

Making Cities Livable



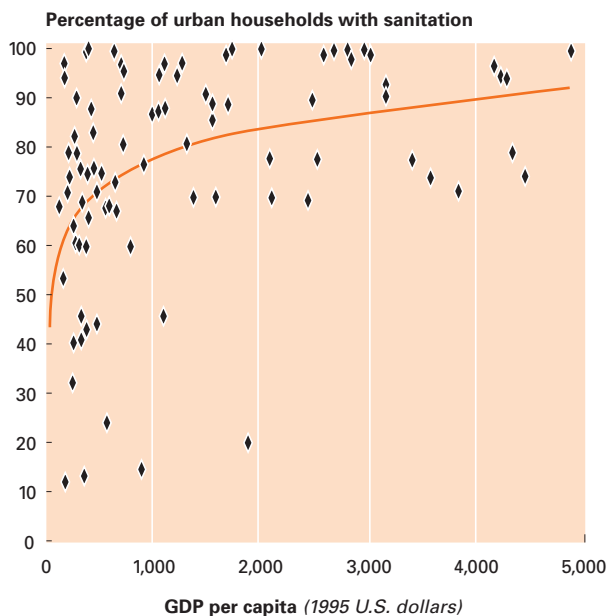
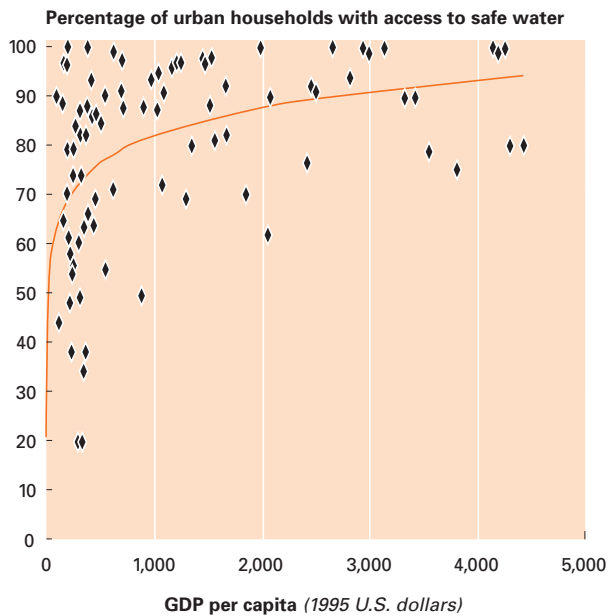
As long as it is environmentally and socially sustainable, economic growth will in time lead to better living conditions. But cities need not wait for the slow compounding of aggregate growth rates to improve livability. With the appropriate policies and institutions, many countries with low per capita incomes can enjoy considerably better service levels (figures 7.1 and 7.2). In developing countries with a relatively high per capita GDP, the percentage of urban households with access to water and sanitation services (two important indices of the quality of urban life) is already relatively high. Among countries with low income levels, access to these services—as well to affordable housing—varies widely. Clearly, some low-income countries have provided much better access to essential services than others.

Since the 1950s the dominant model for providing basic infrastructure and services in developing countries has assigned primary responsibility to the public sector. But this arrangement has left much to be desired in most low-income developing countries.¹ The service gaps left by the public sector have been filled largely by the unregulated

private sector and by community initiatives—a remarkable response that has provided affordable housing and services to millions of urban households. But unregulated and isolated community initiatives cannot serve as the building blocks for sustained citywide improvements. Cities need to turn away from an unsuccessful model that leaves the most dynamic providers of essential services outside the planning and implementation framework to one that associates them in productive partnerships. This step clearly requires changing the rules so that partnerships are facilitated and services provided in ways that are guided by and respond to public demand.

This chapter seeks to describe how an appropriate blend of policies and institutions can improve urban living conditions at various levels of economic development. The chapter begins by reviewing the principal issues of urban livability, then briefly examines the history of service provision (both public and private). The aim of this review is to identify the factors responsible for the public sector's poor performance in providing essential services in developing

Figure 7.1
Even low-income countries can achieve high levels of basic water and sanitation services



Note: Safe water includes public taps within 200 meters that offer adequate supplies for daily needs. Urban sanitation is the percentage of urban households with a connection to public sewers or with a household system such as a pit privy, septic tank, or communal toilet.

