



Urban assistance and the material world: learning by doing at the World Bank

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SUMMARY: *This paper explores the contradictions between the ambition to establish a more effective framework for the development and management of cities, and some of the realities of urban life. It discusses this through the lens of the World Bank's evolving urban assistance programme during the 1980s and 1990s as it shifted from urban projects to strengthening municipal and metropolitan capacity, and from "supply" to "demand" orientations. The first section sets out the as yet unresolved problems of metropolitan management. The second describes the difficulties and dilemmas that international agencies faced as they developed urban programmes. The third describes the World Bank's efforts to strengthen urban institutions in different urban and country contexts. The paper concludes by emphasizing the need for more attention to the "material world" – the physical and spatial context of homes and neighbourhoods where urban dwellers spend most of their lives and make most of their investments. To ignore this it to risk cities in the future having even less cohesion than the sprawling metropolises of today.*

I. DEFINING THE PROBLEM

WHETHER IN BUENOS Aires or Mumbai, Dhaka or Dakar, cities have more jobs and more people, cover more land and generate more wastes. Urban social and economic behaviours are more complex, whether inside the evolving forms of households, neighbourhoods, districts or enterprises. Above this material world are increasing numbers of institutions presuming to play a role in what has loosely been defined as "urban governance".

Demographic growth, spatial expansion, economic differentiation, social complexity, cultural diversity and institutional fragmentation would suggest that metropolitan forms and frameworks should emerge to respond to the many challenges which accompany these processes. The enormous problems of poverty and inequality, and dangerous levels of pollution in many big cities are begging for solutions. But even with the added pressures of globalization, which is commonly perceived as increasing the concentration of urban populations in metropolitan areas,⁽¹⁾ there are few cities which claim to have created successful metropolitan frameworks for managing their affairs. Managing urban life and helping to meet the needs of growing populations would seem to require a vision of the whole, and institutions able to operate at the metropolitan level. Yet, everywhere, the metropolitan impulse is frustrated.

1. See, for example, Hall, Peter and Ulrich Pfeiffer (2000), *Urban 21: The Report of the Global Commission on the Urban Future*, E and F N Spon, London.

Not only are institutions and forms of action insufficient in the face of growing urban needs but the conceptual frameworks from the various disciplines are also undeveloped in the face of this real world challenge. Analytical failure is reflected in normative failure: we do not understand, and our actions have only marginal impacts on metropolitan problems. Thomas Bender observed that:

“It is becoming commonplace that established representations of the city and suburb do not hold. Our capacity to describe or theorize the social and spatial organization of the contemporary metropolis is manifestly inadequate to what we know of the metropolitan experience.”⁽²⁾

This commentary can be extended to other fields, including economics. In a sense, the process of metropolitan growth is an urban economist’s dream. It is the final confirmation that economies of scale and agglomeration are so irresistible that urban areas will continue to grow to unprecedented demographic, economic and spatial dimensions. Bigger is not only inevitable but it is also better.⁽³⁾ So why do these economic incentives not give birth to appropriate metropolitan institutions?

This paradox also faces students of political science and public administration. Seeking to find institutional formulae for balancing the needs for representation, decision-making in the public interest and the notion of “subsidiarity”, which argues that decisions should be taken at the level closest to where their impact is felt, the institutional sciences posit the need for institutional authority and arrangements with multiple levels and responsibilities. Each level reflects both the multiple and parallel scales of urban problems and the need for mechanisms to mediate conflict and coordinate efforts. These are captured in the economic notions of “spillovers” and “externalities” which suggest that behaviours in one jurisdiction are likely to have impacts in others. This is certainly correct when applied to environmental issues and strongly argues for metropolitan environmental management.

But there are few examples of positive urban management such as Barcelona, Curitiba or Seattle. These cases, each a “metropolitan area”, are rather noted for their culture, environmental management or blend of dynamic economy and livable neighbourhoods. For many years, Metro-Toronto was the most frequently-cited example of effective metropolitan government and it attracted thousands of urban specialists and public officials from around the world to learn how “to think and work at the metropolitan scale.” But a recent reform abolished Toronto’s metropolitan government. Had metropolitan government in Toronto been a case of false advertising?⁽⁴⁾

II. URBAN ASSISTANCE AS A SOCIAL EXPERIMENT IN THE WORLD BANK

a. The Early Beginnings

THERE IS ALSO the issue of inappropriate urban government. When working in Abidjan in 1969, I observed a long line of red crosses on the white walls of houses in Adjame. The busy movement of people and traffic seemed to ignore whatever messages these red crosses were sending. After the second block, I realized that these were not announcing clinics. When I asked what they meant, a middle-aged woman in the street angrily replied: “Ah, the government wants to knock down our

2. Bender, Thomas (2001), “The new metropolitanism and a pluralized public”, *Harvard Design Review*, Winter-Spring, pages 70-77.

3. See, for example, Becker, Charles, Jeffrey Williamson and Edwin S Mills (1992), *Indian Urbanization and Economic Growth Since 1960*, Johns Hopkins University Press, Baltimore.

4. Bourne, Larry (2001), “Designing a metropolitan region: the lessons and lost opportunities of the Toronto experience” in Freire, Mila and Richard Stren (editors), *The Challenge of Urban Government: Policies and Practices*, The World Bank, Washington DC, pages 27-46.

houses in order to fix up the city. The houses with red crosses will be bulldozed.”

The following week, this prediction proved correct. Bulldozers cut wide swathes through the Adjame neighbourhood of 100,000 people. Some people tried to protest but police pushed them away with nightsticks and even fired a few shots in the air. Abidjan, the capital city of the Ivory Coast, was being improved in spite of the wishes of its residents. The events in Adjame were not isolated; the government had bulldozed 20 per cent of the housing stock during the first decade of independence, to make the city “modern”. The then Minister of Construction had proclaimed government policy as “build big, beautiful, and forever”.⁽⁵⁾ A French geographer working in Abidjan had described this policy as “double or nothing”; buildings either conformed to the image of Abidjan as a modern city escaping its colonial past or they were to be destroyed⁽⁶⁾ – another example of people receiving harsh medicine in their “best interests”.

This approach was not unusual; indeed, it followed precedents set in Europe and North America. The previous year, bulldozers had moved into parts of the South Side of Chicago and displaced people in the name of progress. But this approach was being questioned. In Britain, there was the growing dissatisfaction from those displaced by redevelopment and the move to new public housing estates. In the United States, analyses of the race riots in Detroit, Los Angeles and Newark had concluded that riots seemed to occur in cities where so-called “anti-poverty programmes” had been “successful”.⁽⁷⁾ If the red crosses of Abidjan were symbols of policy failure, they were no more dramatic than the blowing up of the recently constructed Pruitt Igoe apartment buildings in St. Louis. The irony, of course, was that the Ivory Coast government was hoping to house its people in newly constructed apartment buildings. Definitions of progress were relative and changing, yet they had immediate consequences for people, particularly poor people. These patterns had been repeated in many cities, rich and poor; in poor cities, frequently making poor people poorer in the name of making the city look rich.

After completing the research in Abidjan and publishing a book about these contradictions (which made me *persona non grata* in the Ivory Coast for several years), I was offered a job at the World Bank, which was beginning to be asked by its member governments for help in addressing urban problems. Starting in the early 1970s, the Bank began what became the largest development assistance programme to address the problem of urban poverty, although many other multilateral and bilateral agencies also developed urban programmes. Ten thousand urban centres in more than 150 countries received international aid. Urban knowledge, experience, resources and ideologies from both rich and poor countries were applied to cities and towns, large and small. From the Bank, projects, plans, investments, research and loans were used to mobilize and leverage local resources to provide needed housing, water supply, sanitation, transportation, environmental management, education, social services and community development. Some US\$ 60 billion was transferred to these urban areas, in most cases through their national governments.

The primary objective was to alleviate poverty – and many succeeded in providing essential services. This assistance also involved, both implicitly and at times explicitly, the transfer and application of models of the future from one society to another. Urban aid was not just about meeting present needs but, perhaps more importantly, about discovering new

5. Statement by Michel Goly-Kouassi, in *Fraternité Matin*, 1969.

6. Haeringer, Philippe (1969), “Quitte ou double: les chances de l'agglomération abidjanaise”, ORSTOM, Abidjan.

7. Balbus, Isaac (1971), *The Dialectics of Legal Repression*, Russell Sage, New York.

models to guide future development.

