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Urban Development Policies in Developing Countries

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The recent world recession—some might even call it a depression—is testing the vitality of urban policies in developing countries. One is reminded of Dickens's *Tale of Two Cities:* "It was the best of times, it was the worst of times." On the one hand, the pressures to move the economy again, to confront the problems of sluggish exports, and to lower high unemployment rates, together with the lack of government resources for state and local investments, make it the worst of times for urban development policies. On the other hand, it is generally in periods of strain or crisis that the significance of the urban sector for the national economy is most truly appreciated. Austerity is forcing people to rethink the fundamental issues of urban development and the types of policies that can be most fruitfully pursued. This may be the best of times to review policy priorities and to look for robust solutions to urban problems.

Before the prospects for urban development policies are outlined, some questions must be answered. What are the characteristics of policies toward urbanization and the policy tools that have been used in developing countries? What rationales are given for those policies? What do we know about the effects and effectiveness of policies? Without answers to such questions it is not possible to examine properly the future direction of urban development policies.

Basic Trends in Urban Policy

The forces that shape urbanization and urban policies in developing countries can be summarized in three broad propositions. First, the wave of urbanization that has been sweeping through developing countries since World War II will be sustained through the end of this century. Second, there are significant quantitative differences between contemporary urbanization in developing countries and the historical patterns observed for today's advanced economies. Third, the policy problems encountered in developed countries have clearly been diverging from those of developing countries. Simple extrapolations of past trends in developed countries will be of limited value for the formulation of urban policies for developing countries.

The Main Characteristics of Urbanization in Developing Countries

There were approximately 800 million people in 1750, about 1.3 billion by 1850, 2.5 billion by 1950, and over 3.6 billion in 1970; there will be between 6.2 and 6.5 billion people by 2000. Most of this population growth is taking place in developing countries. For instance, the 1982 census shows that the population of China is more than 1 billion and is growing by 17 million a year. These demographic changes have been associated with a rapid redistribution of population from rural to urban areas and a significant shift in the proportion of the urban population that lives in large or very large cities. Before 1850 no country was predominantly urban, and in 1900 only the British population was more than 50 percent urban. By 1920, 14 percent of world population was urban. Now that proportion is close to 40 percent, and it is anticipated that by 2000 half of the world's population will be urban. The urban areas of developing countries absorbed about 600 million people between 1950 and 1980. During the final quarter of this century there are expected to be 1 billion people in developing-country cities, which is 64 percent more than the total population of about 610 million in the advanced market economies today.

Demographic and economic forces render contemporary urbanization different from the earlier experience of advanced economies. First, population in developing countries is expanding rapidly. A country that grows at the rate of 2.4 percent a year, the current group average for middle-income countries, will experience an 81 percent increase in population in twenty-five years. Second, the middle-income countries have experienced high economic growth rates so far. After twenty-five years an economy that is growing at 5.5 percent a year—the GDP-weighted average growth rate for the middle-income countries for 1970–79—will be 3.8 times larger than it is today. Rapid demographic and economic growth contributes to average growth of 3.8 percent a year in the urban population; in many countries the growth rate is much higher. Institutionally, the role of government is more important in developing countries now than it was for advanced economies when they were at similar levels of urbanization. The slowdown of the world economy in the 1980s will reduce the pace of urbanization in developing countries. Nevertheless, the historical contrast remains sharp between the slow urbanization at relatively high levels of income that advanced economies experienced in the past and the rapid urban population concentration at much lower levels of income in developing countries today.

World urban trends can be described further in a series of propositions.

- Urban areas will play an increasing role in absorbing large shares of the world's population. There will be a marked increase in the level of urbanization over the next twenty years. An increasingly large number of countries will have become more urban than rural. (Already, more countries are predominantly urban than are predominantly rural.)
- The distribution of urban population over broad regions of the world has changed dramatically. At the beginning of this century the largest share of the world's population living in cities of over 100,000 was found in Europe. By 1950 Europe was already behind Asia and America, and by 2000 Asia will dominate the world urban picture, with about 45 percent of the world's urban population. The level of urbanization will rise most rapidly in Africa.
- There is a trend toward concentration of urban population in large cities (over 1 million), very large cities (over 2 million), and supercities (over 5 million). In 1950 the world's urban population was 393 million, and 45.1 percent of that number was in cities of over 1 million. In 1975 the corresponding figures were 983 million and 51.4 percent. For 2000 some projections yield 2.2 billion and 63.0 percent.
- The striking growth of urban areas should not distract attention from two facts: many countries have very large rural populations, and a very large proportion of the urban population still lives in towns of less than 100,000 population. Because very large cities dominate the urban systems, there is a great difference between the statistical average size of settlements and the typical size of settlements. There are very large urban places, but the typical place is still rural oriented.
- Even though developing countries are urbanizing rapidly, only a few have declining rural populations. This is because of their high rate of population expansion—the average crude growth rate is 2.4 percent a year, about five times that of industrial countries, which register an average 0.4 percent a year. The reservoir of potential rural-to-urban migrants continues to expand.

The evidence suggests that the policy context in developing countries differs markedly from the better-known historical pattern of Western countries. In industrial countries urbanization took many decades and occurred relatively slowly in comparison with the urban transformation now occurring in developing countries. In today's developing countries the pace is more rapid, population growth is higher, income levels are lower, and the opportunities to relieve domestic population pressures through migration are limited.

