
Urban Management

The Challenge of Growth

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with

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Avebury

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Preface

This book, together with its three regional companions, is based upon research into the institutional framework of urban management carried out by the Institute of Local Government Studies, University of Birmingham under the sponsorship of the British Overseas Development Administration and the World Bank.

The research was a contribution to the international Urban Management Programme which has been initiated by the United Nations Development Programme with the support of ODA, the World Bank and other agencies. The Programme is concerned with the governmental response to the scale and pace of urbanisation in Africa, Asia and Latin America. Its objective is “to strengthen the contribution that cities and towns make towards economic growth, social development, and the alleviation of poverty”. It “seeks to develop and promote appropriate policies and tools for land management, infrastructure, municipal finance, and the urban environment”.

The research had two major outputs:

- case studies of government institutions in selected cities in Brazil, India, Malaysia, Mexico, Turkey, Uganda and Zimbabwe
- working papers on individual aspects of urban government, together with an overview of the entire research.

Each of the case studies analysed urban government in the study towns in terms of individual characteristics such as the distribution of tasks, staffing and finance. It attempted to assess the broad effectiveness of the local system in managing growth, but also tested this by examining in greater detail the operation of three services - water supply, refuse collection and primary education.

The current volume provides a global overview of the research findings, the individual chapters being based upon the original working papers.

The authors of this volume, together with Philip Amis also of ILGS, were responsible for the original research. Tapan Banerjee of the Institute of Local Government and Urban Studies, Calcutta, Shyam Dutta of the Indian Town and Country Planning Organisation, Gleisi Heisler Neves of the Brazilian Institute of Municipal

Administration, Phang Siew Nooi of the University of Malaya, Edward Mugabi of the Uganda Management Institute, Moffat Ndlovu of Bulawayo City Council and Mario Guadarrama Hernandez in Mexico shared in the preparation of the case studies in their respective countries.

The authors express their gratitude to these external collaborators, and to ODA and the World Bank for their financial support. Finally, appreciation is due to Pam Banks, Debra Grove and Pauline Thorington-Jones of the University of Birmingham for their assistance with the preparation of the final copy.

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1 Urban government and growth

Kenneth Davey

The issues

Can urban government respond effectively to growth? This is the concern of this book, and of the research on which it is based. The focus is on government institutions in Africa, Asia and Latin America because of the scale and pace of urbanisation. Urban populations in these three continents are currently growing at the rate of 6.3 per cent per annum and as much as 8.8 per cent in low income countries. Their total urban population is due to increase to a total of 1.1 billion by the year 2000. Half of the increase and of the total urban population is concentrated in cities of over 500,000 population.

'Effective response' means ensuring that population growth is matched by access to basic infrastructure, shelter and employment, and does not result in substantial deterioration in standards of living or environmental quality. 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 which only government can perform.

The performance of government institutions is critical to the effective management of urban growth. Both governments and international agencies have shown considerable anxiety to improve the structures, processes and resources of urban government institutions, in particular during the last decade. "Decentralisation" policies have shifted functional responsibilities and resources between layers of government, usually downwards. 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.

The effectiveness of urban government is clearly dependent upon a wide range of contextual factors: political stability, social cohesion, economic buoyancy, to name only the most obvious. It also depends upon the skills and motivations of its political and professional leaders and the staff who serve them. But structures, processes and resource bases are themselves factors contributing to effectiveness. The performance of a car owes much both to its driver and to the driving conditions - the state of the

road, the traffic, the weather - but its innate characteristics, engine power, road holding, fuel efficiency etc constitute a third party 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.

This book focuses on this institutional framework and its impact on the effectiveness of urban government in managing urban growth. It examines the various characteristics which make up the framework - the structure of urban government agencies, the division of tasks between them, their staffing and resource bases, their internal organisation and management processes, their relations with central government and their interaction with private and community organisations. It has aimed to analyse how far differences in these characteristics contribute to effectiveness (or detract from it). In doing so it acknowledges fully that the institutions themselves are only one set of factors determining the success or failure of urban government. In evaluating the effectiveness of urban government institutions, six criteria have been adopted:

- technical competence in the choice, design and execution of investment in infrastructure, and in its operation and maintenance;
- efficiency in the use of resources, financial, human and physical, through good budgeting, project appraisal, personnel management and programme execution;
- financial viability based on vigorous exploitation of the local revenue base and sound financial management;
- 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;
- sensitivity to the needs of the urban poor, and a weighting of public interventions to promote their access to shelter, basic services and employment; and
- concern for environmental protection, through public service provision and regulation of the private sector.