Source: World Bank, *World Development Indicators*, 1999.

countries. The discussion then turns to the roles of the public and private sectors and community initiatives in service provision. This analysis draws on recent experience in a number of areas: housing, water supply, sanitation, transportation, and social protection. The chapter does not try to provide technical solutions for sectoral problems. Instead it shows how an institutional framework built on partnerships, inclusiveness, and information sharing and responsive to demand holds genuine promise for improving urban living conditions.

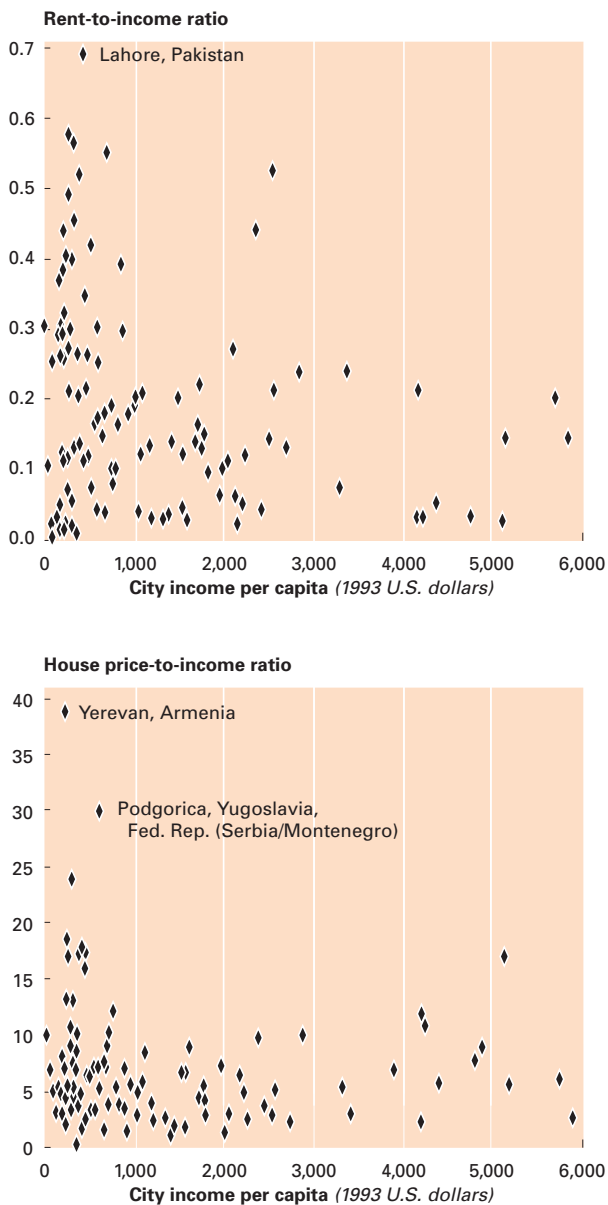
In meeting the urban challenges of the 21st century, the most effective institutions and policy initiatives will exploit the opportunities globalization and localization present. Globalization can provide the impetus for economic growth, while successful localization can empower communities to act as agents of change and give rise to mechanisms that promote transparency and accountability in public sector decisionmaking. For developing countries ready to exploit them, these opportunities can have a lasting impact on the daily lives of millions of urban households.

The unfinished urban agenda

Cities provide their residents with chances for upward mobility that are often absent in rural areas, and for that reason urban areas act as magnets for rural migrants.² But living conditions for many of the most recent arrivals (as well as for other disenfranchised social groups) have remained below acceptable thresholds, even though urban living conditions have improved since World War II. Thus the urban agenda for improved livability begins with reducing poverty and inequality. But it also includes creating a healthful urban environment, minimizing crime and violence, establishing a civil protection system, and making services more accessible.³

Cities have often been overwhelmed by population growth, leaving them unable to provide sufficient basic services. In 1994 at least 220 million urban dwellers (13 percent of the developing world's urban population) lacked access to clean drinking water, and almost twice as many had no access even to the simplest latrines. Roughly half of all solid waste went uncollected, piling up on streets and in drains and contributing to flooding and the spread of disease. Domestic and industrial effluents were being released into waterways with little or no treatment, often affecting the quality of water far beyond the city. The La Paz River flowing through Bolivia's capital is still so polluted that down-

Figure 7.2
Housing affordability varies significantly at low levels of income



Source: UNCHS 1995.

stream horticultural production has been curtailed.⁴ And the Pasig River that created the lush vegetation of Manila is now biologically dead.⁵

The lack of basic services continues to exact a high toll on human health. Epidemiological studies show that improving access to water, drainage, and sanitation facilities can reduce the incidence of diarrheal disease

by more than 20 percent.⁶ When these facilities break down or do not keep up with a city's expanding population, the health hazards increase for a range of waterborne diseases and diseases spread by water-related vectors (malaria and dengue fever being the most threatening). At any given time, close to half the urban population in developing countries is suffering from one or more of these diseases.⁷ Airborne illnesses such as acute respiratory infections and tuberculosis also spread faster in overcrowded urban residential quarters with inadequate ventilation (see box 7).

