perceive as doing a good job depends, however, on their values and on the things they think important. These are conditioned by a number of factors including background, training, and organizational direction. The Ahmedabad and Penang Island case studies stress the high value placed by most staff on adherence to established routines, functional perhaps in enforcing regulations, less so in responding to growing and changing service needs. This is not just the preserve of middle-level clerks. Consultants are prone to peddle what their professions consider best practice, whether it is really applicable or not. Medical officers have been known to prefer to close an eye to shanty dwellings without sanitation rather than to give their formal approval to lowering formal standards of provision.

3.16 According to the criteria used in this research, effective management depends on the adoption of values that go beyond the priorities absorbed in most peoples' preparation for their job. Value for money, responsiveness, a bias to the poor, concern for the environment are not necessarily alien to public servants; they simply do not figure on the syllabus for accounts clerks, mosquito sprayers, or master plumbers.

3.17 The promotion of values that goes beyond the recognized bounds of professional and technical skill requires a conscious effort to emphasize *and* to demonstrate the importance attached to these values by organizational leadership. The case studies provide examples of this. The Penang Development Corporation's provision of work and shelter for lower income groups (albeit Malay) clearly reflects strategic direction. Amis describes the deliberate cultivation of values of commitment and self-sufficiency by the Ugandan National Water and Sewerage Corporation (ILS, 1991-92). At a humbler level, the terminal in Curitiba's City Hall lobby, which prints out the zoning and construction requirements pertaining to every plot, expresses a public commitment to transparency and speed in processing planning applications. The bank of complaint desks in the head office of Istanbul Water Company demonstrates concern to respond to consumers' grievance. The introduction of the multiple "one-stop" payment centers for a wide range of public sector bills and of streamlined interdepartmental procedures for handling licensing applications represent attempts to make local administration in Penang Island more customer-oriented. It is such practices that show to staff and public alike that the leadership's commitment to change in organizational behavior goes beyond rhetoric.

IV. SERVICE DELIVERY

Introduction

4.1 This and the following chapter attempt to evaluate the impact of institutional characteristics on effectiveness. This chapter deals with the management of individual services, while Chapter V looks at the overall development of cities and to the response to the general challenges of growth, deprivation, environmental degradation, and so forth.

4.2 Recalling the criteria of effectiveness defined in the Executive Summary, this chapter is principally concerned with issues of technical competence and efficiency in the use of resources, although the other criteria do apply to some extent to the operation of individual services, as well as to city management as a whole. It is worth repeating the recognition that the institutional framework is only one of the factors determining effectiveness; the social, political, and economic environment is just as, if not more, important.

4.3 The analysis will distinguish between responsibility for *provision* and *production* of a service, as used in the section entitled "Public and Private Sector Relationships" in Chapter II.

Responsibility for Service Provision

4.4 Services may be *provided* by a) the public sector, (with or without contracting out production to private organizations); b) the public and private sectors in parallel; c) the public and private sectors in partnership; d) the private sector under public supervision through franchised monopolies or regulated competition; or e) the private sector (including self-help) without public intervention. *Within* the public sector responsibility may lie with the central, the state or provincial, or the municipal governments. This responsibility may be exercised by internal departments or by subsidiary entities: enterprises, boards, or foundations each with its own legal personality. This presents a formidable array of organizational options. Examples can be found of virtually every type of organizational arrangement for every urban service.

4.5 Regrettably, neither the case research nor the wider experience indicate categorically which arrangement works best in respect of any particular service. Our findings have to be fairly agnostic. A state water enterprise works well in Hermosillo, but indifferently in Campeche. Municipal refuse collection is competent in Bulawayo, far less so in Ahmedabad. Even the same organization performs variably in respect of different tasks.

4.6 Some generalizations will be offered, but guardedly. Private provision is always possible and usually preferable if a) consumers can be charged; and b) there are no obstacles (technology, scale of investment, and so on) to operating parallel services in competition. These conditions are likely to apply to housing, bus and taxi services, commercial refuse collection and disposal, and the retail trade (markets, shopping premises, and so on). Any subsidies required to protect poorer consumers can be selective.

4.7 Private provision may be possible and desirable under the same criteria in the case of education and health care. Nevertheless, there are strong collective benefits and equity considerations in respect of these services; as a result, parallel public provision, a substantial degree of public subsidy and regulation, or both, will be needed.

4.8 This leaves services in cases in which consumer charging is possible, but technology and scale of investment discourage competition. Rail transport, electricity, water supply and sewerage, and telecommunications fall into this category. Private provision under franchise may be a satisfactory alternative to public provision, but only if a) urban government has the sufficient authority and knowledge to exercise its regulatory power (for example, to judge a reasonable level of operating and investment cost and of profit as a basis for approving tariffs); and b) the extension of service to low-income areas with less favorable returns on investment can be ensured.

Responsibility for Service Production

4.9 This leaves the public sector responsible for providing services if:

- No comprehensive charging is feasible (for example, roads, police surveillance, and fire protection).
- The degree of collective benefit requires at least parallel provision (for example, education, health care, and domestic refuse collection and disposal).
- The efficient and comprehensive private provision under monopoly conditions cannot be guaranteed (the case of water supply and sewerage, for example).
- Private enterprise simply fails to provide a service of major public interest, normally because investment costs are too high in relation to the likely risk or rate of return.

4.10 When the public sector provides a service, the possibility of contracting out *production* to a private organization (commercial or community) remains. There must be a presumption in favor of contracting out. This is not because the private sector is inherently more efficient; this is not supported by the case evidence. It is simply because the enforcement of standards is intrinsically easier in an arms length relationship. It is usually easier to reprimand a contractor than one's own colleagues; and easier to reprimand subordinates when under the apparent duress of external supervision.

4.11 Production under contract need not be restricted to private organization. Public sector agencies including in-house municipal departments, can also deliver services effectively within such a system. The important factors are the competition and contractual relationship between the so-called *provider* and *producer*—not private sector delivery as such.

4.12 Contracting out can also have a galvanizing impact not only on the delivery of the individual service, but on the whole culture of the parent organization. It can liberate the leadership from the preoccupations of managing a huge, unresponsive work force and routine task supervision, creating space and energy for more strategic and responsive approaches to city management. Even if in-house departments operate services under competitive contracts, new disciplines and values may be infused. The incentives are not just the fear of redundancy; there is also the opportunity to introduce more positive rewards for performance.