The research

The book is the fruit of research by the authors as part of the international Urban Management Programme, initiated by the United Nations Development Programme. It is based on

- case studies of selected cities in
Brazil (Batley 1991)
India (Batley and Dutta 1992, Blore 1992)
Malaysia (Norris and Siew Nooi 1992)
Mexico (Batley 1992)
Uganda (Amis 1992) and
Zimbabwe (Pasteur 1992 a)
- a case study in Turkey during a preliminary phase (Davey 1988 a), and an additional case study in the Philippines confined to the impact of World Bank intervention on municipal development (Pasteur 1991 b)
- the authors' previous experience of work on urban management issues in 22 countries
- extensive desk research and access to World Bank documentation.

There are three companion volumes on urban governance in Africa, Asia and Latin America respectively. These reproduce the case studies in each region.

Content

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. The next chapter accordingly addresses the relationships between the public and private sectors in the provision of urban infrastructure.

Chapters three to six focus on the characteristics of urban government

- the structure of public agencies and the distribution of functions between them
- their internal organisation and management process
- their staffing systems and personnel management
- the financial base.

Chapter seven discusses the relations between central government and urban government agencies at local level.

The concluding chapter discusses the driving forces of political pressures, incentives and values which condition the attitudes and aspirations of those directing and working in urban government institutions. It looks at the interaction between these and the institutional framework itself. Its basic argument is that this interaction is not a one-way process. The framework has an impact upon these motivations, by making the fulfilment of tasks easier or more difficult, more or less challenging and rewarding. This is the nub of the relationship between the institutional character of urban government and its effectiveness, which is our underlying theme.

2 Co-operation with private and community organisations

Richard Batley

The issues

Most developing countries participated during the 1980s in the sea-change of opinion which challenged the assumption that the extension of public supply and regulation was good for equity, efficiency and development. Even where the arguments for the greater efficiency and effectiveness of the private sector and self-help may not have been accepted, the limits of public finance or the pressures of international aid have forced a pragmatic adjustment.

This chapter examines the arguments for private and public sector involvement in the supply of urban services. It also compares the arguments against the real experience of the case countries in Latin America, Africa and Asia. There are three broad steps in the discussion. The first is to survey the theoretical reasons for restricting government involvement in the supply of goods and services, and to compare these with realities in the countries under survey. The second is to examine some of the institutional arrangements through which public and private sectors may collaborate and to ask whether these are more or less applicable to particular services. The third is to evaluate the performance, in practice, of publicly and privately managed services, leading us to the core question: is there any evidence that the theory about the relative advantages of the private sector is borne out in practice?

The question is simply put but not easily answered. It is difficult to draw firm conclusions about the relationship between types of arrangement for the supply of services and their performance: efficiency and effectiveness are not easily measured; they may conflict with each other; there are many different ways of combining the public and private sectors but few available case studies of the alternatives.

More fundamentally, it has to be recognised that the values of efficiency and effectiveness are limited bases for judging of systems of local governance. Nations or localities may legitimately give higher prominence to other values, such as: national control, democratic control, local responsibility, public ownership, the development of civil society, the promotion of employment - even at the cost of relative inefficiency

and ineffectiveness. However these should be conscious choices and the costs recognised.

Even if efficiency and effectiveness in service delivery are the accepted objectives and even if it can be established what organisational arrangements produce them, there should be great caution about transferring prescriptions. Practices are generated by and fit particular institutional contexts, cultures, economies and political systems. Other factors have to be taken into account than the simple technical solution. There is a particular danger of seeing current western prescriptions as universal best practice and seeking to transfer them to societies whose needs, priorities and possibilities are different.

Rolling back the state

Trends

The question whether the public or the private sectors should deliver particular urban services is resolved differently in different countries, but most are under some pressure to move towards greater private involvement. 'Private' does not only stand for firms but also communities and households. In many countries, under pressure of constraint on government resources, there is an *incremental* process of unintended privatisation: as public services fail, enterprises and households find their own solutions. This is especially the case in the spheres of essential personal services (transport, education, health) and basic infrastructure (water and fuel). The other form of privatisation is *programmed*: here governments make policy decisions to sell assets, to franchise or concede the whole operation or to contract out particular aspects of it.