Diverging Urban Trends in Developing and Developed Countries

Since the early 1970s urban trends have been moving in divergent directions for developed and developing countries. It is worthwhile to briefly compare these tendencies because of the influence that urban policies and analyses in developed economies have had so far on the formulation of urban policies in developing countries. The contrast between the two groups of countries may facilitate the discussion of urban policies in developing countries.

The difference between urban conditions in developing countries and in advanced economies is most easily brought out by reducing the complex socioeconomic processes of urbanization to a single demographic indicator, the percentage of total population that is urban. Long-term urbanization, which involves an increase in this percentage, can then be seen as the process of moving along a logistic curve, with the urban share of total population rising from about 1 or 2 percent to a saturation level somewhat less than 100 percent. The dynamics of urbanization in a given country can be characterized by the slope of the urban logistic curve, which reflects the tempo of urbanization, and by the urban saturation level, defined as the highest percentage of urban population that is likely to be urbanized at very high levels of economic development.[1] In comparing national urbanization strategies, much confusion could be avoided by referring to this simple and familiar curve as a quick way of differentiating between countries, since the level of urbanization and the level of economic and institutional development are closely correlated.[2]

Until the 1960s advanced and developing countries alike were seen as moving along this urbanization curve, with the first group preceding the second. In the 1970s two major structural changes became apparent in developed countries, and their impact on urban policies is becoming pronounced. The first structural change is the end of traditional urbanization: the national populations of advanced economies have become fully urbanized, rural-to-urban migration has slowed to a trickle, fertility rates in many countries are falling below the replacement level, and the populations of some countries are even declining. The steadying effect of internal migration on the growth of most cities is now missing in many advanced countries. In addition, national governments are trying to limit international migration flows. Urban systems such as those of the United Kingdom and the Federal Republic of Germany have stopped expanding. Demographic urban growth often takes on the appearance of a zero-sum game in which the demographic growth of one city comes more and more at the expense of another city, whether it is defined as a central city, suburban center, metropolitan area, or medium-size or small town. For the first time advanced countries are discovering what it means to have reached the urban saturation level at the end of the logistic curve.

The other major structural change is economic rather than demographic. It is marked by the transition from an extended period of rapid and sustained growth during the 1950s and 1960s to the present period of slow and uncertain growth and is tied to the emergence of a world market over the past thirty years, the accompanying shifts in the international division of labor, and, in particular, the impact of these shifts on the demand for and production of standardized manufactured goods. During the 1970s the triple impact of the slowdown in economic growth, structural change in the demand for manufactured goods, and shifting terms of trade with the oil-producing countries accelerated the pace of change of urban policies in advanced economies, partly but not exclusively because of the concentration of old-line manufacturing activities in certain regions and cities.

A stylized way to describe this economic structural change is to say that we are witnessing the beginning of the third industrial revolution in the advanced economies. The first industrial revolution, which started everything, was based on coal, the steam engine, railroads, and textiles. The second industrial revolution was based on petroleum products, chemicals, the automobile, and electrical and mechanical industries. The current revolution is based on new energies, electronics, information industries, bioengineering, and services. The first two revolutions, especially the first one, strongly favored urban concentration; the third one does not. According to this interpretation one could hypothesize that the 1980s are not the beginning of a period of permanent slow growth but rather a transition period toward new forms of growth. The policy implications of these two structural changes for urban policies in developed countries are becoming clear.

Until the late 1960s the policy paradigm in advanced economies was based on urban growth under these conditions: a moderately rising national population; continuing transfers of population from the countryside (associated with the development of manufacturing and service employment); a differential growth that favored larger cities and the formation of city regions; an increased demand for space per capita (associated with significant gains in per capita income); and a long-term concentration of population in favored economic regions.

Confronted with urban growth, advanced countries developed policies incrementally and responded to problems as they emerged. At first, only limited attention was paid to the context within which urban issues were debated and evaluated. Then rapid urban growth, combined with abundant fiscal resources, led to an increase in the scope of objectives, in the breadth of the population to be served, and in the number and variety of instruments to be tried. A major shift occurred, from an early and almost exclusive consideration of physical planning problems to a more comprehensive focus on the socioeconomic problems of cities. Increasing emphasis on income redistribution in an urban context was accompanied by a concern for economic efficiency in solving problems. The rapid growth of urban programs frequently led to problems of coordination and bureaucratic congestion. During this period parallels were drawn between urban policy issues in developed and developing countries.

The factors that now differentiate urban policy issues in advanced economies from those of developing countries are many: the stagnation or decline of the largest metropolitan regions in developed countries, greater inequalities within large urban areas than between regions in developed countries, a shift of manufacturing activities in advanced economies from the production of standardized goods toward the production of goods with a high proportion of services input, and the dominant role of multilocational, multifunctional corporations that do not simply react to their spatial and economic environment but attempt to shape it.

In this new context of stabilizing urban systems and fiscal retrenchment, urban policies and instruments in developed countries will differ considerably from those of developing countries. In a surprisingly large number of Western countries the policy paradigm is shifting from urban growth to an emerging urban zero-sum game. Because of the nationwide impact of industrial restructuring, which affects social groups selectively, the relative balance between social (people-oriented) policies and urban (place-oriented) policies is shifting in favor of the former in developed countries. New urban policies for developed countries must now be defined against four major issues:

1. How to improve the economic base of cities, many of which confront major problems of reconversion from an old manufacturing base to services and high-technology activities
2. How to improve social conditions, since industrial restructuring is leading to sharp income inequalities within cities.
3. How to improve urban services to accommodate the changing size and composition of resident populations while meeting major maintenance needs
4. How to allocate resources and responsibilities among levels of governments, given the heterogeneity of local conditions among cities.