During this period, the world's urban population increased rapidly, from 37 per cent of the world's population in 1970 to 47 per cent in 2000. Projections suggest that the urban population in Africa, Asia and Latin America will double between 2000 and 2025. How well cities, countries and the world as a whole will respond to this extraordinary population shift will depend in some measure on how the experience of this earlier period is understood. Were some countries and cities able to "solve" their urban problems? What policies and projects actually worked and according to what criteria? Were the experiences of rich countries helpful to poor countries? How can we understand the transfer of urban models to cities such as Abidjan where the red crosses reflected values and aspirations based on perceptions of modernity and development in high-income countries? Is it possible to avoid the mistakes of the past to improve prospects for the future? These questions suggest not only that retrospective evaluation might be interesting and even provocative but that there are real stakes involved for the quality of the lives of coming generations.⁽⁸⁾

This paper reflects on the intentions and objectives of what was tried at the World Bank, what was achieved and what controversies emerged, including some that have still to be resolved. It also suggests what this experience might contribute to a better understanding of cities. It is inevitably influenced by the fact that the author was deeply involved in this effort during this period as a staff member and manager in the World Bank. It is up to the reader to judge the balance between on-the-ground experience and the objectivity of this analysis.

b. Assistance as Experiment

One view of international assistance which may be helpful in structuring an historical analysis is to consider assistance as an experiment. Based on assumptions about problems and their likely remedies, one individual, group or institution decides, by whatever process, to help another. The process is essentially experimental, without the certainty that assured results will be achieved. The decision to help is based on expectations that specific outcomes might ensue, but the international and hence-cross-cultural dimension makes the whole enterprise risky and far from secure. Moreover, assisting a nation, a city, a community or a household in need also involves an acknowledgment that, for whatever reason, the recipient is lacking some resource or opportunity which the assistance is intended to provide. The situation is not perfect, so the likelihood of total success is, from the outset, in doubt.

This decision is also inherently political and economic because, at some level, there are expectations about reciprocity, whether the recipient is expected to perform some subsequent service or pay back a loan.⁽⁹⁾ There may also be legal and contractual obligations on both sides of the relationship. The original "social" objectives of assistance can easily become lost in the complexities of these relationships. So too can the extraordinary opportunity to learn from each case by taking a critical perspective of what is ultimately a social experiment.

c. The Efficacy of International Aid

At a time when there is growing media coverage of economic and social

8. US National Academy of Sciences (2001 forthcoming), "Report of the committee on urban demographic dynamics", Washington DC.

9. Hawkins, Edward (1970), *The Principles of Development Aid*, Penguin Books, Harmondsworth.

distress in many parts of the world, many people are learning about the activities of international financial institutions such as the International Monetary Fund, the World Bank, the various United Nations agencies and the more than 50 bilateral national aid programmes. Some question the content of aid and, specifically, the economic conditions which accompany large-scale financial assistance in the face of economic crisis. They believe that fiscal policy conditions are too severe and may produce more misery than they alleviate. Others argue against these institutions themselves, created by the Western industrial democracies in the post-war period to provide development assistance.

Complaints about international bureaucracies, lack of transparency and insufficient public accountability of the international financial institutions are all valid to some extent but they need to be understood in terms of the origins of these institutions and how they have evolved from being dominated by rich countries to their present management by representatives of ministries of finance from both rich and poor countries. Their assistance reflects political and economic intentions, but not only of the rich countries. With India and Pakistan, Peru and Ecuador, Guatemala and Honduras, and many other countries watching each other's every move in the international institutions, the norms of international behaviour and criteria for official international assistance are very much the result of negotiated and mediated processes whose results may ultimately satisfy no one.⁽¹⁰⁾

Yet, the reality is that, despite notable exceptions such as potential environmental and social damage from hydroelectric dams requiring resettlement or other large infrastructure projects, most aid has provided positive benefits to recipient countries and communities.⁽¹¹⁾ This is not to say that all impacts have been positive or that the impacts have achieved either the potential or envisaged benefits at the moment of design. Water supply systems have been built but their maintenance and operation have suffered under conditions of local budgetary austerity, hence their benefits may have been limited. Millions of children have received primary education, vaccinations and other health and nutritional assistance as a result of international aid. This may not have received much media coverage or political attention but it does deserve to be included in any overall calculation of whether aid has been useful or not.

The debate over aid must also take into account the numbers involved: at no time in the past 30 years has international aid exceeded US\$ 60 billion a year. This is 20 per cent of the annual budget of the US Department of Defense during the same period or equivalent to the annual expenditure in the US on dog food. The reality is that US\$ 60 billion for more than 2 billion very poor people in low- and middle-income countries is hardly likely to have a major impact on a global scale. A study of US foreign aid in the mid-1990s revealed that a sample of the American public believed that about 15 per cent of the US budget was devoted to international aid; the reality was much more modest, not even reaching half of 1 per cent.

From an urban perspective, the quantity of urban assistance has always been small. While the exact numbers have been the subject of much debate by the few people who have actually done the hard work to understand the numbers, the reality is that urban aid has been a small proportion of total aid and even smaller when compared to the efforts made by the low- and middle-income countries themselves.⁽¹²⁾ An estimate in the early 1990s of investment in urban infrastructure concluded that total investment

10. See, for example, Caufield, Catherine (1996), *Masters of Illusion: The World Bank and the Poverty of Nations*, Henry Holt and Company, New York.

11. Cassen, Robert and Associates (1994), *Does Aid Work?*, Clarendon Press, Oxford.

12. See, for example, the work of David Satterthwaite (1998), "The constraints on aid and development assistance agencies giving a high priority to basic needs", PhD thesis, London School of Economics and Political Science. Urban aid is not even mentioned in the Earthscan series, *The Reality of Aid*, Earthscan, London, 2000.

from public and private sources was about US\$ 150 billion a year with not more than US\$ 6 billion a year coming from external sources.⁽¹³⁾ Again, although international urban assistance is an important social experiment, its magnitude and importance should not be overestimated in the real world of daily global financial flows and transactions.

Putting aid into context is also important because the most careful analytical studies of the efficacy of aid have concluded that the policy environments in which investments are made – both macro-economic and sectoral policies – have major impacts on the success or failure of projects and, more specifically, on their financial and economic rates of return.⁽¹⁴⁾ Indeed, one might argue that there is an “iron law of development projects”: it is impossible to undertake a sustainable development project in a contradictory policy environment. For example, in countries experiencing high inflation, such as Argentina or Bolivia in the 1980s, it was very difficult to execute investments since pricing services and recovering costs was nigh impossible. Similarly, building housing for the poor in a city whose government was bulldozing its slums was hardly likely to increase the availability of housing. Improving those slums in situ was much more likely to increase the quantity and quality of housing than using the bulldozer as a policy instrument, as in Abidjan.

d. The Context of Urban Growth

Understanding the “context” of urban aid also requires knowing about the shifting patterns of urbanization. Can we confirm “the hypothesis of urban convergence” with cities in the North and South sharing their most importance characteristics: declining infrastructure, growing unemployment and social problems, deteriorating environment, budget crisis and a lack of social consensus on how to solve these problems?⁽¹⁵⁾ How has the growing scale of urban areas affected their social, economic and political institutions? For example, have new forms of management been developed to cope with metropolitan areas and mega-cities such as Mexico City, São Paulo, Jakarta or Manila? These are not only academic questions but are central issues for policy makers who have the responsibility to ensure the continued productivity of these cities. If elected mayors had primarily political and administrative responsibilities in the 1950s, today they are expected to be managers of local economies, protectors of their natural environments, compassionate advocates for social expenditures, as well as effective marketeers for their cities in the world of global urban competition for investment, tourism and communications.⁽¹⁶⁾ These demands reflect the trends of the past half-century and the now accentuated pressures on the public sector to do more with fewer resources, all the time being aware of the financial pressures of privatization of infrastructure and services.

The most generalized feature of these cities, however, is their increasing internal diversity: of peoples, institutions, economic and social behaviours, physical forms and capacities. Processes of differentiation have dramatically changed urban life in the past half-century both in terms of pace and content of change. The patterns of differentiation between neighbourhoods, families, men and women, the young and the elderly, ethnic and religious groups and the segmented labour forces working in the many sectors of the economy are reflected in social distance, new patterns of inclusion and exclusion, communications, opportunity and, most visibly, competition and conflict.⁽¹⁷⁾ Many cities have experienced increasing social tension, exacerbated by economic change and the unexpected

13. World Bank estimate, 1991.

14. World Bank (1991), *World Development Report: The Challenge of Development*, Oxford University Press, Oxford and New York.

15. Cohen, Michael (1996), “The hypothesis of urban convergence” in Cohen, Michael, Blair Ruble, Joseph Tulchin and Allison Garland (editors), *Preparing the Urban Future: Global Forces and Local Pressures*, Johns Hopkins University Press, Baltimore.

16. Kantor, Rosabeth (1995), *World Class: Thriving Locally in the Global Economy*, Simon and Schuster, New York.

17. See reference 8; also Cohen, Michael (2000), “Mirando a traves de un caleidoscopio urbano”, *La Factoría*, Junio-Septiembre, Barcelona, pages 33-52.

impacts of global economic pressures, whether they be interest rates, oil prices or new forms of economic migration. Global change provides increasing opportunities for the expression of local differences by upsetting existing locally and historically mediated relationships. Indeed, cities have become worlds of difference.