Air pollution, which is closely associated with urbanization and industrialization in developing countries, seriously impinges on the health of children and adults alike. Pollution particularly affects those already suffering from malnutrition and infectious disease, which lower their ability to resist chemical pollutants. For most children in the large cities of developing countries, breathing the air may be as harmful as smoking two packs of cigarettes a day.

- In Delhi the incidence of bronchial asthma in the 5–16 age group is 10–12 percent, and air pollution is one of the major causes.⁸
- A 1990 study of atmospheric lead pollution in Bangkok estimated that 30,000 to 70,000 children risked losing 4 or more IQ points because of high lead levels, and many more risked smaller reductions in intelligence.⁹
- China has 9 of the 10 cities with the highest counts of total suspended particulates (TSPs). Industrial and industrializing cities such as Jiaozou, Lanzhou, Taiyuan, Urumqi, Wanxian, and Yichang all have mean annual concentrations of TSPs exceeding 500 micrograms per cubic meter. The World Health Organization (WHO) puts acceptable levels at less than 100 micrograms per cubic meter.¹⁰

Problems of inadequate infrastructure have economic as well as human costs. In Jakarta a poor resident typically pays 10 times more than a rich resident does for a liter of clean water and suffers 2 to 4 times more gastroenteritis, typhoid, and malaria.¹¹ As traffic continues to clog the streets of most large cities in developing countries, the costs of traffic congestion grow. Estimated losses from traffic jams in Bangkok range from \$272 million to \$1 billion a year, depending on how the value of time lost in traffic jams is computed.¹² In Seoul time losses from traffic congestion are estimated

at \$154 million.¹³ If China maintains its business-as-usual response to air pollution, the health costs of urban residents' exposure to TSPs will rise from \$32 billion in 1995 to nearly \$98 billion in 2020.¹⁴

The poor suffer most from these problems. The locus of poverty is shifting to urban areas, yet cities can go only so far in addressing issues of income redistribution, which often require central government action. On average, health indicators show that people are better off in cities than in rural areas, but the statistics mask inequalities within the urban population. Recent evidence suggests that health conditions for the poor in many developing cities are worse than in rural areas. In Bangladesh, for example, reported infant mortality rates in urban slums exceed rural rates (table 7.1).¹⁵ More than 1.1 billion people—poor and rich alike—live in cities with levels of air pollution in excess of WHO standards. But poor urban dwellers are likely to be exposed to additional indoor air pollution from inadequate, badly ventilated cooking facilities and to further outdoor pollution from industrial sites. The poorer areas of cities are often adjacent to such sites, either because no one else will live there or because the poor have no voice in deciding where industries are located.¹⁶

Urban dwellers in poor districts of metropolitan areas suffer disproportionately because of crime and violence, which increase alongside poverty and inequality.¹⁷ According to WHO, the global cost of injuries from violence is almost \$500 billion a year in medical care and lost productivity.¹⁸ Estimates of the social costs of crime and violence range from about 2 percent of GDP in Asia to 7.5 percent of GDP in Latin America.¹⁹

Learning from the past

Since the 1950s the common model of urban management in developing countries has charged the public sector with planning and delivering basic services. But this model has failed to yield satisfactory outcomes in

Table 7.1
Infant mortality rate, Bangladesh, 1990
(per 1,000 live births)

	National	Rural	Urban	Urban slums (1991)
Total	94	97	71	134
Male	98	101	73	123
Female	91	93	68	146

Source: Harpham and Tanner 1995.

low-income countries. One argument holds that governments should withdraw as primary service providers and assume the role of enabler, relying increasingly on the private sector to deliver basic services.²⁰ But the public sector has successfully provided such services in industrial countries since the late 1800s. Why have publicly provided essential services been satisfactory in the one case and not in the other?