To manage simultaneous urban growth and decline, the emphasis should be on selectivity, flexibility, smaller-scale interventions, greater diversity of actions, and increasing reliance on local government to coordinate activities at the city or neighborhood level. For the advanced economies there also remains the problem of declining cities, underutilized infrastructure, and the role of the central government in influencing such trends.

Urbanization Policies

The rapidly shifting patterns of population distribution and economic activity in most developing countries create inequalities in economic growth rates, industrial structure, employment conditions, household incomes, wages, and levels of services which are keenly felt by decisionmakers and social groups. These inequalities, which include those between the rural and urban sectors, regions, cities of different sizes, and social groups within large cities, have prompted policymakers to experiment with spatial considerations in their national economic policy schemes. For example, they have become more concerned with the composition of investment projects and their differentiated impacts on the growth of regions and cities.

Objectives

In many countries, particularly middle-income countries, the decentralization of economic activity from large, congested capital regions and the closing of the welfare gap between rich and poor regions are the stated policy objectives. The justifications for initiating urban decentralization policies generally given by developing-country governments are, first, the necessity of reducing the severe managerial problems and the economic and social costs associated with congestion, pollution, and the difficulty of providing adequate services in large cities; second, the need to reduce wide regional income disparities within the country; and third, the belief that more investment outside the largest urban centers in favor of the poorer outlying regions will foster national growth. Thus, urban decentralization policies are defended as both equitable and economically efficient. The national urbanization policies of many developing countries are based on the premise that it is possible and right to decentralize population away from the largest cities.

A national population decentralization strategy actually covers many objectives. This multiplicity of objectives calls into use a comparable multiplicity of instruments, and the problem becomes one of identifying the combination of policies most appropriate for a given country at a given level of development.

Some of the more explicit objectives encountered in developing countries are:

1. *The integration of peripheral regions to increase the size of national domestic markets and the intensity of regional demand.* Raising regional incomes is greatly dependent on rural development, agricultural policies, and the development of transport and communication networks.

2. *The integration of peripheral regions and the opening up of new resources to raise national output.* This objective applies to mineral-rich countries as well as to countries which have had an important resource frontier to exploit, such as Malaysia and Brazil.

3. *The reduction of interregional disparities.* In a well-integrated society, concern about inequality among individuals and households should be more important than concern about inequality between places. The reduction of regional disparities is, however, a legitimate concern in developing countries. In Latin America, for

instance, the output per capita of one region may be as much as ten times the output per capita of another, while in fully integrated advanced economies the apparent differences are on the order of three or two to one.

4. *The improvement of national political integration and social cohesion within the nation.* It would be a conspicuous mistake to assume that national policies have purely economic objectives such as increasing output or redistributing economic opportunities. In heterogeneous societies marked by important cultural, political, and linguistic differences, a dominant element of a national urbanization strategy is to maintain the cohesion of the state and to prevent regional minorities from, in some fashion, leaving the national coalition of social groups. Special institutions such as regional development corporations are often used as an expression of the central government's concern for the region.

5. *The rapid development of border regions for reasons of national security.* This objective has been important in Latin America, where disputes over the exact location of national boundaries in underdeveloped regions have been frequent in the past. Similar situations also exist in Asia and the Middle East.

6. *The improvement of the national system of cities.* This is a more recently stated objective of national policies in middle-income countries. The city system has a dominant role in the transmission of economic impulses and the diffusion of social and economic innovations over the national territory. Raising the level of economic activity in medium-size cities will help them attain economies of scale and will improve the interregional diffusion of economic growth. It is also expected that a more developed system of cities will help in equalizing access to important services such as education and public health which can increase the human capital of a country.

Some Questions

The above objectives are still too broadly defined. In particular, the objectives of decentralizing population away from the largest urban centers and narrowing interregional differences beg many questions. Can an urban strategy operate independently of other national, social, and economic strategies? Is decentralization really desirable from the viewpoint of economic efficiency? Is there a tradeoff or a convergence between higher rates of national growth and greater regional equality? Is it possible to channel economic activities to preselected cities? Under what conditions? At what cost?

Urban Problems and Policies

Urban policies in developing countries have been formulated and tried in the same incremental and unstructured way that has typified the experience of advanced countries during their decades of rapid urban growth. In fact, they have been derived from experiments in advanced countries.

These policies stress the decentralization of economic activity and population as a means of relieving congestion and solving the environmental problems of large cities. Common objectives are to create employment and service centers, to build new towns, and to implement large investment programs in transport and infrastructure. Technical interest in the design of new facilities and new urban technologies, however, often overtakes the understanding of the effective demand for services by urban groups. This supply-side, design-dominated approach to urban development is only slowly being corrected through a better understanding of the engineering, economic, and institutional constraints on urban development at low levels of income.

At the metropolitan level the overwhelming preoccupation is with the absorption of a large population expansion every year. The supercities with populations above 5 million may no longer be the fastest growing, and the current economic slowdown may marginally reduce their growth rates. Still, they are likely to grow at rates between 3 and 6 percent, or by 150,000 to 300,000 a year. Most metropolitan governments have great difficulty in developing and implementing well-structured investment programs to confront such problems. Urban areas are outgrowing their governments' capabilities. Local governments have inadequate authority to coordinate activities beyond their own boundaries, and their political power and resources are inadequate for project implementation. Interventions by local governments need the support of central governments. New local tax bases must be created and existing ones redesigned. Increasing reliance on transfers from central governments seems desirable but is not necessarily feasible. The issues are familiar and can be listed briefly:

- How to improve the economic base of the city and provide productive employment to a rapidly expanding labor force that often has low skill and educational levels? How to influence employment location to ease the growth of the city?