In most developing countries there has probably been faster 'progress' in incremental than programmed privatisation. Formal privatisation has been modest, with some exceptions: much of Latin America, Malaysia, Thailand, Zambia, and, in some particular respects, Francophone West Africa. It has been concentrated in certain sectors: commerce, industry and agricultural marketing, and the contracting out of public works and urban services. This chapter focuses on this programmed or deliberate privatisation, comparing experience with the anticipated benefits.

The case study countries reflect the general trend towards a greater involvement of private enterprises, communities and households, a trend which is to a great extent regardless of governments' political philosophies. Liberal Malaysia has at least as many pure public sector services as Marxist West Bengal. Newly liberal Mexico maintains a higher public sector domination of urban services than the Workers' Party in Brazil could ever hope to achieve in any municipality under its control. Ideological commitment is not the sole driving force.

Where there has been movement from public sector supply to the involvement of the private and community sectors, it has often been for purely pragmatic reasons. Most developing countries are under pressure to privatise due to the scarcity of government resources or the influence of aid donors. There is evidence in our case

studies that what begins as a pragmatic step often leads, with experience, to a more whole-hearted commitment to privatisation: for example, in the contracting of refuse collection in Penang (Malaysia) and Recife (Brazil) and in the involvement of communities in the raising of finance in Uganda.

Uganda is well ahead of the trend towards 'destatisation' but mainly under force of circumstances which have led to a collapse of public services and their substitution by community effort. Zimbabwe is embarking on widespread contracting out of municipal services partly on the initiative of central government in response to structural adjustment.

The case study countries reflect the general trend towards greater private sector involvement, pursued more often for pragmatic than for ideological reasons. Table 1 shows that there are significant differences between countries with regard to the forms and levels of privatisation of various urban services, but certain patterns emerge. Most likely to involve at least some level of private participation are transport, markets, education, housing, refuse collection, parks and gardens; public works are commonly contracted out. Communities are typically involved in settlement improvement and in making cash and labour contributions to local works. Land development is frequently undertaken by some form of partnership between local government and entrepreneurs. Most likely to be entirely governmentally owned, managed and maintained are the public utilities: water, sewerage, electrical energy and refuse disposal.

Malaysia

Malaysia has experienced recent strong economic growth and industrialisation. Two strong national commitments carry over from policy at the broadest level into local level management: the New Economic Policy (1970) which sets out to promote national unity by encouraging indigenous (Bumiputra) enterprise in a situation where the Chinese community dominates the economy, and the Look East Policy (1982) which among other things promotes cooperation between the public and private sectors and, where possible, privatisation. This is a system strongly directed by the federal government with financially dependent states and increasingly subordinated and unelected local government.

A wide range of local functions are managed directly by Federal and State Departments and special purpose bodies - including education, health, fire, police, housing, regional and urban development authorities, water authority and town planning. The most significant privatisation has been that of telecommunications; otherwise these federal and state services remain firmly public. Their main connection with the private sector has been through the direct promotion of Malay enterprise, through the use of construction contracts to favour Malay firms, and increasingly through joint ventures in land development and housing. Local government in the case of Penang Island, under pressure of financial constraint and higher level policy, has contracted out refuse collection, beach and storm drain cleaning, public toilets, car parks and the management of public open spaces. The municipality uses its purchasing power in accordance with the New Economic Policy to promote Bumiputra entrepreneurs by awarding the vast majority of contracts to them. The municipal bus service is to be sold to the private sector.

The research identified examples of effective service delivery in the strongly public sector State Water Authority and federal education system. The greatest weaknesses occurred in the contracted out municipal services, partly because the municipality has been unable to assert adequate supervisory control (Norris 1992)

Bearing in mind these patterns, the next section asks what, according to those who argue for state withdrawal, is the basis for deciding the respective roles of the public and private sectors.

The limited case for government intervention

Classical economic theory supports the market on the grounds of efficiency: a state of perfect competition will maximise supply at a certain level of demand. Even where the market does not operate perfectly, the price mechanism will produce better