4.13 But contracting out is only preferable if:

- Private enterprise or community organization is sufficiently mature to offer genuine competition for supply.
- There is adequate social control of urban government to ensure that the award and supervision of contracts are not governed by nepotism or corruption.
- The tasks to be performed can be clearly specified in terms of geographical coverage, frequency and performance standards, and achievement measured.
- Urban government has the capacity to enforce contract fulfillment and to substitute services when contractors fail completely.

These conditions are far from universal, particularly in the rapidly urbanizing countries. Advocacy of contracting out requires caution.

General conditions

4.14 Whether services are *produced* by public or private sectors, certain other generalizations can be offered. In either case, the clear specification of service standards is critical to both effective control, coverage, and efficiency. These need to be costed in relation to both investment and operating implications, the latter including a regular maintenance cycle and annually budgeted provision for depreciation of vehicles and other limited life plant. Budget formats may need revision to identify and group these costs in relation to individual services. Service standards also need to be translated into systematic staffing levels, work loads, and work programs. This process carries forward into improved job descriptions and recruitment specifications at the individual level.

4.15 If the existing provision falls well short of the standards adopted, a medium-term financing plan will be necessary to achieve phased, incremental progress toward them. This may provide the basis for a revision in revenue, thus increasing tariffs, grants, and so forth. Technology, standards, and operating costs, however, may also need to be changed to make the service affordable. Only a multiyear program that incorporates a survey of service deficits and the projection of demand can provide a format and the sufficient time frame for such decisions to be made and implemented. This type of review is demanding and should be made selectively, that is, in major problem areas. Such planning also depends on budget frameworks which bring together all the revenues and costs attributable to a specific function; this may be achieved as in Porto Alegre by creating semi-autonomous service agencies, but more simply as in Bulawayo by operating separate accounts for services like water and housing.

4.16 If major improvements are necessary to achieve better service coverage or delivery, staff (and in some cases the general public) need extensive briefing, both on the changes to be made and the underlying reasons for them. Professional training and associations can play a valuable role in this process, providing they are sensitive to the priorities and problems that are beyond the technical scope of their calling.

4.17 In the case of chargeable services and of water supply and sewerage, in particular, effective coverage (including low-income consumers) is generally associated with a high-degree of cost recovery, including both operation and investment. The regular uprating of tariffs and its rigorous enforcement are important to this end.

4.18 Direct communication with consumer representation is helpful both in maintaining operating efficiency and in securing public cooperation, not least in paying charges. Direct user participation in management may well be fruitful, but there are dangers of this leading to the abdication of public responsibility for its financial support, with adverse impacts on equity.

4.19 A single-purpose organization has advantages in concentrating attention on specific needs and performance measures, reducing the span of control, developing team work, and simplifying the management process. If these are in short supply, it may be more successful in recruiting and retaining skilled staff.

4.2 These advantages of single-purpose organization can be offset, however, by the cost of functional fragmentation, particularly in responding to the overall challenge of growth, deprivation, and degradation. A compromise may well be the development of cost-center delegation within multipurpose organizations. This can replicate many of the advantages of contracting out with less of its risks. Its success will depend, yet again, on the clear specification of costs, standards, and performance measures. Direct relationships with consumer representation (that is, not simply through the elected members of parent governments) are again likely to help.

V. OVERALL DEVELOPMENT

Introduction

5.1 Effective urban management requires more than competence in delivering individual services. Some degree of integration is required in relation to new settlement, to the redevelopment of deprived areas, and to the response to overall challenges such as unemployment, environmental deterioration, and the decline of traditional economic activity. Among the criteria of effectiveness defined in the Executive Summary, responsiveness to growth, sensitivity to the needs of the poor, and concern for environmental protection depend essentially on multisectoral approaches.

Locus of Control/Organization of Administration/Structure of Administration

5.2 Private enterprise and community organization play vital roles in responding to the overall development challenges facing a city and may effectively direct the development of individual neighborhoods, estates, and so forth. But urban government alone has the mandate, the legal power, and the potential command of finance to play the lead role on a citywide basis. Where within the structure of government is such responsibility most effectively located, and how is it best supported?

5.3 The case studies offer two examples of cities in which government appears to be effective in promoting overall development. The first is in Zimbabwe, where the lead is taken by the municipal government. This is blessed by certain attributes that support the role: comprehensive boundaries, a wide range of clearly demarcated functions, a diverse revenue base, a professional, well-qualified staff, and generally supportive relations with central government (that is too preoccupied with rural development to interfere unduly). The main failure lies in the one important field for which the municipality has no responsibility: the provision of bulk water supply.

5.4 The Zimbabwean model corresponds to the traditional image of local self-government; this model might be seen to support the general revival of this image of government. It creates a single, local government in each conurbation and gives it responsibility for all the main functions and an elastic revenue base. The impediments to replication can be insurmountable, however. Chief among these are the political and administrative rivalries and fears that defend geographical and functional fragmentation and keep municipalities legally and financially on a short rein.

5.5 A *fragmented* system of urban government can also work effectively. This is demonstrated by the second case of effectiveness, that of Hermosillo. Here different levels of government, parastatal agencies, and private sector and community organizations are drawn together by a pervasive political nexus and a strong national commitment to both economic growth and poverty alleviation, which are supported by an equally strong business culture. Once again, although these are conditions that seem to work well, they are not easily replicable. Moreover, they are particularly vulnerable to change; pluralist politics have been growing in Mexico and could wreak havoc on governmental integration. Policy has not always promoted economic growth nor always taken much notice of the poor.

5.6 The other case studies demonstrate far more partial success. In another fragmented system, that of Penang Island, state-led development has achieved great and integrated progress in the fields in which the State is interested, such as employment creation and low-income housing development. Severe

problems occur in the areas in which the State is not particularly interested and responsibility remains with a marginalized municipality, environmental services being the main example.