- How to provide transport that is affordable for the majority of the population? How to ensure a dynamic balance between the public and the private sectors when a 10 percent minority of car owners can and does impose severe congestion costs on the other 90 percent of daily commuters by overwhelming an inadequate infrastructure?

- How to develop land use patterns that generate a better balance between home and workplace? How to recapture some of the increment in land values generated by urban growth to finance city infrastructure investments?

• How to improve housing supply when 90 percent of the housing stock is provided by the private sector without the necessary urban infrastructure which would make new neighborhoods fully functional? Put another way, how to take advantage of low-income progressive housing investment patterns to develop affordable but efficient and healthy neighborhoods?

• How to mobilize financial resources to meet the massive infrastructure needs of cities for road networks, transport systems, water and sanitation systems, education, local health services, safety, and fire protection?

• How to provide assistance to the poorest residents, who are most in need of help and least able to get it?

As noted earlier, rapid demographic growth at low levels of income is characteristic of urban development in developing countries. Because of severe resource constraints, resource mobilization is as important as the distributive aspects of urban growth: resources must be found before they can be allocated equitably. In this new period of severe capital scarcity, it is clear that to receive support from central government planners, urban investments will have to contribute demonstrably to increasing the productivity of cities. This is a new challenge for urban analysts. How can it be shown that a certain urban investment package raises the productivity of a city? How can such a package be defined? What are the analytical methods available for establishing this link? Can they be implemented easily and routinely?

Three Dimensions of Urbanization Policies

Urbanization policies can be viewed along three dimensions. First are national economic policies which have unintended effects on the urban development of a country. Second are regional policies that operate at the national level and aim at an equitable and efficient allocation of population and resources among regions. Third are policies for the internal management of cities.

The *unintended spatial biases of national economic policies* in favor of some urban centers are commonly products of trade policies which protect the manufacturing sector. For example, policies regarding credit allocation, public investment, and prices give preferential treatment to economic activities which are concentrated in a few cities and regions. The management practices of the central government and its regulation of economic activities require location of these activities close to the capital and contribute to the urban vortex.

It is not necessary to make the unrealistic claim that spatial considerations should prevail over economic growth considerations in the formulation of national economic policies. But there are several reasons why a good understanding of the unintended spatial effects of national economic policies—of implicit spatial policies—is essential for developing countries. First, these policies have a definite impact on where people live and work. Second, there is a growing awareness and specific evidence that the effects of implicit incentives on business location decisions are much stronger than the publicized explicit incentives that favor decentralized location. Third, if national economic policies were adjusted so that their spatial bias in favor of the most advanced regions were moderated, reliance on the invisible hand of the market would reduce the need for specialized teams of spatial planners and avoid the waste of scarce managerial and administrative talent on the fine-tuning of regional decentralization incentives of doubtful effectiveness or efficiency. The likelihood of such an adjustment is very remote, however, because coordination of the execution of better-designed policies presents great problems. Here we are mostly interested in understanding the urban impacts of national policies and the dynamics of urban development in the manner defined by Kelley and Williamson in chapter 3.

Regional policies can strengthen promising secondary urban centers through such actions as better investment and management policies for transport, industrial estates policies, and more important, the systematic development of organized informational networks between these cities and the capital region, such as banking networks, industrial association networks, and better administrative structures. As is now well established, growth center strategies are more a way of thinking about such policies than a precise methodology.

The *appropriate internal management of cities* is important to the success of national spatial policies. In the case of very large cities, policies to limit or stop population growth are not substitutes for policies that directly address the correction of congestion and pollution and the provision of adequate services. If other cities are not efficiently and effectively managed, their chances of attracting industries and migrants from the largest urban centers will be small.

Analytical Issues

Progress in the formulation of urbanization policy is possible by integrating more closely the three dimensions of policy discussed above. Research findings, however, lag far behind the needs of policymakers. Designing workable programs to moderate urban concentration, to narrow the gap between rich and poor regions, and to address more effectively the needs of lower-income groups strains our knowledge of national urban development processes.

Much urbanization policy in developing countries and elsewhere is based on presumptions rather than on established findings. For instance, there is always much interest in coordinated regional schemes in developing countries, but the actual motivation is the perception that trickling-down does not work fast enough to reach poor regions and, particularly, poor people. It is argued that, on equity grounds alone, it is necessary to increase the level of investment in peripheral regions, or at least in nonmetropolitan areas within these regions. In addition, it is felt that both equity and economic efficiency objectives can be met jointly by investing in peripheral regions because such investment opens up new resources to the national economy.

The justification of national spatial policies on equity grounds is not a problem. It is accepted that public policy should help achieve a certain minimum standard of living in every region of a country. The minimum standard of living could be defined on the basis of the market demand curve of a given percentile of the national population, say the twentieth percentile, for important goods and services such as housing, medical care, nutrition, and public education. For instance, in figure 5-1 the private demand curve for nutrition leads to an equilibrium level of consumption equal to *OQ* in a peripheral region. National intervention is considered justified to bring that level up to at least *OR* for all social groups. The net social benefit of a transfer policy will be a triangle *MNT* which is the difference between *MNST*, the public good externality generated by providing everyone a minimum standard of consumption up to *OR*, and *NST*, which is the usual measure of the efficiency cost of providing a subsidy of up to *ST* to the target group. Exactly the same analysis is repeated in a more general form in figure 5-2, in which the shaded area *MNSU* represents the social gain from the externality created by the regional transfer policy and the triangle *NST* represents the gain from the externality which is offset by the loss in economic efficiency. Inherent in such spatial redistributive objectives is a certain amount of efficiency loss, which is accepted by society on equity grounds.