The challenge for urban assistance is no longer simply to provide circumscribed packages of physical aid as might have been understood in the past but, rather, to ask how the capacity of local institutions can be strengthened in order to manage these increasingly complicated urban problems in environments of diversity and change. Cities are vastly more complicated public and private arenas, with global, national, regional and local dimensions, with more appreciation of the impacts of one sector upon another and with increasing numbers of well-trained urban analysts and technicians who are well-aware that few cities in high-income countries have “solved” their urban problems. In a world of rapid communications, news of “urban success”, such as the reduction in the crime rate in New York, encourages urban managers to consider the same policies in their localities, even if the alleged outcomes were debatable in New York and the methods not appropriate for their own cities and populations. As the stakes of this urban enterprise grow – as they must – so too do the stakes in understanding better what has worked and why. Investing in understanding how to ensure economic and social opportunities in cities may be one of the most important social and research investments which the world could make as it starts its first “urban century”. This paper seeks to contribute to that learning in the spirit of a saying by one African leader 30 years ago: “Science without conscience is the ruin of the spirit.”⁽¹⁸⁾

18. Houphouet-Boigny, Felix, President of Côte d'Ivoire, 1968.

III. THE DILEMMAS OF STRENGTHENING URBAN INSTITUTIONS

a. Learning by Doing

BY 1981, STAFF at the World Bank decided to undertake a retrospective evaluation of its first ten years of urban assistance. During this period, the Bank had contributed finance to 62 projects in 36 countries, contributing US\$ 2 billion of lending towards total project costs of about US\$ 4.6 billion. These projects were grouped into four categories: housing (sites-and-services and slum upgrading), urban transport, integrated urban development and regional development. Starting from two projects a year in 1972-73, the programme had expanded to 13 projects by 1978 and eight to ten projects a year, thereafter. Total project costs and loan sizes increased from less than US\$ 10 million for initial operations to an average US\$ 140 million by 1981, of which the Bank financed an average US\$ 60 million for each project.⁽¹⁹⁾

19. Cohen, Michael (1983), *Learning by Doing: World Bank Assistance for Urban Development, 1972-81*, World Bank, Washington DC.

This review, entitled “Learning by Doing”, was intended to answer three questions: what had been achieved by the first generation of projects? What had been learned? And was it possible to reduce the Bank’s own financial costs of urban lending which were perceived by managers throughout the Bank as high and unjustified? The review began in 1981, with discussions with executing agencies in borrowing countries followed by an analysis of files of documents for 62 projects, many of which involved investments in many cities within individual countries. An effort

was made to estimate the numbers of urban poor who had actually benefited from the projects.

Learning by Doing concluded that:

- Project teams of officials from recipient countries, Bank staff and consultants had been able to develop low-cost, affordable solutions for the provision of housing and urban infrastructure. Many of these solutions demonstrated that enormous cost savings were possible if the primary criterion was affordability by the poor. The cost of sites-and-services in Bauchi, Nigeria was 4 per cent of the cost of the cheapest unit being built by the public sector in that country. The Kampung Improvement Programme in Indonesia, with per capita costs of US\$ 37, showed that providing services for the poor was feasible. Of the US\$ 4.6 billion total project costs, about 40 per cent of the benefits in 75 per cent of the projects directly reached people whose incomes were below one-third of the national average per capita income. The rates of return on the nine projects approved in 1981 had an estimated economic rate of return of about 20 per cent.
- If the projects enjoyed physical success, they were nevertheless facing numerous time-consuming obstacles and institutional problems such as land acquisition, tendering and awarding of construction contracts, inadequate cost recovery and inadequate coordination among public sector agencies.
- Although the first-generation projects were estimated to have helped 11 million urban poor – a considerable number – this was vastly inadequate to the scale of the needs of the growing numbers of urban poor.
- To address the last two problems above, much more attention had to be devoted to the policy and institutional contexts of projects. Individual neighbourhood projects needed to be more closely linked to the policies and routine functions of municipal governments such as operations and maintenance of urban infrastructure and tax collection.

Although Learning by Doing generally gave the first decade of operations a positive evaluation, there was widespread debate inside and outside the Bank on whether this evaluation was too positive or too negative. Over time, the complexity of its subject and evaluation criteria suggested that the report had been reasonable in both its positive assessment of physical accomplishments and its critical view of institutional weaknesses.⁽²⁰⁾

The most serious conclusion was that urban assistance, while positive in its modest results, had been unable to significantly address the scale of the needs accompanying urban growth.⁽²¹⁾ This was consistent with the observations of other urban analysts.⁽²²⁾ Rather than devote detailed attention to urban projects at the neighbourhood level, it was necessary to support processes which generated the necessary capacity to produce many more houses and urban infrastructure networks. These included promoting the construction industry, reforming land acquisition and registry procedures, strengthening the capacity of local governments to plan, develop and operate urban service expansion, and identifying incentives to encourage the participation of the private sector. “Going to scale” was increasingly recognized as essential if urban poverty was to be significantly reduced. At the same time, there was a clear sense that financing sites-and-services and slum upgrading was not sufficient to meet the broader agenda of issues facing cities. The range of components to be integrated into projects now included transport, education, health services, nutrition and, most importantly in the minds of some, employment generation.⁽²³⁾

20. It is interesting to note that in the almost 20 years since its publication and after a large number of external evaluations of Bank urban operations, “Learning by Doing” has not been regarded as an “inside whitewash”.

21. Discussion by the Board of Executive Directors of the Retrospective Review of Urban Operations, December 1982.

22. See, for instance Turner, John (1976), *Housing by People*, Pantheon Books, New York; also Cohen, Michael (1983), “The challenge of replicability: towards a new paradigm for shelter in developing countries”, *Regional Development Dialogue*, United Nations Centre for Regional Development, Nagoya, August.

23. In mid-1986, while waiting for the traffic light to change in downtown Washington DC, the author met Robert McNamara, who had by then retired from the World Bank. He introduced himself and McNamara grabbed him by the lapels of his coat and started to say in a loud voice, attracting many bystanders, “You urban guys knew how to do housing but you had no idea about creating jobs.” After what seemed like an eternity, McNamara was promised a set of recent Bank work on urban employment, to be hand-delivered that day. The following morning at eight o’clock, McNamara called saying: “Your conclusions are OK, but your reasoning is terrible!”

24. See, for instance, the discussions during the 1976 United Nations' Conference on Human Settlements (Habitat) held in Vancouver.

b. Conceptualizing Urban Management

Many of the issues of scale and the role of urban institutions had long been discussed by many of the international agencies working on urban development.⁽²⁴⁾ Yet many participants in the international urban debate noted the institutional difficulties of building strong municipal institutions with the absence of democratic traditions in most countries, including many with military governments, authoritarian regimes or one-party states.

It was no surprise that urban political leaders – later mayors – were often leaders of the opposition, against the national government. In London, for example, harsh political conflict led to the abolition of an elected metropolitan government for London by Mrs. Thatcher. In Latin America, the job of mayor of the capital city was perceived as a stepping stone to the presidency. For international agencies to turn to the municipal arena was not only a technical and institutional challenge but a political challenge.

c. Institutional Arenas to improve the Management of Cities

Much of the World Bank's financial assistance to cities during the 1980s focused on this problem. Six specific arenas can be distinguished where this work took place simultaneously in many countries and these are described below.

Municipal government in large and often capital cities. One of the immediate complexities faced by urban assistance was how to operate in capital cities where national ministries and departments were frequently involved and frequently part of the problem. National pride in the appearance of the capital city was a common rationale used to justify the bulldozing of slums in Dakar, Manila, Mexico City, Nairobi and many other cities. The decisions to do so did not originate in local institutions but from the politically distant national officials. These same national officials were also the defenders of building standards and codes whose implied costs assured that the poor, a growing share of the city's population, could not afford "legal" housing in the city. The codes were instruments of physical and social exclusion.

The challenge to providers of international urban aid was to politely avoid being sucked into these regressive and unjust policies. The World Bank team visiting Lagos in 1978 was asked to help in the financing of a large slum removal programme, which the team gingerly sidestepped. A team beginning discussions with the government of the Philippines during the Marcos administration, when Imelda Marcos was Governor of Metropolitan Manila and Minister of Human Settlements, received a request to support the removal of slum settlements on the Tondo foreshore of Manila Bay, the very area which it was hoping to improve through slum upgrading. In that case, the slum dwellers themselves used their strong political organizing skills to resist government plans and to negotiate a situation where the World Bank's assistance could actually be used to improve the area.