5.7 The Brazilian and Gujarati municipalities are closer to their Zimbabwean counterparts in having a wide functional remit and a potentially strong revenue base (though hamstrung by legal constraints in the Gujarati case). But the larger Brazilian cities are geographically fragmented; highly competitive politics and the discontinuity of limited terms of office, frustrate the degrees of cooperation between authorities needed to address the serious environmental problems. In Gujarat, municipal jurisdictions are not extended until peripheral settlement has taken place, much of it in the absence of adequate services and control. Responsiveness and efficiency are also undermined in the case of the larger municipal corporations by the diffusion of authority between elected representatives and state-appointed executives. Effectiveness is very dependent on a *combination* of attributes. Buoyant revenues are insufficient without a cohesive management structure to utilize them and a wide functional remit is inadequate without control of the urban periphery. Staff quality and commitment are associated with organizational tasks that provide satisfying work and public esteem.

5.8 Without this combination illustrated by Zimbabwe's strong municipal role or the compensation of state-led political cohesion shown in Mexico, integrated responses to urban growth and problems are far harder to achieve. Geographical and functional fragmentation are the biggest obstacles and pose especially severe problems in the large metropolitan areas. Attempted solutions are either *structural*, imposing coordination by authority, or *procedural*, seeking it by negotiation. At a structural level, introducing a metropolitan level of local government may be successful if it results from the initiative of the constituent municipalities themselves (the case of Toronto) or if it is given such strong power and resources that it is not heavily dependent on their cooperation in implementing its strategic plans (the case of Turkey). Both circumstances need a very favorable political climate at the inception.

5.9 The alternative to structural approaches is an attempt to integrate responses by *process*. Metropolitan planning authorities may be able to impart some strategic coordination in a fragmented system. Their success generally depends on controlling access to capital investment funds. They should not get involved directly in project execution as this prejudices their relationship to other agencies. Nor should they combine roles of strategic planner and quasi-commercial land developer which are incompatible—analogue to the gamekeeper and poacher. The responsibility for the design and execution of investment should not be divorced from its operation and maintenance.

5.10 In a fragmented system of urban government, integrated responses essentially result from negotiation and bargaining. This emphasizes the advantage of a strong political executive at the municipal level. If responses to local needs are needed from a variety of public agencies, these responses are more likely to be secured by a political leader with the personal mandate to press the local case and authority to make and deliver bargains.

5.11 Whatever the structure or process, the response to growth requires a revenue base that matches it. This means access to the more buoyant bases of taxation of income or expenditure, whether by direct levy or some form of revenue sharing. A narrow and inelastic base forces local leadership into a largely reactive and defensive style.

5.12 Response to environmental degradation usually requires action at both national and local levels, and therefore depends on a high degree of central-local collaboration.

5.13 The integration of physical and investment planning is rarely adequate, and an appropriate methodology has proved elusive. Selecting the most efficient direction of future growth and using them as the basis of trunk infrastructure development is a more effective strategy than reliance on highly prescriptive plans, but even this depends on a high-degree of discipline, particularly within the public sector itself.

VI. REFORM: DIRECTIONS AND EXPERIENCE

Introduction

6.1 This chapter looks at attempts to reform the structure, processes, and resources of urban government and to draw lessons from their experience. These attempts have usually been matters of national policy. They have been heavily influenced by donors, however, often reflecting conditions attached to investment loans or even the central focus of an external assistance program.

6.2 This external involvement has helped to inject common themes at common times into urban government reforms. Indeed, they have been heavily subject to changing emphasis and fashion. Three broad periods can be discerned. During the first period, which ran mainly through the 1960s and early 1970s, approaches were basically project led. Capital investment concentrated on individual sectors—housing, water supply, transportation, and so forth. Donors preferred projects to be executed by specialized agencies. Single-purpose, parastatal bodies, such as housing corporations and water boards, were established or strengthened usually at the expense of municipal responsibility. (In Anglophone Africa such enterprises mainly stayed local and under the municipal umbrella). Emphasis was also given to metropolitan planning, and special planning authorities were widely created in Asia and Latin America. African cities largely avoided this particular development, partly because few were of metropolitan size or shared the same problems of fragmentation.

6.3 The second phase, running approximately over the past fifteen years, marked a reversal of priorities. Donor finance turned increasingly to multisectoral investment in smaller and more localized improvements in infrastructure, taking in a wider range of towns. The focus of implementation and reform returned to municipal government, partly because of the diffused nature of the investment, partly because of the problems with the operation and maintenance of assets created in the earlier period and partly because of an increasing concern over cost recovery and revenue generation in more stringent circumstances. The strengthening of municipal capacity has been a common description of a variety of institutional reforms that will be categorized below.

6.4 Much of the agenda for municipal reform is still in vogue. But new emphases are emerging. These include private sector and community participation in service provision. The economic function of cities is now emphasized, and one must expect a concern with business and employment creation, which has been strangely absent from most urban development programs. Finally, concern about environmental improvement and protection is reviving interest in the issues and processes of metropolitan planning and management.

6.5 Changing emphases may simply reflect an international process of learning, a common response to common experience of what works or fails. This in itself is good. But there are dangers in "fashion." There is a bandwagon effect, particularly among the consultants and project managers who staff the development industry. There are risks of generalizing experience that is unique to particular contexts.

6.6 The following sections will discuss briefly the different foci of reform programs.

Improvement of Municipal Management Systems

6.7 Most recent reform programs have focused in one way or another on improving municipal organization and process. The exact emphasis varies. It may be on:

- Internal organization and personnel systems, such as the introduction of executive mayors and chairmen and the secondment of state officers to chief officers (in the Calcutta municipalities).
- Financial management, especially budgeting, accounting, and budgetary control.
- Upgrading the operation and maintenance systems for services, such as the POMMS system in Indonesian cities.
- Medium-term investment planning and project appraisal, as in the Philippines Municipal Development Project or Indonesia's IUIDP.

6.8 The effectiveness of these interventions is hard to assess because it is rarely measured or recorded. One of the most comprehensive projects of this type has been the Sri Lanka Municipal Development Program. Its experience is instructive. It got off to a bad start, preoccupied with the preparation of operational manuals that were not based on field testing and that were largely ignored. The government's sense of ownership, however, was sufficient to insist on flexible evolution. Much improvement in performance was achieved, mainly through:

- Emphasis on relatively simple improvements, such as caution and accuracy in revenue estimation or the issuance of reminders to tax defaulters.
- Incentives for regular and punctual compliance with existing procedures that had been neglected.
- An extensive training program tailored to the needs of the urban local authorities and to the priorities of the whole program. Much of this was delivered by existing specialist institutions but under contracts that precisely specified adaptations to municipal needs.
- A change in the style of central government intervention from inspection to technical assistance.