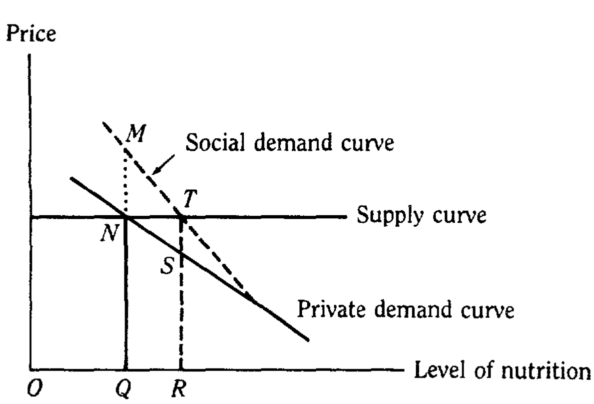

Figure 5-1. *The Private Demand Curve for Nutrition*

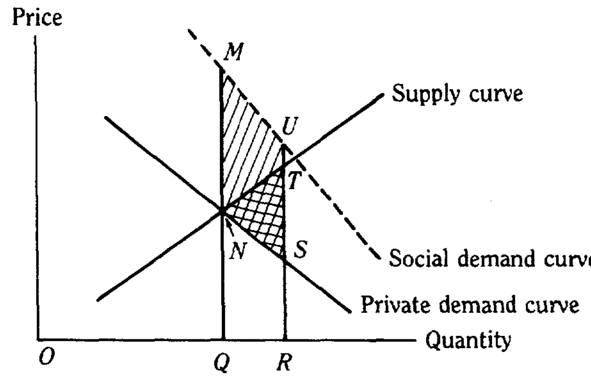

Figure 5-2. *The Equity Rationale of National Spatial Policies*

A major research task related to urbanization policy is the development of a methodology to determine whether the increasing concentration of population and economic development in a limited number of very large cities in developing countries is a result of faulty policies and market failure, or whether rapid urban concentration is an inevitable part of the development process. We need to know whether decentralization policies can be justified on economic efficiency grounds, or whether they are futile and economically inefficient.

The Direction of Urbanization Policies

Rapid urban growth will continue to shape policies in developing countries in the coming years. The two traditionally dominant urban issues—decentralization away from large urban centers and reduction of inequalities between regions—will continue to shape the agenda. It is reasonable, however, to expect a more knowledgeable selection of urban development objectives and a greater degree of attention to the choice of instruments to achieve more realistic goals than in the past. Over the past decade the gap between the rhetoric of urbanization policies intended to prevent urban migration and the actual urban growth patterns (which include rapid concentration in major cities) has become painfully clear. Everyone hopes not to hear again the old question of whether urban growth can be stopped and would rather be asked what kind of urban growth should be encouraged. Misleading notions of optimum geography and optimal size distribution of cities based solely on population should not be used to select population growth targets for which no feasible program can be found.

Significant progress has been made in understanding the impact of the spatial distribution of urban growth as a result of growth policies, trade regimes, economic regulations, the influence of federal systems of government, and fiscal policies. International comparisons also show how ill-adapted earlier policy advice has often been to the structure of existing institutions within a country. The World Bank, through its activities in about sixty countries, has gained substantial insights into the dynamics of urban growth in developing countries and into the actual capacity of national and local institutions to induce change. In addition, there is better understanding of the time dimensions of urbanization policy. A sobering experience for policy analysts with limited or no operational experience has been the sudden awareness that most urban projects take an average of eight years from original planning to full-scale operation. Thus, urban project cycles are considerably longer than the political cycles in many countries. The momentum behind new urbanization policies depends on market forces and the parallel growth of specialized urban institutions that are less sensitive to short-term politics. There are major differences in urbanization policies around the world, and it is to these policies that we now turn.

Urbanization Policies in Sub-Saharan Africa

The severity and complexity of the problems facing many countries of Sub-Saharan Africa in the 1980s will greatly constrain urbanization policies in the region. Because it is starting from the lowest urban base, Sub-Saharan Africa is the region that is undergoing the greatest change, and its postindependence period has seen spectacular urban growth. The average growth of urban population has been 6 percent a year—8.5 percent for thirty-five major capitals that are doubling their populations every nine years. There are now twenty-eight African cities with populations of over 500,000; twenty years ago there were only three (World Bank 1981). Because of this rapid growth, cities which were in good physical and financial shape two decades ago now face enormous difficulties.

The policy problems that are besetting African countries in the postindependence period are severe, and the same problems can be identified almost everywhere.[3] There has been a conspicuous failure to predict and plan for rapid urban growth. Most city governments have been unable to grasp the implications of a population that doubles every nine years. Overcentralization has compounded the problems, as many new central institutions have assumed or claimed more responsibility than they could hope to handle. The consequence has been hypertrophy at the center and atrophy at the local level. There has been significant deterioration of services, the two most common examples being national housing corporations and water systems which are managed directly by ministries. Overcentralization has also affected the financial health of cities, where a common error in English-speaking countries has been the assumption by the central government of revenue bases which had historically been available to cities. In addition, the financial responsibilities of cities, particularly in education and health, have increased drastically, but new revenue bases have not been established.