Urban reform

Around 1850 European cities faced many of the same problems cities in developing countries face today. Rural migrants were arriving in urban areas daily, increasing populations so precipitously that the supply of basic services could not keep up with demand. Urban mortality rates were often far higher than those in the surrounding rural areas, in part because of epidemics of diseases such as cholera. Public officials investigating the frequent epidemics associated the problems with the lack of decent sanitary conditions in the parts of the city where the new arrivals settled. A revolution in public sanitation ensued, with cities investing heavily in housing and in water, sewerage, and drainage facilities. North American cities shared the experience of their European counterparts.²¹

These reforms succeeded for one important reason. Wealthy residents of cities could not escape the effects of unhealthy living conditions. Thus, although the risks were far worse in poor areas where structures such as tenements abounded, wealthier urban residents could not ignore the threat to their own well-being.²² Their support, often in the form of influential political coalitions, affected the allocation of resources at both the national and subnational levels and helped direct public funds to urban areas in need of appropriate sanitary facilities.

By the time rapid urbanization began to affect developing countries, however, technological advances had altered the situation and weakened the impetus for public action, much to the disadvantage of the urban poor. Advances in medicine, in particular, were making it possible for individuals to protect themselves against disease. Portable electricity generators and pumps had been developed that gave individual households access to light and water. More recently, filters and bottled water have become available, mitigating (for those who can afford them) the shortcomings of the public system. Vacuum trucks and septic tanks permit households to develop their own solutions to sanitation problems. Air-conditioned residences, automobiles, and

offices block out the worst effects of air pollution. Urban enclaves or suburbs and private security arrangements partially insulate the wealthy from crime and violence. And with time, the medical community has learned how to prevent the diseases of poverty from engulfing entire urban populations. The ability to provide for and protect oneself and one's immediate family has become a given in modern urban life, undermining the impetus to lobby for changes that will benefit society as a whole. Individual action produces faster and more reliable results and is more readily available to members of politically influential groups—precisely those groups that once lobbied for action on a grander scale.²³

As a result of these changes, cities around the world have been divided into those who can afford to supply their own needs and those who cannot. Municipal governments and public agencies often cater to one part of a city and, at best, adopt a posture of benign neglect toward the other, making the division even deeper. This interpretation of urban history is supported by several recent episodes in which concerted public action has occurred only when negative externalities spilled beyond poor neighborhoods. Major initiatives in Calcutta were spurred by cholera outbreaks in the 1950s and 1960s, and more recent reforms in Surat and Ahmadabad, India, date from an outbreak of the plague in 1994. The economic impact of the plague spread beyond the cities to threaten India's national tourism industry. Those same public sector agencies that were responsible for neglecting their municipalities quickly began to focus on solid waste collection and disposal. Their actions transformed Surat into India's second-cleanest city.²⁴ Such examples support the conclusion that the absence of influential political lobbies for urban reform in developing countries is at least partly responsible for the lack of progress in providing decent services.²⁵

Providing essential services privately

In the late 19th and early 20th centuries in England and the United States, gas, water, canals, trolleys, highways, and electricity were mostly provided privately. By 1890 private companies owned 57 percent of the waterworks in the United States. Municipalities often arranged long-term contracts with these firms, primarily for financial reasons: cities lacked capital, and national subsidies were quite limited. At this early stage of urban development, demand patterns varied widely (especially among low-income homeowners, tenants, and home-based producers), and metering technology

was not yet available. Given the situation, private “niche” providers with an intimate knowledge of neighborhoods and customers were better able to match supply and demand. By the early 19th century, private water companies had been serving London for over 200 years. Eight companies were operating in the city at the end of the century.²⁶

Over time, however, people became dissatisfied with private providers.²⁷ Complaints centered on the lack of services in outlying areas, high prices, poor quality, and political corruption. The introduction of flush toilets increased the amount of wastewater, polluting the local water supply, and private companies proved reluctant to invest in more distant water sources. As fire-fighting technology changed, requiring more water at greater pressures, disagreements arose about how to supply water to fight fires and who should pay for it.²⁸ Courts of law found it difficult to cope with the complex regulatory problems that cropped up in these disputes.²⁹

At the same time, rising incomes led to much greater homogeneity in the demand for services such as gas, water, sanitation, and electricity, eroding one advantage of having small niche providers. These providers also could not exploit the scale economies of networked services offered by regionally managed water resources, reservoirs, and centralized facilities for treating wastewater. All these considerations led to a major shift in the way essential services were provided in the 20th century. Public or semiregulated, autonomous entities assumed responsibility for delivering basic services in industrial countries such as the United Kingdom and, to a lesser extent, the United States.

Private provision is now making a significant comeback in industrial countries. The United Kingdom undertook major reforms in the 1980s, and a profound change appears to be under way in Europe as the private and public sectors develop partnerships to fund and operate infrastructure projects.³⁰ These partnerships are in part the result of public expenditure constraints imposed during the process leading up to the birth of the euro, the single European currency. But Europe's shift to private infrastructure also reflects advances in regulatory capabilities, which were seriously limited in the late 19th century.