6.9 Three major problems have attended systems development programs: The first is that innovations have frequently run ahead of legal change. Reformers have often failed to invest sufficient effort in persuading bureaucrats to change legal requirements to make revised procedures legal, particularly if financial and personnel management are concerned. Projects are often negotiated with the ministries of planning or urban development, entities that do not regulate these systems. Many such programs also focus on municipal "pilot groups" and attempt to introduce geographically selective changes in procedure, which are practically difficult for, and emotionally abhorrent to, central bureaucracies. Competition between donors and the pressures on them to "show results" account for some of these weaknesses.

6.10 The second difficulty is the customary heavy reliance on consultants. The firms normally employed on systems development typically derive their experience from industrial management or large-scale public enterprise. Such municipal specialists are often drawn from large city governments in the United Kingdom and the United States. Local counterparts are often young graduates with foreign degrees, who also lack ability to bridge the communication gap between the foreign consultants and local officials. The resulting advice often consists of unnecessarily sophisticated procedures that have not been tested or scrutinized by those who are entrusted to implement them. Effective systems development can only result from working with urban government officials—either on the job or through a training milieu. It has to be evolutionary and field-based. The problem is that many consultants do not have sufficient confidence, which is based on relevant experience, to engage in such a process.

6.11 The third problem is that much systems development has focused on low-priority issues—accrual (basis) accounting instead of accurate budgeting, elaborate cost-benefit analysis instead of simple standard setting and operational costing. The success of the Bank's refuse collection improvement scheme in Gujarat and the Municipal Development Project in Sri Lanka demonstrates the benefits of focusing on basic operational systems and using simple technology.

Improving Revenues and Cost Recovery

6.12 Reforms of revenue systems have applied variously both to intergovernmental transfers and to local taxation and user charging. There has been some distinction between policies initiated by national governments themselves and those promoted by donors.

6.13 Donors tend to be indifferent or hostile to recurrent transfers but have sought widely to increase and rationalize the flow of national funds for capital investment. They have promoted the substitution of a) investment grants and loans made to local authorities for direct expenditure by central departments; and b) formula entitlements for ad hoc, pork barrel distributions. Both emphases have had positive impacts on efficiency and local capacity, although often requiring protracted negotiation, which has initially delayed investment.

6.14 Particularly in Latin America but also in countries such as Morocco, Nigeria, Turkey, and Zambia, national governments have increased local sharing of national revenues. In a number of cases, this has coincided with the abolition of local business taxes, but it has also been a feature of general decentralization policies. It has rarely been associated, however, with any systematic realignment of expenditure responsibilities. Apart from the West Bengal revised grant structure and the introduction of an equalization grant in Malaysia (with GTZ assistance), there has been little effort to develop distribution formulae for recurrent transfers linked to both spending need and local tax capacity. As a result, the increased funding has not always flowed to the areas where it is most needed.

6.15 Attempts to improve local revenue bases have tended to focus narrowly on property taxes and user charging. In the case of property taxation, much donor assistance has been provided to tax mapping, valuation, and collection systems. This has often been successful in achieving higher rates of collection, but increased incidence through revaluation or tariff increases has generally proved elusive. Reforms in user charging have normally included insistence on tariff increases as a condition of capital investment and on improvements in billing and collection procedures.

6.16 The concern to improve property taxation has been usually justified but myopic. Donors particularly show little awareness that any other form of local taxation exists and cherish hopes that it can replace other local taxes (such as octroi) or intergovernmental hopes. These transfers, however, are unsupported by experience in Europe and North America, let alone the developing world. The self-confidence on which urban management relies erodes when politically exposed municipalities are made even more dependent on a tax that is so sensitive and difficult to administer effectively and whose fairness is so subject to dispute. Indifference to other local tax bases severely limits the impact of reform.

Improving Provision of Credit for Capital Investment

6.17 Donor investments in urban infrastructure are being increasingly channeled through municipal loans funds. This releases donors from direct involvement in distribution and supervision, enabling a wider diffusion of investment. The approach tends to be associated also with a normative view of credit as the "right" way of funding capital investment, and a number of the Bank's programs have actively sought to promote the borrowing habit among fiscally conservative authorities by simplifying procedures, accompanying loans with matching grants, or substituting loans for grants or direct government spending. Encouraging borrowing for its own sake is questionable in principle and dangerous in practice.

6.18 These policies have generally been successful in increasing the flow of urban investment funds to a wider range of projects in a larger number of towns. Improvement in investment quality has also been achieved by specifying the "menu" of projects and the maximum and minimum design standards that qualify for loans. The alternative approach of requiring projects to be incorporated in medium-term investment programs has been less successful, because it results in choices being made by consultants working for governments and donors rather than local officials. The case-by-case scrutiny of project choice and design by the lending agency is also less effective and overstrains its time and objectivity.

6.19 Less successful also has been the attempt to use loan finance and credit agencies as the vehicles of general improvement in municipal finance and management. Secure in getting repaid by deduction from transfers, governmental credit agencies lack the motivation or skill to concern themselves in the internal practices of their borrowers. The policy also tends to exaggerate the attractions of access to credit; the offer of a loan is rarely a great incentive to politically costly action.

Rewards and Penalties for Municipal Performance

6.20 Incentives for municipal performance have been a recent innovation. Performance related elements have been introduced into grant structures in Gujarat, West Bengal, and Sri Lanka; and a loan finance distribution (replacing capital grants), in Ecuador. Another innovation in Sri Lanka has been an annual competition in which the highest scoring urban local authorities receive a cash prize from the prime minister. The focus of such incentives is normally local revenue administration, but the Sri Lankan incentives measured other aspects of administration and service delivery.

6.21 In Sri Lanka, the approach was successful in focusing attention on a range of management practices from paying electricity bills and monitoring budgets—to mending potholes (and to getting officials to agree that these matter). In Calcutta, the incentives did lead to revenue improvement, but the scheme collapsed when the state government failed to apply the grant sanctions. Whether access to credit is a genuine incentive in Ecuador remains to be seen.