There has also been a systematic failure to evaluate urban income distributions and to plan for them. Before independence most cities had high employment rates and few poor families, since urban migration was conditional on the availability of a job. In the postindependence period urban policies failed to plan for services that the incoming migrants could afford. Thus, achieving realistic living standards has been a pervasive problem. New urban migrants do not have a realistic sense of what is economically possible, and there has been a strong political demand for high standards of services that are unattainable at present income levels. The typical result has been high-quality services for a few and no services for most. This in turn has led to serious physical problems of unserviced and sometimes unserviceable squatter settlements, as well as overcrowding in planned and unplanned areas.

This extreme polarity in income distribution has been maintained through the growth of public sector employment, which inspired the formulation of the Harris-Todaro model of rural-to-urban migration. Whereas formal-sector employment accounts for 6 to 15 percent of the working population, public-sector employment increased during the postindependence period and now constitutes 40 to 75 percent of salaried employment.[4]

Not surprisingly, political problems have arisen in the day-to-day financing of cities. In most countries it has been difficult to levy adequate charges for the sustained development of such urban services as water supply, waste disposal, electricity, and road maintenance. Inadequate charges have led to lagging and deteriorating services and have thereby increased the resistance to paying for them. Current flat or negative growth rates of gross national product, coupled with a projected annual population growth of 3 percent, are having a sobering impact on urbanization policies in Africa.

Nigeria, the largest country in the region, well illustrates present problems. Its position in 1973 as a poor overpopulated country with a per capita income of $150 changed dramatically as oil revenues brought in an estimated $100 billion in foreign exchange earnings during 1973–81. But despite substantial petroleum revenues, exports, and a reported per capita GDP of $670 in 1981—as against the regional average of $410—Nigeria still ranks among the world's least developed countries. Its urbanization has been greatly accelerated for the worse by the oil revenues. Nigeria also provides a clear example of the dominant impact of trade and industrial policies on urban growth and concentration. An analysis by Bertrand and Robertson (1978) used the relatively standard estimation of the sectoral net subsidies provided by trade and industrial incentives to each industry and estimated the spatial distribution of these subsidies for nineteen states in Nigeria. They found that as a result of the spatial distribution of economic activities 89 percent of total net subsidies granted to industries benefited Lagos. The magnitude of these industrial incentives overwhelmed those proposed by a contemporaneous official report on industrial dispersal, which suggested that industrial decentralization be pursued to promote social equity, to avoid congestion at the center, to avoid inflationary pressures on products and wages because of urban congestion, to improve regional employment opportunities, and to foster political cohesion. Budgetary resources allocated for these explicit decentralization objectives could not be precisely calculated, but it was estimated that they were less than a tenth of the estimated industrial subsidies that benefited Lagos. Concurrently the agricultural sector, which has great potential, performed poorly as a consequence of inappropriate government policies, particularly unfavorable domestic terms of trade. Agricultural exports declined substantially, and the output of food crops, except rice, became inadequate; food imports increased tenfold, from $200 million in 1973 to $2 billion in 1980. The instability of oil revenues has accentuated the difficulties of managing the economy and developing urban policies.[5]

The case of Nigeria well illustrates the dominance of national economic policies over the direction and location of urbanization in Africa. Remarkably, however, the concentration of new industries in a few urban centers is making national economic planners, who are traditionally indifferent to urban policy, more aware of the crucial role of effective management. Even in this period of economic slowdown and scarce public resources, there is greater support for effective urban management than there was a decade ago. Sporadic breakdowns in urban public transport, which prevent workers from reaching manufacturing plants in the capitals of smaller African countries, also have had a clear demonstration effect.

Regarding the future of urbanization policies in Sub-Saharan Africa, the priority should be on laying solid foundations for effective management in large and medium-size cities. Given the scarcity of central resources, a high-priority item is the development of a local tax base through the implementation of a cadastre and an effective system of land administration. Policies less biased in favor of the largest urban centers—in particular, agricultural price policies—are more likely to be implemented now than in the past two decades. It is less clear whether trade and industrial policies will be modified in a way that will favor secondary urban centers. Given the generally weak institutional structures, the means of stimulating the economic base of the intermediate cities are even less apparent than is typically the case in higher-income countries.

Changing Urbanization Policy in India and China

India and China have the two largest urban populations in the world, but by the end of this century they will be the only important countries with less than 50 percent of their populations in urban areas. In spite of their low per capita income levels they differ significantly from African countries in that they have extensive and resilient institutional structures.

Until now there has been a strong bias in India against the urban sector. In few other countries could one find a more firmly held view that activities to improve urban areas are by their nature antirural. Recently, however, there have been indications that this view of urbanization as an urban-rural zero-sum game has been giving way to greater understanding of the need for well-structured urban policies. The results of the 1981 census are contributing to this shift in opinion. Contrary to expectations, the total population growth rate did not decline during 1971–81; in fact, it increased by 24.75 percent. The rate of urbanization continues to accelerate. That rate grew at 2.58 percent a year during 1951–61, at 3.79 percent during 1961–71, and at 4.60 percent during 1971–81. The urban sector is expected to have 300 million people in the year 2000. At the same time, more than 50 percent of GNP is now produced in urban areas, even though close to 70 percent of the labor force remains in agriculture.