France's experience illustrates the importance and difficulty of regulating providers of basic services. France has a long history of private provision of public services. Its decentralized public-private system of municipal concessions developed during the 20th century

has proved very successful. But the French experience also shows that such a system is not always easy to implement—and that it requires strong monitoring mechanisms. In the mid-1990s municipal water concessions were hit with allegations of corruption.³¹ Disputes arose between municipalities and water concessionaires, in part because of the uncertainty introduced by repeated legislative changes in the early 1990s and in part because of the number of unfavorable contracts inexperienced municipalities had negotiated. As a result, private-public partnerships fell out of favor with elected officials. The situation is changing, with two associations of local governments joining forces to create a consulting agency, Service Public 2000, that will help municipalities negotiate contracts and design regulations. Several laws have also been passed since 1995 that require greater transparency and public disclosure from concessionaires. These developments have substantially improved the situation and restored confidence in water concessions.³²

The history of urban services management in Buenos Aires is in some ways similar to France's experience.³³ In the late 19th century private companies operating in a competitive market provided most infrastructure and essential services, which compared well with what European cities enjoyed. Over time, however, politicians began to interfere in the regulatory process, causing service to suffer and, in the mid-20th century, providing a justification for introducing centralized public management. But the public sector was not up to the task. Increasingly the demands of local users and the priorities of the federally controlled utilities came into conflict, and once again the quality of service declined. At the same time, the number of residents with no access to services increased. Around 1990 the government began to replace public sector monopolies with private monopoly providers. It is too early to evaluate the results of this latest phase, but in order for private provision to succeed, it will have to be effectively regulated. Regulation is a particularly important issue in low-income developing countries, where regulatory mechanisms are still weak.

Service provision in developing countries

The public sector in developing countries has enjoyed a broad mandate when it comes to urban areas. In many cities the public sector owns most of the land. It is often the monopoly provider of many services, especially those based on physical networks: water supply,

sewerage, electricity, gas, and telecommunications. In these cases its franchise is exclusive, and private provision is illegal. In other areas, such as housing, the public sector establishes standards and regulations.

When this broad mandate is executed well, the combination of exclusive control and centralized management can theoretically yield economies of scale for networked services. However, when it is not properly carried out, it can generate severe problems. When the public sector falls short, private companies and individuals begin offering water, transportation, accommodation, and other services on an ad hoc basis, outside the reach of formal rules—a situation that creates many dilemmas and inefficiencies.

For many services, such as housing and water supply, the private sector is more than ready to respond to demand, since providing these services can be profitable. But in many developing countries private firms cannot offer affordable housing without violating the building codes. More often than not, these codes are based on sophisticated engineering standards that are inappropriate in a low-income country. Furthermore, the private sector is unwilling to make long-term investments when it is operating outside the law and is at the mercy of the public authorities. This scenario causes serious problems. Pushing basic services into an informal area of shadowy legality prevents investments large enough to benefit from economies of scale. It also gives rise to an underground economy in which the acquisition of state land, its subdivision, development, and settlement, and the provision of public services are all opaque and somewhat mysterious.

One of India's best-known corruption fighters, K. J. Alphons, described the agency he worked for, the Delhi Development Authority (DDA), as "the most corrupt institution in the country." Those who corrupt it, he added, help illegal builders grab DDA land and then build houses and shops that are sold to unwitting buyers. Unauthorized buildings range from shanties for the poor to shopping centers for the middle class to mansions for the rich, all established on government land under false pretenses, with political complicity. Moreover, Alphons reported, nothing gets built, legal or illegal, without a bribe.³⁴ Many developing cities are serviced in this fashion, with essential services available only at a very heavy social cost. Karachi, Pakistan needs an estimated 80,000 housing units each year, but between 1987 and 1992 the authorities issued an average of only 26,700 building permits annually. The gap, of

course, is being filled in much the same way as it is in Delhi.³⁵ Without reforms, the urban future of developing countries will probably continue along these lines, with overcrowded squatter settlements, illegal subdivisions, deteriorating environmental conditions, and costly service provision.³⁶

When confronted with a public provider that is unresponsive to demand but holds a franchise shutting out private providers, households and businesses often resort to providing basic services like water and electricity themselves. This “self-provision” is a very inefficient form of privatization. Typically, the small producer or consumer cannot fully utilize the equipment that has been installed, cannot take advantage of economies of scale, and is unable to sell any surplus capacity in a market that is, in any case, prevented from forming. Where technological advances have broken the link to physical networks, as in telecommunications, private providers have been able to establish markets that greatly benefit consumers. But physical networks remain necessary in areas like water, sewerage, and electricity.