Limiting the damage of being involved was not the purpose of working in these cities. The objective was to try to strengthen local institutions in a progressive direction so that municipal governments could plan, design, finance and manage their own programmes. This meant making a big

investment in learning about municipal institutions, including finance, personnel systems, investment plans, technical capacities and weaknesses. This effort frequently revealed surprises. In Madras in 1977, a senior Bank financial advisor discovered hundreds of dead former employees on the payroll of the municipal corporation, which had 28,000 employees at the time. In Ouagadougou in 1978, it was found that no municipal vehicle had two working headlights. The total revenue of municipalities in some of the West African capital cities was below US\$ 1 per person per year, hardly sufficient to provide any services. Indeed, more than 70 per cent of municipal expenditures went on personnel costs in some of these cities.

Arguing that municipal governments within capital cities needed autonomy and political support proved difficult – as was the case in Washington DC. The record of international assistance in capital cities such as Lagos (when still capital of Nigeria), Bangkok, Mexico City and Bogota was less effective on the whole than in other cities in those countries. In some cases, the Bank and other donors tried to avoid the capitals altogether, for example, Delhi, Brasilia, Islamabad, Ankara or Algiers – not always successfully. A footnote to this experience was the strong objections by the Bank to financing new capital cities such as Abuja, Dodoma and Brasilia on the grounds that the opportunity costs of such projects were excessive and that their justification was political rather than economic. In fact, the new capital cities went to great lengths to exclude the poor, frequently the same people needed to complete these vast construction projects.

Groups of cities outside the capital. One of the most effective arenas for urban assistance in the 1980s proved to be working with groups of cities outside the capital. The Parana State Project in southern Brazil, developed in the early 1980s, involved the provision of basic municipal services to 237 towns. After each town received investment funds in the first year, annual allocations were based on local performance in operating and maintaining those investments and increasing local revenues to cover the operating costs of more facilities. A “self-selection” mechanism operated whereby individual municipalities had strong incentives to improve local management and revenue performance. Acknowledging the risk that such a mechanism could prove to have Darwinian consequences – with the weaker municipalities falling further behind the stronger in terms of quality of infrastructure and living conditions – Parana state officials proposed that all municipalities receive a basic “life-line” allocation for water supply and sanitation investments.

This project proved to be very successful and was repeated not only in Parana but, with some modifications, in several other states in southern and central Brazil. While these principles were useful in Brazil, they were not acceptable to the Mexican government in its complicated revenue-sharing relations with the Mexican states. Similar objections were voiced in other countries where constitutional arrangements between the national and state or provincial governments precluded such performance-based relationships. Nevertheless, elaborate programmes to aid groups of cities were developed in Argentina, Colombia, Mexico, Nicaragua, India, Indonesia, Korea, Philippines, Thailand, Ghana, Kenya and Zimbabwe during the 1980s. As experience was gained with these projects, the average number of multi-city projects and cities per project increased every year during this period.

This major expansion of urban aid outside the capital cities is one relatively invisible yet positive aspect of the urban assistance experience

because most international observers tended to stay in capital and/or large cities. Yet, many smaller cities were the loci of sustained and rapid urban growth. By the mid-1990s, and with preparations for the Habitat II Conference in Istanbul, the World Bank's urban portfolio had grown to include assistance to local programmes in more than 7,000 cities and towns. The criteria adopted by state governments for selecting municipalities to participate in these programmes tended to combine three elements: potential for economic growth, local institutional performance, and measures to ensure minimum levels of urban, mostly infrastructure, services to satisfy the basic needs of growing urban populations.

Inter-governmental financial relations. Two of the most complicated aspects of strengthening municipalities proved to be understanding national systems of inter-governmental financial relations, and trying to improve the predictability and transparency of these systems for the municipal institutions who were supposed to be the recipients of national or federal assistance. If it was difficult to raise questions about the justice of building codes which discriminated against the poor, it turned out that inquiring about the logic of revenue-sharing and national grants and payments to local governments was much more delicate. As noted by the then Minister of Finance and Development of Pakistan, the late Mahbub ul-Haq, a former colleague at the World Bank and not someone afraid of political controversy: "Inter-governmental financial relations is all about politics. It is the essence of government. The Bank should stay away from this subject."⁽²⁵⁾

Indeed, revenue-sharing formulae between levels of government were determined both by constitutional arrangements which established government itself and by unending political negotiations between institutional levels and constituencies. Whereas in the OECD countries, sub-national government expenditures typically accounted for 20 per cent of GDP, the average for most low- and middle-income countries is only 6 per cent.⁽²⁶⁾ Local and provincial governments were backwaters, with "the best and the brightest" having gone on to national jobs or to the private sector in the capital cities. Their only assured source of power was the annual allocation of revenue to be used to finance provincial and municipal services in ways which would maintain political power and position.

However, just as it was difficult to support successful projects in contradictory policy environments, it was equally risky to develop a municipal investment programme in a city whose annual revenue allocations were unpredictable and frequently tied to programmes of little relevance to the urban poor. Addressing inter-governmental financial relations, despite Mahbub ul Haq's warnings, was an essential feature of developing effective urban assistance programmes.

Developing metropolitan frameworks. If municipal development and inter-governmental finance were fraught with problems, many of these were compounded at the metropolitan level. Most cities were expanding beyond their physical boundaries and municipal jurisdictions – Greater São Paulo is now 75 miles across. Central municipalities were facing increasing pressures on their budgets, often in countries facing severe national fiscal crises, and the last thing they wished to do was to coordinate their activities with new jurisdictions on their peripheries which were already competing with them for scarce investments and revenues. Yet some city officials recognized that environmental problems such as polluted air and water or increasing quantities of solid waste did not stop at municipal boundaries. Moreover, needed investments in infrastructure

25. Personal communication in Islamabad, October 1986.

26. Dillinger, William (1994), *Better Urban Services*, the World Bank, Washington DC.

networks in transportation, water supply, sanitation and drainage required metropolitan frameworks if they were to be effective.

These problems were also increasingly complicated due to the actual dynamics of city growth themselves. Suburbanizing industrial activities, patterns of informal sector trade, growing mobility of persons and goods within and between jurisdictions, as well as the full range of social problems of unemployment, delinquency, petty crime, drugs and gang violence all underlined the need for a broad spatial and jurisdictional perspective of metropolitan life. Yet cities found that designing a metropolitan institutional framework was an almost impossible political exercise. The more than 20 municipalities in the metropolitan area of Buenos Aires – with more than 11 million people – are unable to use the “m” word, for a long list of historical reasons most of which are political. The city of Buenos Aires and the province of Buenos Aires have been under the control of different political parties for the last two decades, and political “imperatives” make them blind to the myriad reasons why they need to work together.⁽²⁷⁾ Inquiries by the World Bank, the Inter American Bank, the US Agency for International Development and the UNDP concerning the need for metropolitan assistance in Buenos Aires has fallen on deaf ears for more than two decades.

Not all situations have proven so intractable. Metropolitan Manila, with 12 municipalities in the Greater Manila Area, now home to over 8 million people, began a process of institutional reform in the 1980s to improve sectoral coordination. A metropolitan commissioner was responsible for keeping track of various local and metropolitan-wide initiatives. One institutional outcome was the creation of the Manila Metropolitan Water Supply and Sewerage Board which has coordinated activities and investments in these sectors. Similar efforts were tried in transportation, with less success. The Filipinos were so clear about the need for a metropolitan institutional commitment that they amended the national constitution to ensure legal and constitutional authority for these reforms. This process of metropolitan strengthening was helped by formal and informal World Bank assistance over a decade.

Other Asian examples have demonstrated a wide spectrum of options.⁽²⁸⁾ Metropolitan development in India has been an anomaly in the otherwise anti-urban development policy of the federal government. Four metropolitan development authorities were established in the 1970s in Calcutta, Bombay, Madras and Delhi. The Indian Planning Commission, the main development planning institution in the country, was long impressed by the predominance of rural population in the Indian economy and adopted a wide range of strategies affecting employment, industry, taxation and patterns of urban investment which sought to counter-balance urban growth. Yet India nevertheless experimented with coordinated metropolitan investment policy through metropolitan development authorities. These have not escaped the common conflicts with municipal administrations but they recognized the need for broader spatial and jurisdictional perspectives. In the first three cities, these metropolitan institutions have been responsible for managing World Bank financial assistance as part of their overall investment resources and have generally received high marks for their efficacy.

One interesting experiment in this framework took place in Calcutta, where the government of West Bengal wanted to provide infrastructure investment to the 36 municipalities surrounding the municipality of Calcutta itself. Officials decided to use a mechanism much like the

27. Cohen, Michael and Dario Debowicz (1999), “The five cities of Buenos Aires: an essay on poverty and inequality in urban Argentina”, International Center for Advanced Studies, New York University, March 2000.