Given the federal structure of India and the size of its states, problems with urban policies are discussed more effectively at the state level. In the three most urbanized states of Maharashtra (Bombay), Gujarat (Ahmadabad), and Tamil Nadu (Madras), as well as in West Bengal (Calcutta), the management of large cities is being improved. The greatest progress has been in the acceptance that quality standards in the residential sector have to be tailored to levels of household income. But the strong

Indian preference for regulations and for control of the entire economy over the use of incentives to achieve desired social objectives is still felt. Bombay's costly plan to freeze city growth and to shift development to New Bombay is only partially helped by spontaneous suburbanization. In every state the desire to relocate industry in small towns and to stop its spontaneous growth in larger urban centers contributes to expanding the underground economy that is stimulated by conflicts between licensing and the needs of business firms. As in most countries, India's coordination of urban policies is complicated by the split between the secretaries of commerce and industry, who regulate industrial incentives and location, and the secretaries of public works and housing, who better understand urbanization. Serious problems must be solved regarding the internal management of cities in India, with special concentration on the land use legislation of 1976, the long-standing rent control in the housing sector, and the improvement of the fiscal strength of the cities.

Urbanization policies in China differ considerably from those in India. By substituting detailed regulations for market mechanisms, China has so far bypassed the problem of balancing explicit decentralization incentives against the implicit incentives of trade and growth policies. In addition, China appears to have succeeded more than most developing countries with similar income levels in improving the internal management of its cities.

According to the 1982 census, China's population has passed the 1 billion mark.[6] The annual rate of increase is 2.1 percent, and total population has increased by 313.6 million since 1964. The population in cities and towns grew at an annual rate of 2.7 percent, implying that 206.6 million people are now living in cities and towns, or 20.6 percent of the total population, compared with 18.4 percent in 1964. Since the first plan (1953–57), the policy has been to suppress the growth of large cities and to relocate industry from the coast to the interior. Strict control over migration through work permits and control over housing, as well as forced out-migration of young workers, have prevented the growth of cities, particularly the largest ones. For instance, the population in Shanghai province grew only from 10.6 million to 11.8 million people between 1960 and 1982. The five-year plan for 1980–85, which projected the expansion of both internal and external trade, is likely to have speeded up the growth of the urban sector, but there remains a strong objection to the growth of the largest cities.

While the normal growth of cities through migration and natural increase has been controlled, considerable efforts have been made to improve the internal management of cities. Given present income levels, municipalities provide high-quality urban services in garbage collection, street cleaning and maintenance, water supply, and waste disposal. Three areas which require particular attention in the largest cities are public transport and traffic management (with the growth of motorization), environmental pollution, and the upgrading and expansion of the housing stock. The size of the country, the level of development of the transport system, and the government controls over trade and migration all contribute to the substantial regional income disparities that still remain among the twenty-six provinces and autonomous regions.

Decentralization Policies and Regional Development in Korea and Malaysia

Two interesting urbanization policy efforts are being made in Korea and Malaysia. Since Korea has one of the highest population densities in the world, and only 20 percent of its land is usable, it has developed one of the most comprehensive national land-use planning policies anywhere, with the dual aim of controlling the rapid growth of Seoul and reducing regional economic disparities. Those policies attempt to redress the differences in employment opportunities and in public and private services between Seoul and other regions that fuel rapid growth in the capital region. Under the land-use policies, licensing for manufacturing firms in Seoul was established, regional industrial estates were developed, and firms already in Seoul and considered footloose were ordered out of the city. Educational disparities were tackled systematically by regulating school registration in Seoul, by increasing the budgets and enrollment quotas of provincial universities, and by regionalizing educational budgets. The extremely rapid growth of the past two decades and the dispersion of heavy industrial investments around the country contributed to an equalization of regional opportunities, but the rapid rise in the level of urbanization caused by export-oriented growth policies and industrialization ensured that the largest urban centers, especially Seoul and Pusan, would continue to grow. The inevitable geographic decentralization of heavy industries for purely physical reasons did not compensate for the fact that 80 percent of manufacturing employment is generated by small and medium-size firms located outside planned industrial estates, as is the case in most countries. The unanswered questions in Korea at present are the extent to which concentration would have been worse in the absence of the policies, and the costs and benefits of control of industrial location.

Some of the most extensive efforts in Asia at developing lagging regions are found in Malaysia, because of its federal structure. Analytically, the most influential project is the Muda River irrigation project in the northwest section of the peninsula near Thailand, which was started in 1967 and has been the object of extensive studies since 1972. A major contribution of these studies has been the identification and measurement of the direct and indirect effects of large agricultural investments. In addition, they show how the effects are distributed among the people of the region and examine the extent to which project benefits leak outside the region. The work of Bell, Hazell, and Slade (1982) is one of the few which give a detailed perspective of rural-urban interactions. The authors found that, given regional land tenure patterns and the social structure, the indirect effects of the project were large. In particular, about 80 percent of additional value added was generated in the region for each dollar of value added directly generated by the project. This indirect income accrued mostly to nonagricultural households in the region that worked at nonfarm enterprises.

As the project matured, the net capital outflow to other regions increased significantly. Seven years after the start of the project the annual net capital outflow was estimated at 72 percent of regional household savings. The leakage was attributed to the lack of investment opportunities in the region compared with alternatives elsewhere in Malaysia. The relative isolation of the region and the high cost of transport limited the growth of an industrial base. Although large direct benefits to the region were provided, the results showed that self-sustaining growth was often more limited than one might expect. The analysis showed the importance of induced household demand in generating downstream benefits and the crucial role played by the sectors that produce nontradable goods and services. It was found that assistance to these sectors in the form of credit, skilled personnel, and access to markets might limit net capital outflows.