In other situations when the private sector does not respond to demand for essential services, communities have often organized themselves as providers. Such arrangements are most common in the area of wastewater and solid waste disposal. Nongovernmental organizations (NGOs) often play a key role in these initiatives, providing technical input during the design and implementation phases. This type of decentralized service provision has been successful in meeting the needs of many households. But municipal authorities often do not integrate it into trunk infrastructure, either because the settlements are considered “irregular” or because the community-provided infrastructure does not conform to existing codes. Public sector proposals for future citywide development often ignore the existence of functional community infrastructure that is already meeting the demands of households and represents millions of dollars worth of private, unsubsidized investment.

These responses to inadequate public sector services suggest a new partnership-based model for service provision that incorporates the dynamism of the private sector and community groups into public planning. Models of this type are already being used in countries around the world, and because of their success they have been described as the “quiet revolution” in local governance.³⁷ Latin American cities have been in the vanguard, and the process is under way elsewhere. But

the pace of this revolution has been uneven. Communities are often unable to agree on a course of action because of ethnic fragmentation or other divisions. Even in India—which has been a democracy for more than half a century, has undergone constitutional decentralization, and has strong NGOs—progress has been hindered by the lack of sufficient political pressure from below and the absence of support from above.³⁸ In addition, local governments often lack the technical and institutional capacity to form partnerships with community-based organizations.

This embryonic approach to urban management requires strategic partnerships and reformed institutions that are approved by both the public and private sectors. These partnerships also need to address citizens’ rights, security, participation, transparency, and accountability. Fully utilizing them may require redesigning national constitutions, as it did in Brazil and South Africa.³⁹ Despite these issues, and even without wide-ranging reform, a growing number of examples are proving the effectiveness of the approach. In Karachi partnerships are providing sanitation services for informal settlements. In Cali, Colombia, they are being used to combat crime and violence. Such partnerships, which incorporate municipal governments and community-based organizations, with NGOs as intermediaries, can form the basis for new institutions. The following sections review experiences in a number of specific sectors that demonstrate the potential of these partnerships.

Urban housing

Public sector attempts to provide new housing for low-income groups in developing countries have not met with much success. Sometimes the locations chosen have been inappropriate, but more often building regulations have priced the target populations out of the market. In most developing economies formal building regulations are largely unrealistic, mandating oversized plots and rights-of-way and setting standards for infrastructure and building materials that result in structures low-income households cannot afford. Not surprisingly, the stock of housing complying with these regulations has not been able to satisfy demand.⁴⁰ The result of this shortage is a proliferation of privately developed and quite illegal settlements in many cities throughout the developing world. Over half the urban population in Turkey resides in such settlements, which are known there as *gecekondus*. An equal number in Karachi live in *katchi abadis* (see chapter 8). And in São Paulo, Brazil,

the proportion of the urban population living in *favelas* is reported to have increased from 9 percent in 1987 to 19 percent in 1993.⁴¹

The public sector has had much greater success when it has entered into partnerships with communities—for instance, in order to upgrade slums. Some large upgrading programs, such as Indonesia's Kampung Improvement Programs (KIPs), have had national impact. KIPs have been implemented in more than 500 urban areas since 1968 and have benefited almost 15 million people. Other successful upgrading programs—including those in the Aguablanca district of Cali and the El Mezquital settlement in Guatemala City, the Million Houses Program in Sri Lanka, and others in Fortaleza, Brazil; Sambizanga, Angola; and Amman and Aqaba, Jordan—show that such efforts reduce costs and subsidies significantly, improve targeting, and provide security of tenure.⁴² In order to succeed, however, these programs require community and individual participation and initiative. In Indonesia's KIPs, for instance, residents generate requests for building materials based on need and take responsibility for installing and constructing paths and drains.

Housing is a private good, unlike infrastructure for services like water or sewerage, and is best provided through market mechanisms except when social safety measures justify public sector regulation. The enabling approach endorsed by the United Nations Global Shelter Strategy for the Year 2000, which is likely to continue into the 21st century, calls for private developers and voluntary agencies, community organizations, and NGOs to provide a bigger share of housing.⁴³ To reduce costs and respond faster to changing demands, the UN strategy relies on market forces for many aspects of housing provision, including markets for land, building materials, financing, and construction. Community organizations, assisted by NGOs and public sector agencies, have a strong role to play in providing technical advice and additional financing. The Community Mortgage Program in the Philippines is an example of a relatively successful housing program. Since 1988 it has made loans in 33 cities through more than 300 projects to allow communities to purchase the land they live on. In the past five years the program has served an average of 10,000 families annually.