28. A rich survey of metropolitan development in Asia is by Sivaramakrishnan K C and Leslie Green (1986), *Metropolitan Management: The Asian Experience*, Oxford University Press, New York.

29. This programme was included the Third Calcutta Urban Development Project, assisted by the World Bank.

30. Attahi, Koffi (2000), "Metropolitan governance in West Africa: the cases of the metropolises of Abidjan, Dakar, Douala, Bamako, and Ouagadougou", Bureau National d'Etudes Techniques et de Développement, Abidjan.

31. Campbell, Tim (1998), *The Quiet Revolution: The Rise of Political Participation and Local Government with Decentralization in Latin America and the Caribbean*, World Bank, Washington DC

32. See, for example, the work of Dillinger, William (1992), *Urban Property Taxation*, World Bank, Washington DC.

successful programme developed in Parana in Brazil: municipalities would be given investment allocations for the first year, with subsequent *tranches* of resources being dependent on municipal capacity to operate and maintain the facilities created in the first year and on increases in collection of municipal revenue. Not all of the 36 municipalities were able to take advantage of this programme but 27 were successful. The government of West Bengal was pleased that a system of incentives had encouraged improvements in some of the local jurisdictions, all the time worrying that those municipalities which had been unable to improve needed to be assured that they would receive funds sufficient to ensure basic needs.⁽²⁹⁾

In Francophone Africa, following on French urban reforms in the early 1980s, the governments of Côte d'Ivoire, Senegal and Zaire (now Republic of Congo) all created metropolitan governments which consisted of municipalities or communes in Abidjan, Dakar and Kinshasa. These institutional changes encouraged greater decentralization of decision making in Abidjan and Dakar and set the stage for lively local politics at the commune level. None of these units, however, had sufficient budgetary resources to undertake investments or provide many services but they did offer the promise of decentralized management.⁽³⁰⁾

Municipal strengthening through decentralized reform. Almost all municipalities suffered from specific problems of financial and technical capacity, regardless of size and location. Their financial problems resulted not only from their dependence on higher levels of government but also from their inadequately trained personnel, who neither knew how to manage complicated issues of urban finance at the policy level nor how to manage revenue and expenditure on a daily basis.

This began to change significantly in the late 1970s and well into the 1980s, through what Tim Campbell has called a "quiet revolution" with reference to the experience of decentralization in Latin America.⁽³¹⁾ The return to democracy in many Latin American countries, experiments with multi-party states in some African countries and, later, the collapse of the Soviet Union and the creation of many new independent states in Eastern Europe and Central Asia all contributed to greater opening up of political and administrative systems. While this process was welcomed by many cities and towns, there were two major related issues: first, rising expectations for urban government and second, the now evident weakness of these same institutions. In some cases, national governments delegated or devolved powers and responsibilities to local governments as a way of shedding financial obligations. The term "unfunded mandates", borrowed from the reaction of state governments in the United States to the revenue-sharing programmes of the 1980s and thereafter, became common elsewhere. Local governments were no longer dependent on capricious revenue-sharing behaviour by national government officials but neither did they have the capacity to raise the revenues needed to finance their own programmes.

International urban assistance sought to help local governments build that capacity, both on the financial and technical sides. The World Bank supported many studies of municipal finance. These generally concluded that, while sales and income tax revenues continued to be almost without exception national revenues, local governments did have the mandate to tax local property. This resulted in detailed work throughout the 1980s and early 1990s on the potentials and obstacles of property taxation.⁽³²⁾

The problem with property taxes, however, was that their collection

depended on a complicated set of prior steps, namely, land registration, boundary setting, valuation studies and then collection itself. Many argued that the costs of these steps made property tax administration prohibitively expensive for cities in low-income countries. Nevertheless, many cities saw no alternative. During the 1980s, the World Bank alone financed the establishment of urban land registration systems in more than 33 countries.⁽³³⁾ This effort was complemented by assistance from the French government and many private French suppliers of computer technology as well as by the (then) Office of Housing and Urban Development of the US Agency for International Development. These cadastral systems were supposed to be made easier with the growing application of geographical information system technology and computerized databases, and even specific software developed for municipal management.

But land registration alone required such an effort in cities where records were either missing or in poor condition that there are few examples of cases where assistance in land registration can be shown to have increased property tax revenue. This issue was further complicated by difficulties in ensuring that cadastral systems could keep up with rapidly expanding city boundaries and new patterns of land occupancy. This issue is not only the death-knell for property taxation but it also has important implications for housing where squatters require some form of security of occupancy or tenure to encourage their investment in housing and urban infrastructure. In many cities, some form of intermediate tenure or occupancy permits have been issued to cope with the complexity which property taxation has encouraged.

The attention to property taxation by the international agencies and the subsequent huge waste of time and financial resources to prepare for the operation of such a system is regrettable. In other areas of municipal finance, the story is brighter. Dozens of training programmes and training institutes were created during the 1980s and into the 1990s to train municipal officials in financial management, particularly in budgetary and project management. The disturbing discovery in the 1970s that most city officials had no idea even how to read a budgetary table or evaluate the costs of their investment projects became painfully evident later in the 1980s at the municipal level.⁽³⁴⁾ Decentralization had been decreed; now was the time to learn how to manage money. One of the largest efforts was initiated in Calcutta, with the creation of an Institute of Local Government and Urban Studies which sought to train 10,000 officials during a five-year period starting in the early 1990s.

A second broad area for municipal aid was in strengthening the non-financial technical capacity of municipal employees to operate and maintain municipal services. Some of these systems were critical for both health and environmental quality. One particularly important service, garbage collection, actually accounted for about 50 per cent of municipal expenditure in many cities, yet these programmes were inefficient and, as in many cities in high-income countries, notoriously corrupt.⁽³⁵⁾ This recognition led to financing of garbage collection and disposal, including garbage trucks, in dozens of cities such as Accra, Dakar, Lagos, Ouagadougou, Dhaka and the cities of northern Mexico during the 1980s and 1990s.

Strengthening management of municipal infrastructure. An especially important municipal responsibility in many cities was the management of infrastructure such as water supply, sanitation, drainage, roads

33. Bernstein, Janis (1988), *Urban Land Registration Systems*, World Bank, Washington DC.

34. In 1979-1980, the author taught two six-week courses on urban project management, one for francophone African project directors in Abidjan and one for anglophone African project directors. On the francophone course, only one of the 33 students could calculate project contingencies; on the anglophone course, the results were only marginally better. The students were responsible for the management of millions of dollars in international urban aid.

35. Bartone, Carl, L Leite, T Triche and R Schertenleib (1991), "Private sector participation in municipal solid waste service: experiences in Latin America, *Waste Management and Research* Vol 9, No 6, pages 495-509.

36. Cohen, Michael (1998), "Stock and flow in metropolitan management", *The Brookings Review*, Washington DC.

37. World Bank (1994), *World Development Report 1994: Infrastructure for Development*, Oxford University Press, Oxford and New York.

38. US National Academy of Science, Committee on Infrastructure (1993), "In our own backyard", Washington DC.

39. Kessides, Christine (1993), "Institutional options for the provision of infrastructure", World Bank Discussion Paper 213, Washington DC.

and street lights. Estimates by World Bank staff in 1990 of the value of the stock of this infrastructure in low- and middle-income countries amounted to roughly US\$ 3 trillion. Annual investment was in the order of US\$ 150 billion or 5 per cent of the stock. Any sound manager can understand that ensuring the productive operation of this stock has huge benefits; for example, a 5 per cent increase in benefits would equal annual investment without any new financial costs involved either from the budget or from borrowing, as well as avoiding environmental and social costs.⁽³⁶⁾ The message from these figures was that cities needed "to get more out of what they already had" before they considered new investment.

These observations became the basis of an intense internal effort within the Bank to study urban infrastructure. This work produced many important analytical conclusions and recommendations for countries.⁽³⁷⁾ One was that cities needed to devote more attention to the demand side of infrastructure provision, giving greater priority to the needs of users and consumers instead of the "supply bias" of engineers and other providers of infrastructure services. Interestingly, the findings of this work were paralleled in a study by the US National Academy of Sciences at the same time.⁽³⁸⁾ This work also explored how other institutional arrangements could be designed to improve infrastructure management,⁽³⁹⁾ suggesting that a range of privatization approaches was available.

IV. ADDITIONAL DILEMMAS

a. Introduction

IN ADDITION TO these six institutional arenas, four dilemmas form important building blocks in this discussion. These are the frequently stated (false) choice between reducing poverty and strengthening institutions; institutional complexity through what was called the Christmas Tree debate; the distinction between investment and management; and the question of urban land reform. Together, these issues help to further clarify the essential dilemma of the metropolitan project.

b. Reducing Poverty versus Strengthening Institutions

All of the efforts of the 1980s were intended to contribute to building institutional capacity in cities. This capacity was needed if the cities were to provide the policy guidance, finance, management and provision of needed services for growing numbers of poor urban households. Indeed, the primary rationale for this institutional effort was to create the capacity to alleviate poverty.