6.22 The Calcutta experience highlights the problem of applying performance-related criteria in a politically competitive environment. Unless objective and neutral application can be guaranteed, incentives simply introduce another unpredictable element in central-local relations that further erodes the self-confidence of local government.

Dissemination of Experience

6.23 The opening section cautioned against the danger of generalizing prescriptions based on experience in unique contexts. Nevertheless, the experience of innovation deserves dissemination, whether successful or not. Despite the valiant efforts of the *Urban Edge*, now published as the *Urban Age*, the urban management literature is long on theories of what should be done and short on descriptions of actual practice. In advanced industrial countries associations of municipalities and of their various professional staffs are major channels of dissemination, through journals, conferences, in-service training and commissioned research. They deserve encouragement in the countries to which the Urban Management Programme is addressed.

6.24 The Annex gives some examples of good practice gleaned from the case research. Most describe processes that are not severely dependent on a particular form of organization or a particular political or economic milieu.

The Scope of Reform

6.25 Datta (Datta, 1991) argues that partial reforms of municipal government in India have been ineffective. Only a comprehensive strategy holds chance of success, embracing:

- A constitutional amendment guaranteeing continuity of local elections and protecting municipal responsibilities from encroachment by parastatal organizations.
- Extensive contracting of municipal service delivery to private enterprise and voluntary or cooperative organizations.
- A systematic balancing of internal and external funding, guaranteed by municipal finance commissions.

6.26 Similarly, Norris and Phang (ILS, 1991-92) consider that municipal governments in Malaysia can only be revitalized by changes that allow them to match the more streamlined and purposeful style of the special purpose authorities. These include far more extensive contracting of service management, diversification of revenue bases, and a higher profile for strategic roles, such as town planning and property management.

6.27 Such calls for "root and branch" reform raise a dilemma. One may argue in support of Datta's contention that without sweeping change improvements simply will not work. This is basically because there will be no real attitudinal change, nothing to induce more self-confident, strategic, and businesslike approaches by municipal leadership. The risk of this radical approach is that reform targets outrun the degree of political support and thus nothing is achieved.

6.28 "Root and branch" and reform does happen. Examples include the reorganization of the local government in Nigeria in 1976 or the introduction of metropolitan government and changes in local revenue bases in Turkey in the early 1980s. The 1988 Brazilian Constitution considerably strengthened the powers and resources of local government, and similar changes elsewhere in Latin America have been chronicled by Campbell and Peterson (Campbell, Peterson, and Brakarz, 1991). It is unpredictable and spasmodic, however, stemming from a peculiar conjunction of political and economic circumstances.

6.29 Advocates of reform usually have to wait for the wind to change in their favor. This may take a very long time or never happen, and incremental improvement may have to suffice, however limited in its benefit. But preparing for more fundamental change is still important so that a sudden change can be exploited; public opinion has been prepared, and a new navigational chart is available.

6.30 The important thing is to be armed with comprehensive and internally consistent proposals for change. The problems with a number of decentralization programs, as Campbell and Peterson have pointed out, is that they are radical but nevertheless incomplete. The biggest problem is the mismatch between the devolution of responsibilities, on the one hand, and of human and financial resources, on the other. This can run both ways. Responsibilities can be devolved, but not revenues to support them, Zambia providing a striking example. But there have been just as many cases of devolving revenue sources or increasing transfers without clear assignments of responsibility or assessments of local spending need. Both circumstances tend to discredit decentralization policies. This is acutely dangerous because there are always national political and bureaucratic interest groups waiting avidly for excuses to reverse them.

6.31 This leads to two final conclusions. The first is that reform may be radical or incremental. In either case, it needs to be based on a comprehensive understanding of the institutions being changed. As stressed in the previous chapter (paragraphs 5.7 and 5.8, in particular), there is a critical interaction between institutional characteristics and of course between the institutional framework as a whole and the dynamics of the society and economy within which it operates. One possible value of our case research has been in testing a comprehensive framework for analyzing individual systems of urban government.

6.32 The second conclusion must be to highlight the importance of anchoring reform in potentially stable and constructive central-local relationships, the subject of the last substantive chapter.

VII. CENTRAL-LOCAL RELATIONS

The Dilemma

7.1 The conclusions of the working paper on central-local relations have been deliberately reserved for this late point in the paper because these relations set the framework for reform. Whether these relations are conducted in a climate of cooperation or one of mutual irresponsibility has a considerable impact on urban needs.

7.2 In recent years, much emphasis, rhetorical or practical, has been placed on decentralization. This has taken different forms in different countries, including the restoration of elective local government, the enhancement of municipal revenues, the devolution of additional functions, and the increasing local participation in the selection, design, and execution of nationally and internationally funded urban investment programs.

7.3 Nevertheless, central and state governments retain a major role in urban management in most countries through their continuing functional responsibilities, their control over access to large-scale investment finance, and their legal powers over the operation of local and parastatal authorities. In some though not all countries, municipalities remain heavily dependent on central or state government for legal authorizations, finance, and professional skills.

7.4 Many urban management issues involve national as well as local interests. Central government is also drawn in by its responsibilities for equalization and economic regulation. The political linkages between central and local leaders cut across the vertical distribution of legal competence. It is not easy for a national politician to deny responsibility for matters within local jurisdiction, even if he or she wanted to.

7.5 Central interventions may be justified in principle or may be simply inevitable. They can still have a negative impact on urban management. Investments can be planned with a rigid insensitivity to local circumstances and need. Indonesian ministries have insisted on planting trees that do not grow in local soils and on installing pumps that do not match the depth of local groundwater. Development strategy can be upset by the uncoordinated actions of rogue ministries. Controls over local government can be abused to further the interests of national ministers and their supporters. Municipal financial viability and cost recovery can be undermined by withholding approval for changes in tax and fee rates or assessment conditions.