With this approach the government's role in housing markets is to address areas in which private unregulated markets do not work well. The public sector needs to focus on property rights, housing finance and subsi-

dies, building regulations, and trunk infrastructure.⁴⁴ The experience of the Russian Federation and the East European countries suggests that infrastructure investment alone will not suffice to stimulate housing construction in the absence of an institutional framework for mortgage financing and land property rights.⁴⁵ The transition in the former socialist economies has been disastrous for new housing construction, leading to significant reductions in production and mismatches between supply and demand.

Only well-functioning land markets can provide an adequate supply of housing, and maintaining these markets is another task that deserves the attention of the public sector. Providing universal registration and establishing clear property rights to all urban land will require strengthening existing institutions. Ill-defined land rights render land useless and discourage the redevelopment of entire portions of a city. But simply providing security of tenure creates incentives to improve housing and infrastructure dramatically.⁴⁶ To avoid adding to the backlog of problem housing and neighborhoods, new developments must meet basic—but not excessive—compliance standards. For the sake of the poor, developments must seek to overcome the “spatial mismatch” that occurs when informal neighborhoods are situated far from centers of economic activity and thus from jobs. However, the task of formulating appropriate regulations without also creating opportunities for rent-seeking by regulators remains a challenge if there is no pressure for accountability (box 7.1).

Water

Inefficient and inadequate public provision of water has been a glaring problem in many developing cities. Public utilities often do not know where half or more of their water goes. Many years of international assistance aimed at upgrading networks and building capacity in cities like Manila have not improved the situation. While 80 percent of high-income urban residents in the developing world have a water supply connection, only 18 percent of low-income residents do, though some share water taps with neighbors. Those without access to safe water (like the low-income residents of Lima) must buy from vendors at costs that are many times those for piped city water.⁴⁷ Studies of water vending report similar cost differentials for small towns in many parts of the world.⁴⁸ The results of this failure are everywhere evident in the developing world. Publicly provided water is often of such poor quality that residents

Box 7.1**A spatial mismatch: Jakarta's kampung residents**

Land rights in Indonesia are complex, combining informal traditional rural processes with a modern registry system. Large tracts of land in the Jakarta Utara harbor area, particularly in the low-income kampungs, have often been held by families for some generations in traditional housing developments. Typically, residents do not have a registered claim of ownership—they owned the land before titles were registered. They have possessory rights, so generally they cannot be displaced without some compensation. They can strengthen their claims to ownership by paying property taxes and having their claims recognized by kampung officials. But paying taxes can be difficult, since some tax officials refuse to accept payments precisely to avoid strengthening residents' ownership claims. Land without a secure title changes hands among local residents at prices that are estimated to be 45 percent below the costs of securely titled land of the same quality.

In a dynamic developing city, informal property rights foster spatial mismatches and hinder urban redevelopment. In Jakarta the pattern of industrial growth under globalization is moving low-skill manufacturing jobs to distant suburban locations. Jakarta has also made street vending illegal, severely restricting the informal food-processing and -service industry. Many low-income residents would be financially better off selling their land and moving to the suburbs where jobs and business opportunities are located. The city would also be better

off, because Jakarta needs upscale, mixed-use land development in the harbor area. But the system of land rights prevents this natural market exchange.

Since kampung residents typically lack secure titles to the lands their families have lived on for generations, they cannot sell their land to developers for new uses. They are literally trapped in the kampung areas. The result is a spatial mismatch between business and employment opportunities in the suburbs and residents stuck in the inner city. Many workers must make a long commute to the suburbs each day, and many others remain under- or unemployed. The result is a no-win situation for both workers and the city.