Yet, for reasons which are not clear, some observers of urban aid began to argue in the late 1980s that the Bank, and to some extent the other donor agencies, had shifted their focus away from poverty reduction and towards management. This was clearly a false dichotomy even if Bank staff and others appeared to shift their focus from designing low-cost housing schemes towards improving municipal revenue collection. If some staff and some observers understood this work as primarily being about municipal management, they had failed to understand how policy objectives had remained the same but that a new, more promising set of instruments and approaches had been identified.

c. Institutional Complexity: the Christmas Tree Debate

A review of urban operations by the Bank's project director for the South Asia region concluded that many projects were "Christmas Tree" projects with many bright lights and fragile components resembling Christmas decorations. At that time, the Bank was having considerable difficulties advancing the third Integrated Urban Development project for Calcutta because of disputes with the government of West Bengal and the Indian federal government. This review argued that multi-sectoral projects were too complex and difficult to implement for urban implementing agencies in India and too expensive in staff time for Bank staff to keep track of. Single sector investments, such as water supply or sanitation, were preferred because they were more manageable and more easily understood. The image of a Christmas tree project became an icon in the debate over multi-sector versus single sector investments.

While the review may have been correct in terms of the complexity of the Bank's management of its lending portfolio, it denied the essential multi-sectoral character of cities and balanced urban development. It was wrong to advise city governments to invest in one sector without paying attention to the others, and particularly to the possible "externalities" of projects. This kind of thinking directly related to the generally agreed inadequacy of the Bank's attention to the environmental consequences of its assistance until the late 1980s and beyond.⁴⁰ Moreover, investments in one sector failed to promote a broader set of multipliers which could create needed jobs and incomes in the city as a whole. This issue is critical because, by limiting the complexity of investment packages for internal bureaucratic reasons, the form of assistance unnecessarily became a "development fact" which distorted balanced urban development debates in many cities. The "supply biases" of the donors and lending agencies proved to be as arbitrary as the local political and institutional environments in the countries in which the agencies tried to work.

d. Investment versus Management

Another important design dilemma arose in the attempt to find a reasonable balance between investment and management of local institutions. On the one hand, the needs of growing city populations were enormous and largely unmet. Investing in urban infrastructure and creating new neighbourhoods made sense and would clearly have high rates of economic and financial return. The constraint on investment was not money but the ability of local institutions to use the funds effectively. This led to a view that the management of local institutions needed to be reinforced before increasing investment. If this position was justified, it outraged many officials in low- and middle-income countries who believed that if they had the funds, they would have the justification to strengthen institutions, including gaining the necessary autonomy for local authorities from national governments.

Finding the best approach to increasing the scale of urban services, particularly to the poor, was a challenge without a single correct answer. Some observers pointed to the success of the Kampung Improvement Programme in Jakarta as an example of finally attaining "scale" in urban service delivery but others pointed to the lack of direct cost recovery through user charges from participating households. Hence, urban services were really being subsidized by general taxation. This was accept-

40. See, for example, the critiques of Bank operations by Herman Daly in Caulfield (1996), see reference 10, page 223.

able to the government of Indonesia and the city government of Jakarta, both of whom argued that this was appropriate for the Indonesian context and that the country had both the financial resources and the moral obligation to fund services for the poor. This position was completely unrealistic in many cities in poor countries because the national level was in no position to subsidize these programmes within individual cities, and local institutions were not collecting local taxes to support such programmes.

e. Urban Land Reform

A fourth dimension of addressing the main metropolitan problems is urban land reform – which is, of course, political, as illustrated by the World Bank activities in Madras. With more than 4 million inhabitants by the late 1970s, Madras had more than 200 slum areas housing almost half the population. The state government of Tamil Nadu had created a Madras Metropolitan Development Authority to develop a strategy and investment programme for the city. The Authority began discussions with the World Bank in the mid 1970s, and by 1977 had signed an agreement for the first phase of a multi-sectoral programme, including sites-and-services, slum upgrading, support for small enterprises, construction of a ring-road and the purchase of new buses. Preparations for a second phase began in 1978, including a dramatic expansion of the slum improvement programme.

But this second project faced a serious policy obstacle. Expansion of the slum improvement programme meant that government had to expropriate slums on private land and that slum dwellers had to be granted some form of legal occupancy. This was required to make the project's infrastructure investments legal and to reassure slum dwellers that their investments in their own modest dwellings would not be bulldozed in the future. (The official name of the agency working on slums in Madras in the 1970s was, ominously, the Slum Clearance Board.)

Convincing the Tamil Nadu state government to grant tenure to slum dwellers seemed impossible. Middle-level bureaucrats in the city and state governments saw no prospect of urban land expropriation being condoned by the state's political leaders. Finally, after the project package was assembled and the loan size determined, the author, as team leader, met with the chief minister of the state, M G Ramachandran, in late 1979. He was one of the most popular stars of the large Indian film industry. Sitting in a dark room, wearing dark glasses, he listened patiently to explanations of the project and the need to grant tenure to slum dwellers. The room fell silent until, suddenly, he smiled and asked, in Tamil, "Don't these people vote?" The answer was yes. He then smiled again and said, "What's the problem, they will vote for me."⁽⁴¹⁾ Urban land reform had been approved.

This proved to be one of the easiest and most successful policy negotiations on this difficult issue. Not only were slum improvement projects direct threats to private landowners, who frequently did not receive adequate compensation for their land from their respective city governments, but these projects were seen as legitimating the rights of the poor to security and a place in the city. Critics argued that the poor would not pay for the costs of slum improvements. In the case of Madras, they were proved wrong. By the mid 1980s, 99 per cent of the participating households were meeting their monthly payments on a regular basis.⁽⁴²⁾

41. This meeting took place in Government House in October 1978. The author participated in the briefing of the Chief Minister.

42. World Bank documents.

V. METROPOLITAN PROCESSES: WORKING WITHIN A WORLD OF DIFFERENCES

INCREASINGLY, THE METROPOLITAN areas of the world are marked by differences: differences in access by individuals, households and communities to services, resources, opportunities and, most of all, quality of life. Most cities in low- and middle-income countries and many in high-income countries are experiencing deepening and cumulative patterns of inequality. If you are a black male in Washington DC, your life expectancy is 14 years less than your white "neighbour" in northern Virginia.⁽⁴³⁾ A study of children in New York concludes that "geography is destiny"; cumulative differences in personal, family and neighbourhood characteristics determine future opportunity.⁽⁴⁴⁾ In central Buenos Aires, 11.5 per cent of the population received 68 per cent of public investment in infrastructure and social services between 1991 and 1997.⁽⁴⁵⁾ These patterns are not static. During the 1990s, the bottom 80 per cent of New York's population lost real income.⁽⁴⁶⁾ How are these patterns related to the formation of metropolitan areas and to the metropolitan project itself?

Recent studies in the United States suggest some provocative categories for analyzing metropolitan processes – for instance, the study of metropolitan Chicago which highlights fragmentation, differentiation, growing inequalities, poverty concentrations, decentralization, polarization and what the author refers to as a "spatial mismatch", whereby problems are located in spatial areas or jurisdictions lacking the resources to address them.⁽⁴⁷⁾ The study also shows how these processes are mutually interactive and can reinforce one another. A study of 100 US cities provides some of the first rigorous econometric analyses of these processes,⁽⁴⁸⁾ showing that labour, housing and mortgage markets respond to changes in crime, school dropouts and female-headed households. This in turn affects the metropolitan opportunity structure because these elements are mutually interactive. Differences deepen over time. This is also evident in a study of Latin America which shows that, historically, macro-economic growth has had a disproportionately strong impact on urban poverty, with poverty increasing more deeply during periods of recession and being slower to decrease when growth resumes.⁽⁴⁹⁾ The cumulative causation model proposed in the US 100-city study shows the mechanisms by which this happens.

Some broad general conclusions regarding metropolitan societies over time can be suggested from these and other studies:

- Some aspects of the diversity of large cities, which contribute to their economic and cultural vitality, can also undermine social cohesion, economic productivity and, eventually, future social mobility and opportunity.
- There is a growing tension between the promise of metropolitan growth in economic terms, both at the urban and national levels, and growing economic and social differences between individuals, households and communities within them.
- Short-term economic differences are becoming structural in the sense that they are reflected in patterns of residential investment and neighbourhood quality of life. Spatial and physical differences in turn deepen social and economic differences and inequalities, giving rise to polarization within the population.
- These structural differences are reflected in radically different perceptions of politics and social justice across neighbourhoods and, not

43. Collins, Chuck and Felice Yeskel (2000), *Economic Apartheid in America: A Primer on Economic Inequality and Insecurity*, The New Press, New York.