Efficiency and Autonomy

7.6 Economic theory has tended to support arguments for local autonomy by stressing the allocative efficiency of local choice—both over directions of public expenditure and over the scale of local taxing and spending. A connection between supply and consumer demand may be achieved in the case of services that are financed by charging provided that the level of charges actually relate to quantities consumed and the latter are within the payer's control. But a similar connection between the local collective choices over tax-borne expenditure and consumer demand is difficult to substantiate, given both variations in the representative character of local government and the usual absence of clear budgetary options in electoral campaigning. At best, local choice reflects majority interests and is prone to ignoring the needs of the more deprived neighborhoods and groups. The case studies illustrate the propensity of municipal government to absorb excessive and growing resources in unproductive overheads. Municipal government

tends to exhibit efficiencies of choice not in the broad allocative decisions, but in the detailed implementation of national programs and in experiments at the margin of public service provision.

7.7 In any case, there are only limited areas of expenditure in which there can be an absolute efficiency in local choice, that is, where there are no interests beyond the locality at stake. In many of the bigger fields of urban expenditure, it is more realistic to think in terms of a hierarchy of choice from broad national policy to detailed and localized implementation. Within this hierarchy, different levels of public authority may have the comparative advantage of choice at different stages of decision—from national planning commission to road foreman and head teacher.

7.8 A stress on local autonomy is an inadequate approach to urban government. The continued impact of central intervention has to be recognized and efforts promoted to make central-local relations as constructive as possible. Two current developments offer hope.

Reforming Controls

7.9 The first approach comprises efforts to make central controls of local government and parastatal agencies more positive and supportive. These controls are often dysfunctional when dependent on the case-by-case review of local decisions. This encourages delay and often ill-informed, subjective, and even corrupt decisions on the part of central government and uncertainty and frustration on the part of local officials.

7.10 Normative controls can be less injurious and often positively helpful. Central specification of personnel qualifications has helped to improve the quality of local staffing in Chile; specific restrictions on overhead costs have enforced restraint in South Korea; specification of maximum and minimum design standards helped local infrastructural investment in Jordan and West Bengal. Again in Chile, government encouragement of contracting service delivery has been supported by the provision of model contracts, service specifications, cost guidelines, and practical training.

7.11 The substitution of normative controls for individual scrutiny of decisions deserves widespread replication. Specifying qualifications should generally replace approvals of individual appointments, for example. If macroeconomic control does require any limit on local tax and fee rates, these should be enforced by statutory ranges; not by arbitrary dictates. Tariffs should be set and amended by resolutions approving budgets—not by bylaws requiring decisions that are isolated from their budgetary implications.

7.12 The introduction of more normative controls also helps to develop more positive skills and attitudes on the part of the supervising ministries. As in Sri Lanka, styles of intervention can turn from inquisition to assistance. Intervention by donors can be significant in this respect, exposing staff with traditionally conservative and negative roles to new ideas and horizons and attracting more ambitious and better qualified personnel into controlling ministries. It is important, however, to identify the ministries with the critical controlling roles; in the past, the ministries of the interior and of local government have often been ignored by donor interventions with adverse consequences for reform programs that depend on their support.

7.13 Other central agencies have a part to play in encouraging local performance improvement, particularly those responsible for audit. The valuable role played by the British Audit Commission in promoting efficiency as well as probity, deserves imitation. The establishment of municipal finance

commissions in a number of Indian states is also a positive experiment in developing less arbitrary and better informed decisions over financial relationships.

Cooperative Investment Planning

7.14 The second positive innovation in central-local relations is the development of cooperative mechanisms for investment planning. Specific and matching grants have provided a long-standing instrument for reconciling national policy objectives with the local knowledge of detailed priorities and circumstances. Major improvements in local communications, primary education, and health care have been achieved in Indonesia, for example, through specific grant programs. But specific and matching grants have limitations. They are liable to overspecification of detailed application, and they do not extend local influence to the direct investments of national agencies.

7.15 More recently, countries such as France and Mexico have introduced negotiated agreements between the levels of government, incorporating all their investments of local or regional significance. In the case of Mexico, these agreements cover both the direct investments of federal agencies and an increasing volume and percentage of matching grants and loans, available for locally selected and executed schemes within mutually agreed priorities. These agreements are reached by state and municipal level committees in which all levels of government are represented along with the private sector.

7.16 It is interesting to note that both the French and Mexican joint planning agreements adopt a contractual title, such as *contrats du plan* in France and *convenios unicos desarrollo* in Mexico. Both countries have traditions of highly centralized administration, but have nevertheless seen advantage in a negotiated partnership approach to development priorities. Both approaches to reform described in this chapter have the merits of accepting interplay but promoting more mature relationships between central and local officials.

VIII. SUMMARY OF CONCLUSIONS

The Research Focus

8.1 Effective institutional framework of urban growth depends on the arrangement of urban government, as well as the policies and motives of the managers and the economic, political, and social environment in which they operate. The three sets of factors interact.

8.2 This paper summarizes research into the effectiveness of this framework, which was carried out by the Institute of Local Government Studies and its collaborators in the host countries and was then documented by case studies and the preparation of working papers on individual aspects of urban government. Aspects specifically covered by the research have been the structure and functions of urban government, its internal organization and management process, its staffing and financing, and its relations with the private sector and community organization. The research has highlighted the great diversity in these attributes and the need to be cautious over generalized prescription.

Management of Individual Services

8.3 Private provision of services may be more effective in cases in which consumers can be charged and the scale of investment, the technology, and the maturity of the business sector permit competition. This is likely to include housing, bus services, and commercial refuse collection.

8.4 Where technology and the scale of investment are likely to deter competition and encourage monopoly supply, private provision may also be effective, but only if urban government has the capacity to protect the public from excessive charges and to ensure affordable services to low-income consumers. This could apply to water supplies, sewerage, rail transport, and electricity, among others. Otherwise, public provision will be necessary.

8.5 The private provision of education and health care may well be effective. Yet, there is a strong public interest in these services warranting sufficient regulation, financing, and, if necessary, public provision to protect standards and equitable access by all income groups.

8.6 Publicly provided services may still gain efficiency from private or community participation through contracting out or user management. However, this will depend on genuine competition, sufficient social control to prevent nepotism in the award and supervision of contracts, and the ability to specify and enforce performance standards. The provision of model contracts, cost guidelines, and training by government and other external agencies can be of considerable help.

8.7 Whether services are publicly or privately managed, the specification and costing of performance standards, including maintenance and replacement cycles, are vital to effective and efficient delivery. They also need to be translated into systematic work loads, work programs, and consequent staffing levels. These constitute a neglected area of urban management reform.