Another recent review of Malaysian regional policies examined the cumulative impact of major programs in the northeastern states of Kelantan and Trengganu, where economic development lags behind the rest of the peninsula and the per capita regional GDP is 56 percent below the national average. In addition to the truly regional and location-specific disadvantages of the states, a major finding of this review was that inadequate coordination of programs and projects implemented in the region has limited their impact. This finding for Malaysia illustrates the major problem of urbanization policies: often there is no regional plan or any formally stated development strategy because there is no political or administrative unit coterminous with the area that requires the strategy. Each national agency develops its own programs at its own pace and on its own terms.

Problems of Large Cities in Latin America

The level of urbanization in Latin America is high compared with that of other developing regions; it ranges from more than 80 percent in the southern zone (Argentina, Chile, and Uruguay) to less than 25 percent in Haiti. Urbanization in Latin America has been faster, more concentrated, and on a larger scale than in European countries. Latin America's experience is similar to that of other developing areas, but because urbanization took place earlier in Latin America than in other regions, urban institutions and policies are already well developed. In spite of the spontaneous shift of growth to intermediate cities—annual growth rates for which are now equal to or greater than those of the largest cities—the population problems of the supercities still dominate. Venezuela's industrial deconcentration policies illustrate the explicit urbanization policies in the region (see chapter 9, by Reif). In Brazil environmental regulation in São Paulo has had a significant but selective impact on suburban relocation of manufacturing (see Thomas 1981). Henderson, in chapter 7, reports on the impact of labor market structure on industrial growth and location in Brazil. A World Bank research project on spontaneous industrial decentralization in the state of São Paulo shows that, except for suburban relocation across the rings of the metropolitan region, only limited firm relocation takes place in intermediate cities (Hamer 1985). In addition, the local structure of the labor market is an important factor in the emergence of new firms. Economies of scale within an industry were found to be more important than city size in influencing firm location. These findings cast a new light on past work by regional economists, which focused on subsidies and tax holidays. They also indicate that in future work the gap between economic analysis and actual firm behavior and decisionmaking should be narrowed.

In Mexico efforts are being made to shape growth patterns within the capital region through a combination of transport investment, provision of infrastructure services, and regulation of investment. The dominant role of the capital region will not change; the priority is to make the region more efficient.

Conclusion

Dominant considerations in the coming decade in the formulation of urbanization policies will be the general economic slowdown, the scarcity of public resources, and the continuing high pace of urban growth in spite of relative declines in demographic growth rates. Comprehensive national urbanization policies dominated by a strong preoccupation with population distribution and with improvement of the urban system are not likely to be effective and should be de-emphasized. They are not realistic on several counts. First, they typically assume a complex structure of simultaneous programs which government agencies are unable to execute and which simply require too much program coordination and execution. Second, as has happened in several advanced economies, especially those with a federal structure, the desire to correct the unintended effects of national economic policies sets spatial policies on a collision course with other policies and policymakers. If urban development ministries attempt to displace finance ministries, their efforts will be futile, especially if their policies rest on weak analytical foundations.

On the positive side, the past decade has seen progress on two fronts. First, analyses of urbanization policies have improved noticeably. Second, policymakers have clearly become aware of the essential role of the urban economy in the national economy. Cities contain the leading economic sectors, they are the incubators for many innovations, and they provide a network for the flow of goods and services within a nation. As the example of India shows, even when a nation is still overwhelmingly rural, with 70 percent of its labor in agriculture, more than half of its GNP is produced in cities. Policymakers are now well aware of the crucial need for efficiently run cities.

Although studies such as that of Kelley and Williamson (chapter 3) are not yet an adequate basis for the formulation of population distribution policies, they are beginning to map out the links between economic growth strategies and urbanization. Such analyses improve the quality of predictions of future urban change and thereby facilitate the task of the public and private institutions responsible for urban affairs. Other recent work also shows why urban strategies will vary according to levels of development and urbanization.

The management of urban growth should continue to define the policy context in developing countries. The two priorities for the decade should be better internal management of cities by local governments and improvements in cities' resource bases and mobilization. Urban policies should incorporate more realistic sectoral policies regarding housing, transport, and the provision of utilities. They should concentrate every effort on seemingly unglamorous but fundamental managerial activities at the local level such as land registration, land cadastres, and mechanisms for cost recovery.

Notes

1. U.N. urban population projections are derived from the estimation of urban logistic curves. See United Nations (1977).
2. See the recent cross-section and time-series estimation of an urban logistic curve by Mills and Becker (1982).
3. This profile of African urban policy reflects useful discussions with George Beier of the World Bank and draws from some of his recent unpublished work.
4. See World Bank (1981), table 4.1, page 41.
5. The development of the new federal capital in Abija and the revision of the constitution to increase the number of states are also likely to complicate the execution of urban policies.
6. The official figure of 1,031,882,511, as of July 1, 1982, includes Taiwan, Hong Kong, and Macao. The mainland population is 1,008,175,288, and the average annual mainland increase has been 17.4 million. Shanghai province has 11.8 million, Beijing has 9.2 million, and Tianjin has 7.7 million. These three largest cities represent only 12 percent of the urban population.

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