44. Citizens's Committee for Children of New York (1999), *Tracking New York's Children*, New York.

45. See reference 27.

46. Parrott, James, Alice Meaker and Zofia Nowakowski (1999), *The State of Working New York: the Illusion of Prosperity: New York in the New Economy*, Fiscal Policy Institute, New York.

47. Orfield, Myron (1998), *Metropolitics*, The Brookings Institution, Washington DC. His book demonstrates how these processes have worked in Chicago and includes extraordinary maps to illustrate the rich data on the differences which have been created.

48. Galster, George (1998), "An econometric model of the urban opportunity structure: cumulative causation among city markets, social problems and underserved areas", The Fannie Mae Foundation, Washington DC, September.

49. Morley, Samuel (1998), *The Impact of the Macroeconomic Environment on Urban Poverty*, UN Economic Commission for Latin America, Santiago.

50. Blakely, Edward and Mary Gail Snyder (1997), *Fortress America: Gated Communities in the United States*, The Brookings Institution, Washington DC.

51. A history of managing the landscape of Los Angeles demonstrates how metropolitan vulnerability to fires, droughts and even earthquakes is another aspect of this equation which deserves attention. Davis, Mike (1998), *The Ecology of Fear*, Metropolitan Books, Henry Holt and Company, New York.

surprisingly, give rise to what are politely called antisocial behaviours – for instance, the stoning of cars driving on the *autopista* in Buenos Aires by residents of the neighbouring *villas miserias*. Another more constructive reaction was the turning inward of residents of *favelas* in Rio to strengthen neighbourhood organization and quality of life.

- These inward-looking behaviours are occurring at all income levels, as witnessed by the rise of gated communities in both rich and poor countries. These gated or “fortress communities”⁽⁵⁰⁾ are powerful testimonies to the intended exclusion of people.
- While these patterns are proliferating, their impacts on economic productivity and social cohesion are receiving uneven attention. On the one hand, much attention is paid to declining crime rates in New York and to the consequent surge in tourism and hence employment. So-called “zero-tolerance” approaches are being transferred from New York to other cities, recently even to Amsterdam which hardly has comparable problems. But in reality, growing inequality is generally perceived as a necessary evil in the face of globalized economic competition. Local governments perceive many of the patterns described above as beyond their control; one local reaction was resignation to the loss of local power and also a giving up of local responsibility. Relatively little attention has been devoted to urban social policy.
- The breakdown in metropolitan areas erodes responsibility and the capacity to manage the physical landscape of cities. Not only are there major issues of the absolute levels of consumption of natural resources within metropolitan areas – witness the growing dramas concerning water supply in cities such as Beijing or Los Angeles – but also who will have access to natural resources, including public space. The marginal cost of water is increasing in every city in the world. Indeed, human interaction with the environment itself is increasingly understood as the cause of many “natural” disasters.⁽⁵¹⁾

This paper has discussed the difficulties of achieving effective metropolitan governance by telling some of the urban assistance stories. The complexities of metropolitan areas are daunting in themselves but the dilemmas involved in building needed institutional and policy frameworks present further complexities. The record of metropolitan institution-building is not promising. Instead of purposeful actions creating centripetal metropolitan forces to reinforce collective problem-solving, the opposite seems to be taking place. Cumulative processes of decentralization, fragmentation, differentiation and eventual social and economic polarization in cities such as Abidjan, Buenos Aires or Manila seem to be pulling institutions apart.

One key challenge for metropolitan areas is political leadership. If political leaders can put across in words and action that the diverse members of the metropolitan community have shared interests, there are possibilities for shared futures. If not, the tendencies towards fragmentation and polarization will grow and become reflected in physical and spatial structures. In turn, this will reinforce differences which will be beyond the power of public policy to change.

If the differences found in the metropolis are what make it attractive and productive, these differences must also be explicitly managed to avoid their becoming chronic problems leading to metropolitan collapse. Here, the excesses of the attraction of a collapsing Calcutta during the 1940s and 1950s or a heavily congested Bangkok in the 1990s suggest that vigilance is necessary to avoid creating urban nightmares or the “clichés

of urban doom” which have been evoked in earlier periods.⁽⁵²⁾

But what values should guide policy and vigilance? Perhaps the first step is to assert local social responsibility. The forces affecting metropolitan growth are not beyond the effective control of political leaders. The tools of residential integration, service delivery, and land use are not determined in the far away financial centres of New York or Tokyo; rather, they are mostly local. Building codes, methods of school finance, training and management of green spaces are not to be found on the Internet; they are the responsibility of local governments and local leaders. While the challenges are difficult, they are not impossible. Rather, they require building public support in constructing a future in which differences once again become strengths and not weaknesses.

Here, the experience of international urban assistance may be helpful. This has shown that even in very difficult environments, including extreme economic scarcity and institutional weakness, it is possible to achieve material improvements in the quality of people’s lives through physical improvements in infrastructure and housing. The “metropolitan project”, while frequently understood in institutional and cultural terms, should also include a physical project.

One physical dimension of metropolitan areas can be seen through the housing lens. During the 1990s, attention to housing shifted from a focus on projects, and even public policies, towards understanding the performance of the housing sector and, in particular, housing markets. This shift represented a long-overdue recognition that individual projects would not, by themselves, “solve” the urban housing problem. Individual projects were “projectizing the city”, introducing a new set of artificial differences in housing quality, density, infrastructure standards and social services between neighbourhoods and areas within cities.⁽⁵³⁾

While these projects were frequently physically successful, demonstrating that upgrading could work in Karachi or Madras, they were less successful in institutional terms. Some of their assumptions made little sense when considered for the city as a whole, for example, charging the poor for infrastructure when the middle- and upper-income people in the same city continued to receive large subsidies. Most importantly, even in the largest scale programmes such as those in Indonesia, they were unable to meet a large share of overall demand. The projects failed what I called in 1983, “the challenge of replicability.”⁽⁵⁴⁾

VI. BEYOND “ASPATIAL” DECISION-MAKING

WHILE EXPANDING THE housing policy debate has been useful, in some respects it has been disastrous because it also broke many important linkages with other key aspects of urban development. The focus on markets meant, for example, that location, urban form and spatial patterns were no longer perceived as central to urban policy decisions. If the macro-economists were thinking “aspatially”, then the housing economists and urban decision makers seemed to be following this dangerous precedent at the city level.

The implications of this “aspatialization” or “dematerialization” of the city cannot be over-estimated. Without location, it became impossible to understand that one of the key attributes of housing is accessibility to work and services. Decisions on location precede decisions on area and plot size. In cities, we all trade off space for location. The number and size

52. Glass, Ruth (1989), *Clichés of Urban Doom*, Blackwell, London.

53. See reference 19.

54. See reference 22, Cohen (1983).

of rooms may be important, but even these are evaluated in the context of location; downtown, in the first ring suburbs or at the end of the bus or subway lines. Without location, housing investment decisions became separated from transport and any possibility of linkages with integrated land use planning and location of employment. Industrial location was left to private market decisions with the impression that the dark forces of globalization were landing at secretly chosen locations and establishing factories or shopping malls. This separation led to less attention to issues of residential density and, ominously, to the acceptance of defeat in the battle to somehow connect transport planning with a reduction in the distance between residence and work. In the city, *laissez-faire* means give up and suffer the consequences.

Housing without attention to location is also an invitation to ignore linkages with the design, operations, financing and management of infrastructure such as water supply, sanitation, public parks and social services. Given the supply biases found in infrastructure performance in both rich and poor countries⁽⁵⁵⁾, and the resulting often inefficient patterns of infrastructure investment and service provision, the role of user or consumer preferences in the form of demand for services is critical. It is also critical to assure some real accountability for the managers of privatized urban infrastructure. To place housing decisions within a market framework without paying attention to the costs and externalities of infrastructure is to severely undermine the possibilities of productivity of investment in cities: the productivity of labour, land and capital.

The weakness of separating housing from infrastructure is, of course, most obvious when one considers the impacts of residential settlement on the natural environment and landscape. The case of Buenos Aires illustrates this point: from 1928 to 1985, the city experienced one flood every seven years; since 1985, it has experienced seven floods in the metropolitan area every year.⁽⁵⁶⁾ Residential settlement and land use without attention to landscape and the natural environment can be disastrous, with huge economic and financial costs. And lest there be any mistake about this issue, single sector actions can easily be the basis of what used to be called natural disasters but are now understood as having a human origin.