8.8 In the case of chargeable services, including water supply, sewerage, public transport and rental housing, a high degree of direct cost recovery is generally associated with effective coverage. High degrees of subsidy do not in practice lead to effective provision, least of all to the poor.

8.9 Single-purpose organizations have advantages in concentrating attention on service performance and on developing skilled and committed staff, particularly with organized consultation with consumer interests. But these benefits may be offset by the cost of functional fragmentation. Cost center delegation within multipurpose organizations represents a compromise, providing that financial relationships with parent bodies are governed by carefully framed output targets and costs.

8.10 If services are provided by multipurpose organizations, both contracting out and cost center delegation can have a significant influence in freeing leadership from preoccupation with managing a large labor force and routine tasks and in facilitating more strategic approaches to city management.

Management of City Development

8.11 Effective urban management requires more than competence in running individual services. These need some degree of integration in relation to new settlement, redevelopment of deprived areas, and the response to overall challenges, such as unemployment, the decline of traditional economic activity, and environmental deterioration.

8.12 Municipal government may provide effective leadership in planning the overall development of a town and in responding to economic, social, and environmental problems—that is, if it has the necessary attributes. These include:

1. *Comprehensive boundaries*, including both the developed core and the developing periphery.
2. *Wide responsibilities*, including the functions that particularly need to coalesce (mainly, planning and development control, water supply and sewerage, roads and traffic management, drainage, regulation of public transport, parks and open spaces, and environmental health). These are functions that interrelate constantly during rapid urban growth in providing an efficient living and working environment.
3. *A buoyant revenue base*, including access to taxation of income or expenditure (whether through direct levy, surcharging, or tax sharing).
4. *Well-qualified, professional staffing*.

8.13 Many systems of urban government lack these attributes and are geographically or functionally fragmented, or both. In such cases, a strategic approach to urban management may be achieved by political cohesion between levels of government and agencies and strong national priorities. These conditions are not easily contrived. Larger metropolitan areas often suffer acutely from the absence of strategic management, particularly in relation to environmental problems, such as the disposal of waste and protection of water resources.

8.14 Where neither strong municipal government nor political cohesion create conditions for integrated urban programs and policies, they are far harder to achieve and only partial solutions are available. These may focus on structure or process—coordination by authority or negotiation. Structural solutions

usually involve a metropolitan level of government. A two-tier system of local government runs the risk of political rivalry between tiers, and effective strategic action depends on being able to locate strong command of resources at the upper tier.

8.15 Process solutions focus on interagency coordination by physical and investment planning. One frequent route is the creation of metropolitan planning authorities, which may be effective, but only if they are able to promote and control the flow of capital funds and to desist from direct involvement in project execution. Direct engagement in capital works only encourages conflict with the agencies they are meant to co-ordinate and usually undermines responsibility for subsequent operation and maintenance. The planning role is particularly incompatible with direct responsibility for land development.

8.16 A strong political executive within local government is particularly advantageous in a functionally fragmented situation because of the ability to represent local interests to other public agencies and levels of government and to make collaborative bargains.

8.17 Links between physical and investment planning have proved elusive. Guiding development of infrastructure in the more efficient directions of growth is likely to be more effective than attempts at rigid land use control.

External Intervention

8.18 Attempts by national governments and donors to improve urban management need to recognize the political risks and exposure of urban government. Enhancing cost recovery, labor productivity, or regulatory enforcement needs to be closely associated in time with visible improvements in services and environmental conditions to encourage public support. Political critical paths are important, including attention to the terms of municipal office and to the timing of elections.

8.19 Efforts to improve revenue administration are usually important, particularly in relation to collection. Property taxes are common and usually capable of substantially larger yields. Revenue enhancement programs, however, should not be too narrowly based. Municipal viability and self-confidence require a wide revenue base and more attention is needed to diversifying sources. Surcharging national and state taxes is a potentially valuable instrument for combining local discretion with the technical efficiency of national tax administration, but largely neglected in the urbanizing countries. Intergovernmental transfers generally increase in importance with economic growth and greater devolution; but simply increasing revenue shares without attention to local expenditure requirements leads to inefficiency and inequity. Far more attention is needed to the introduction of formulae linking transfers to differences in local spending need and tax capacity.

8.20 Municipal development funds including credit contribute substantially to widely diffused development of urban infrastructure, much of it in small towns. There are dangers, however, of overstraining debt service capacity if credit flows are driven by national or donor lending targets. More attention is deserved by other channels of capital funding, including a) the various methods of charging capital infrastructural costs to the owners and developers whose land values are enhanced; and b) regular subscription to replacement funds for limited life equipment.

8.21 Reforms of operating and management systems need to focus primarily on relatively simple

incremental changes of high practical priority. Accounting procedures, for example, should not exceed local capacity for punctual and accurate reporting. Use of external consultants needs to be discriminating, involving personnel who have the experience and confidence to cooperate with client staff in on-the-job testing and introduction of revised procedures.

Central-local Relations

8.22 Despite the current emphasis on decentralization, the role of central government will remain important in most countries because of its command over major investment funding, the statutory framework, and the operating controls over local agencies. Central-local relations are critical to urban management and need to be as positive and collaborative as possible. Substituting normative rules for case-by-case review of local decisions is important. Collaborative agreements between levels of government over their respective and joint investment funding is proving a most effective contribution to urban development if it is being practiced. A strong cooperative framework is particularly necessary in addressing environmental problems, partly because pollution does not respect boundaries and partly because changes in national legislation and policy (including fiscal measures) are normally important in complementing local actions.

Organizational Effectiveness

8.23 Several of the urban government agencies covered by the case research—state, municipal and parastatal—are demonstrably effective, others less so. Individual attributes and practices contribute to effectiveness. But it depends above all on a culture of performance, public service, and efficiency. This derives essentially from a *combination* of circumstances—challenging tasks, adequate powers and boundaries, buoyant resources—all enhancing the agency's ability to deliver service and command public respect. Political cohesion helps (pluralist politics can be particularly disruptive in a metropolitan context), but also a degree of political challenge; central-local party tensions have helped to keep Bulawayo on its toes, and the closeness of the last Mexican elections has put PRI on its mettle.