A focus on housing in a market context can, ironically, misunderstand the economic multipliers existing within cities and towns. For example, while the employment created by housing investment is very important within the overall construction sector, that employment is only a small (and time-bound) share of the total investment in neighbourhood infrastructure, transport, schools, hospitals and commercial establishments that is needed to serve the occupants of that housing. When placed within the 40-year life span of the housing unit, the jobs generated during construction turn out to be a small proportion of total direct employment. It is only when housing is tied to spatial decisions, in real places, in neighbourhoods, that these multipliers can be understood and appreciated. We have been wonderfully reminded of this point by Jane Jacobs⁽⁵⁷⁾ whose explanation celebrates the complexity of whole systems and deplores the mistakes made when only partial perspectives are adopted in policy and action.

These economic multipliers are also paralleled by cultural multipliers, historical patterns of communication, sociability and innovation.⁽⁵⁸⁾ Neighbourhoods have identities as geographic and social places where particular forms of cultural expression occur. Over time, this expression also has a value which, in many cases, can also be translated into economic

55. See reference 37.

56. See work on flooding in Buenos Aires by Herzer, Hilda (1999), "Inundaciones", Faculty of Architecture, Design and Urban Planning, University of Buenos Aires, July.

57. Jacobs, Jane (2000), *The Nature of Economies*, The Modern Library, New York.

58. As described richly by Sir Peter Hall in his book, *Cities in Civilization*, Pantheon, New York, 1999.

and financial value. When one mentions Soho, St. Germain des Prés or La Boca in Buenos Aires, the names of these neighbourhoods evoke recognition and expectations about certain cultural, architectural and even, in some cases, commercial style. The identities of places are historical constructions through time. Youth in Berlin may wear Soho tee-shirts but their referents are clear; they are to far away neighbourhoods whose symbolic meaning is equated with an artistic and fashion-setting vanguard 10,000 kilometres away.

VII. THE PHYSICAL WORLD AND CIVIL SOCIETY

a. Connecting Housing to Social Processes

THE OVER-EMPHASIS on the role of housing as a commodity within housing markets also runs the risk of separating the process of creating urban settlements from civil society itself. A generation ago, John Turner, the British architect, wrote of “housing as a verb”.⁽⁵⁹⁾ On the basis of his experience in the *barriadas* or slum areas of Lima, Turner argued that the process of creating shelter, including the assembly of land, materials, technology and skills, through the processes of design, construction and use called on important individual, household and community skills and preferences. Rather than accept top-down design, seen as a form of architectural coercion in the 1960s and 1970s, communities demonstrated their capacity to produce shelter while also building community cohesion. This work became the theoretical basis of the adoption of sites-and-services and slum upgrading in the early 1970s by the World Bank and, later, other international agencies. These projects were largely successful and are the basis of current efforts to “scale up” improvement programmes.

The importance of connecting housing to social processes – to the creation of what we now call social capital – is well-illustrated by a comment from the founder of a community foundation for low-cost housing in El Salvador, who remarked that when the FUNDASAL received its two loans from the World Bank in the 1970s, the Bank believed that the goal of the project was to build housing. The foundation, however, saw housing as an instrument to achieve its real goal, which was to build communities in the slums of San Salvador.⁽⁶⁰⁾

The point here is that housing has social and institutional multipliers which are just as important as economic and financial multipliers. If we agree with Robert Putnam on the importance of social capital,⁽⁶¹⁾ it should be obvious that housing, the largest financial investment made in the lives of 90 per cent of the world’s families and their most important physical asset, should also be used to maximize all the other positive multipliers possible.

If housing is a critical part of household welfare and real income, it must also be seen within the broader distribution of income within cities. In this sense, place-based investments – housing quality, infrastructure services, social facilities such as education and health, cultural services, environmental quality and security – are important components of overall income. They are also important determinants of the levels of poverty and inequality found within cities.

Even though the conventional wisdom in development circles is that investment in human capital – education and health – are the critical ingredients for future income earnings and social mobility, my analytical

59. Turner, John F C (1972), “Housing as a verb”, in Turner, John F C and Robert Fichter (editors), *Freedom to Build*, the MacMillan Company, New York. Exploration of this concept has been furthered by Roberto Doberti in Buenos Aires.

60. Personal communication from Alberto Harth Deneke.

61. Putnam, Robert (1993), *Making Democracy Work: Civic Traditions in Modern Italy*, Princeton University Press.

62. See reference 27.

63. See reference 48.

work in Argentina demonstrates that place-based investments – infrastructure and housing – are three times more powerful in predicting the degree of inequality in cities than are education and health.⁽⁶²⁾ People who live in poor housing are likely to be poor and the many components of residential quality all contribute to that environment.⁽⁶³⁾

b. The Metropolitan Project

The linkages of physical improvements to community processes and participation are important when viewed within the broader debate of the objectives of development. We live in an historical moment when the power of globalization has generated sharp differences in the perception of economic and social development. There is now less reference to the “global village” and more to “global pillage” and the inability of national and local institutions and businesses to withstand the overwhelming financial power of global capital.

In the face of these perceptions and feelings of powerlessness – whether virtual or real – we nevertheless live most of our lives at the local level, in the material world. When we walk out the front door onto the street, we see, if not necessarily greet, our neighbours. As Richard Sennett noted,⁽⁶⁴⁾ conscience also comes from the local realm – what we actually see – and hence becomes the foundation for social responsibility. The physical and social world of housing – of residential areas and neighbourhoods – is also the locus of moral life and ethical choices, and contains a potential quality of life and social existence unable to be found elsewhere.⁽⁶⁵⁾

These social and contextual observations are equally important at the individual, family, community, local and national levels. Amartya Sen suggested that the objective of development is freedom, the ability to make choices and act on those choices.⁽⁶⁶⁾ The decision of where and how we live is one of the most profound decisions human beings make. Research in many countries suggests that people’s satisfaction with their housing choices increases with the number of available choices.

Our approach to housing is a good measure of our understanding of “urban practice”. Housing is not just an instrumental verb but also a normative choice to be expanded in a world where resources seem to be growing scarce and diversified as new forms of urban life appear. Putting housing and the material world back into the centre of the urban agenda is not to deny the economic importance of urban productivity or the fiscal and institutional significance of decentralization. Rather, it is to say that cities – the result of people living together in houses and neighbourhoods – must find new ways of using people’s ever growing needs for shelter and services to help solve their other problems. Not to do so is to create a tremendous risk that the cities of the future will have even less cohesion and coherence than the sprawling metropolises of today. To restore housing to its central place in the metropolitan project is also to see it as, in David Harvey’s words, a “space of hope”. This perspective is also well-rooted in earlier sociological work, for example, by Gino Germani in Latin America in the 1960s.⁽⁶⁷⁾

As new dimensions have been added to the urban agenda, many urban practitioners have been distracted by the components of urban challenges – energy-efficient construction, computerized cadastral systems and variable-rate mortgages to cite a few – and have lost sight of the multi-dimensional metropolitan area where the whole must be greater than the sum of its parts.

64. Sennett, Richard (1990), *The Conscience of the Eye*, Alfred A. Knopf, New York.

65. Jacobs, Jane (1961), *The Death and Life of Great American Cities*, Vintage, New York.

66. Sen, Amartya (1999), *Development as Freedom*, Alfred A. Knopf, New York.

67. Germani, Gino (1967), “La ciudad como mecanismo integrador” in Bassols, Mario et al. (1988), *Antología de Sociología Urbana*, UNAM, Mexico.

We must try to become, in the late Don Schon's words,⁽⁶⁸⁾ "reflective practitioners", strategic thinkers and effective actors in a world demanding more and more of us. The new term of our historical moment is "network", within and between cities. We have not focused enough attention on understanding cities, the hubs of these networks. Regardless of their size, it is precisely in those hubs or places that the new urban residents of the next 25 years will be building. Thomas Bender captures this process in his observation that urban processes:

"...find realization in a place, in a specific spatial context in which... social processes and institutions intersect with the lives of the city's most vulnerable citizens. And it is in a place that over time and in the present those social burdens cumulate. We need to understand those places and make them better, for more than anything else city-making is place-making."⁽⁶⁹⁾

Twenty years ago, Kevin Lynch reminded us that "...without a sense of better, any action is perverse".⁽⁷⁰⁾ To act on the city, therefore, is profoundly about values. As urban observers and analysts, we must look to those values to find our way. For the coming new urban residents of the metropolis, as wise urban practitioners they already understand that their values and private interests are rooted in real places, in neighbourhoods. They will start with the material world.

68. Schon, Don (1983), *The Reflective Practitioner: How Professionals Think in Action*, Basic Books, New York.

69. Bender, Thomas (2000), "Urban history and the urban future", *Medio Ambiente y Urbanizacion* No 55, IIED-América Latina., Buenos Aires.

70. Lynch, Kevin (1981), *Good City Form*, MIT Press, Cambridge MA.