8.24 Some attributes and circumstances clearly *discourage* effectiveness. These include the lack of control over the urban periphery, a preponderance of low-esteem maintenance tasks, and a large, manual work force, the diffusion of political and administrative leadership, a highly restricted and sensitive revenue base, immobile career structures, and case-by-case external intervention based on arbitrary judgment and inquisitorial attitudes.

8.25 Attempts at reform need to assess the effectiveness of urban government agencies in terms of these overall circumstances and their positive or negative impacts. Mitigating the disincentive elements is critical to improvement. But this has to be accompanied by the encouragement of positive organizational values—precepts backed up by practices demonstrating a commitment to improved service and management of city development.

8.26 Reform may be radical or incremental. It may result from the initiatives of individual urban agencies or changes in local leadership. Interventions by external agencies such as aid donors may also be instrumental. Nevertheless central governments often control the legal and financial levers on which crucial aspects of reform depend, and improvements will require their initiative or, at least, acquiescence. This may well be secured by successful local experiment. But central government resistance is often a severe impediment to urban government reform, and the events which lower this resistance—an economic crisis,

an electoral defeat, a major breakdown in services, for example—are unpredictable. This makes it all the more important to develop the consistent and comprehensive proposals for reform, backed as far as possible by experiment, which can catch a favourable wind whenever it arises.

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ANNEX: CASES OF GOOD PRACTICE

Introduction

This Annex identifies some examples from the case studies of good practice in management. These were selected solely because they are innovative and appear to be of interest for international dissemination. (References are to the case studies in the Executive Summary.)

Structures

A.1 State-private trusts in Hermosillo. The two trusts established in Hermosillo, Metroplan and the Trust for the Special Programme, are examples of a successful approach to public-private partnership in urban development (Mexico pt. II, p. 101).

A.2 Water and Sewerage Department Deliberative Council, Porto Alegre. The deliberative council, representing professional, business, and community interests, subjects the municipal department to an additional dimension of democratic control (Brazil pt. III, par. 155).

A.3 Residents associations. There are examples of well-developed systems of community representation at the neighborhood level upwards in Brazil, Mexico, Zimbabwe, and West Bengal. These structures usually also make contributions to development and/or services (Brazil pt. II par. 106, pt. III par. 38, Mexico pt. I p. 38, Zimbabwe ch. 6.4, Calcutta paras. 102 and 161).

Strategic Management Process

A.4 Mexico federal/state/municipal planning system. The development planning and capital budgeting system, in which the municipal structures and processes are integrated with those of the state and national governments, is a major factor in securing adequate capital investment in urban areas (above, Mexico pt. I p. 28, pt. II p. 22, pt. III p. 20).

A.5 Municipal action plans in Brazil. Brazil offers the best example of strategic and action planning at the municipal level, even if plans are undermined by inflation and other factors. The system flows through from the level of strategic objectives to a medium-term financial and program plan, to an annual work program and budget, and to 3-monthly implementation plans (Brazil pt. II par. 29).

A.6 Penang Water Authority mission statement. A concise mission statement is a business practice that should be copied by municipalities at the departmental level. The Penang example is one revealed by the research, which appears to be matched by the performance of authority (Penang Island p. 194).

Management Procedures

A.7 Performance indicators. The use of performance indicators for basic services is demonstrated by Gweru Municipal Council in Zimbabwe, which has used them in its annual report and accounts to compare year on year performance in cost-output terms (Zimbabwe p. 39 and figure

2.3). The Urban Programme Unit in Sri Lanka has also developed a fairly extensive range of indicators for the purposes of assessing grant entitlement and adjudicating performance award competitions among local authorities.

A.8 Project identification and appraisal procedures in the Philippines. The central government agencies managing the World Bank-funded Municipal Development Projects I-III have between them developed an impressive range of procedures and techniques for identifying and appraising municipal capital projects, with an emphasis on medium and small projects and on simplified procedures and techniques (Philippines Chaps. 4-5).

A.9 Procedure for Solidarity Programme project selection in Mexico. A simple ranking procedure is used for projects under this poverty-focused program, which is based on cost-effectiveness, priority need, use of existing infrastructure and participation by the community (Mexico pt. III p. 26 and p. 62).

A.10 Needs assessment for low-income areas in Porto Alegre. A diagnosis of the needs of low-income areas using a simple methodology was undertaken to feed into the 1991 Budget and Action Plan. The city was divided into microregions, which were assessed on criteria of service priority, extent of community participation, slum population and infrastructure development strategy (Brazil pt. III par. 56).

A.11 Productivity, training, and customer relations practices in National Water and Sewerage Corporation, Uganda. The National Water and Sewerage Corporation provides an example of the application of systematic work planning and output control methods to service delivery and revenue collection to an exceptionally difficult environment. The procedures are backed by a cultural approach through training, motivation, customer relations, and leadership, and the twin approaches have resulted in greatly improved performance and discipline (Uganda par. 169).

A.12 Financial control in Bulawayo. The procedure in the Treasurer's Department of combined cost summaries produced monthly for budget monitoring purposes (through an computerized accounting system two weeks from the month end) has been refined with the addition of a target figure at each month end to facilitate comparison (Zimbabwe p. 37).

A.13 Community consultation on annual budget in Zimbabwe and Brazil. In Zimbabwe, a limited form of consultation takes place with community organizations on the level of revenue increases proposed in the budget. While this procedure gives little real influence, it is symbolically significant and could be developed into wider consultation on service provision. In Brazil, consultation on the budget is quite common and is wider in scope with some effect on budget priorities and levels. In Recife, budget consultation involves some 200 civic organizations (Zimbabwe p. 86, Brazil pt. II par. 33 and 104).

Style and Culture

A.14 Councillor-officer and board-officer relations. Examples of a balanced relationship of mutual respect and cooperation between the councillors and board members and the officers are found particularly in Bulawayo, Zimbabwe, and in the Penang Water Authority. This comes about because of the acceptance of certain values, which in the case of local government involve balancing individual and group interests in party politics and civic affairs (Zimbabwe p. 26, Penang Island p. 201).

A.15 National Water and Sewerage Corporation in Uganda. As described above, the approach of the NWSC should be noted as an example of the cultural approach to management, of which there are generally few examples.

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