To deal with the situation, the city government has proposed the Jakarta Water Development Program. To find space for the needed mixed-use developments, the city will build out into the existing harbor, a process requiring expensive and environmentally risky land reclamation. Kampung residents would be asked to yield their lands voluntarily in return for new public housing accommodation in the harbor area. But this plan would only make the spatial mismatch worse. A more plausible solution is to give traditional kampung residents full title to their land, allowing them to sell it and move to the suburbs to seek employment. With the money they receive for their land, the residents would have the capital they need not only to relocate but also to seek new business opportunities.

must treat it before using it. Service is often intermittent and water pressure low. And many households must spend money they can ill afford on bottled water just to meet their daily needs.⁴⁹

As incomes rise, households in many cities are responding to poor water service by investing in private systems that provide a continuous supply with adequate pressure to support modern showers, flush toilets, and washing machines. Gujranwala, a dynamic secondary city in Pakistan with a population of more than 1 million, exemplifies the response to inadequate water service. Just over half the city's households have access to the piped public water supply. Of this half, two-thirds have made additional investments in storage tanks and pumps to upgrade the level of service. Households without access to the public supply, many of them low income, have installed manual or electric pumps to draw water from the shallow aquifer.⁵⁰ These investments reveal a great deal of willingness to pay for reliable water service. They also suggest that much of the water supply has been informally privatized.

But having each household provide or upgrade its own supply of water is not an efficient form of priva-

tization. Aggregate private investments often exceed the full cost of an equivalent supply of public water, even at the high construction rates public contractors charge.⁵¹ This kind of privatization is also environmentally problematic because of the risk of contaminating the shallow aquifers from which well water is drawn. Finally, informal privatization makes proper management of regional water resources impossible.

In urban neighborhoods a collective water supply system is much more cost-effective than a widespread system of wells and pumps, even when high-quality groundwater is easily accessible. Quite minimal scale economies for a collective system ensure such an advantage. Yet private piped supplies are often not allowed to compete with the public water monopoly.

Two approaches to resolving the water supply problem are available, both involving partnerships with the private sector. One involves replacing public service providers with centralized private concessions, and some large cities (Buenos Aires, Manila, and Jakarta) are doing just that by signing contracts with international firms. This approach raises two questions, however: whether a private monopoly provider will be more

successful than the public sector at assessing and responding to the demands of low-income communities, and whether the state can provide appropriate regulation. Côte d'Ivoire, where a private company operates the water utilities, provides a positive example. In Abidjan and other, smaller cities, SODECI—a private joint venture between domestic and French firms—has assumed responsibility for attracting investments and has maintained full cost recovery with its private contracts. Under a policy designed to provide low-income households with direct access to water, 75 percent of SODECI's domestic connections have been provided without a connection charge.⁵²

Smaller cities may find that having private firms provide water in a decentralized, competitive system offers many advantages. In Paraguay the water market was opened to private entrepreneurs, allowing them to legally drill wells and lay pipes in public streets. Business flourished, and an estimated 500 vendors (*aguateros*) now compete to supply households with water, with negligible water losses and full cost recovery.⁵³ In cities that rely on regional water resources, this system generally succeeds only if the private providers purchase water from a regional agency that carefully manages prices. In low-income areas with heterogeneous demand patterns, this type of competitive privatization may be preferable to replacing the public monopoly with a private monopoly, since small niche providers interact much more closely with their customers.⁵⁴ Competitive markets also considerably reduce regulatory problems. A natural process of consolidation and scale exploitation may ensue as the market matures and sorts out providers according to their efficiency and performance. In both the privatization alternatives, public-private partnerships point the way forward.

Partnerships with community organizations can also improve the performance of public water utilities. Community participation has dramatically improved the performance of the Haiphong Water Supply Company in Vietnam (box 7.2).

Sewerage

Piped sewerage is necessary in high-density urban areas, but the costs of providing access based on the standard engineering designs public agencies commonly adopt are high. The high-cost, centralized sewerage systems used throughout industrial countries are not feasible in developing cities that have no sewerage service at all. The very high up-front costs of collecting and treating wastewater at the city level, combined with the reluctance

Box 7.2

Haiphong: partnering with consumers

A partnership with consumers helped Vietnam's state-owned Haiphong Water Supply Company (HWSC) transform itself into a profit-making utility. The utility improved the system one ward at a time (a ward is the smallest unit of government administration). Within four years of entering into the partnership, the HWSC was serving 68 percent of the urban population with metered, reliable, high-pressure water. In the wards it served, it increased the hours when water is available from 8 to 24 hours a day and tripled its rate of bill collection.

In each ward the HWSC opened suboffices that provide a direct link to customers for meter reading, billing, collection, and troubleshooting. By metering consumers and fining them for lack of payment, the company has created incentives for consumers to conserve water. It has also improved service in some outlying wards where the service was poorest, signaling its intentions to make future improvements throughout the city.

The suboffices are staffed by people from the community and enjoy a close association with the neighborhood. A set of publicly displayed objectives and a "water contract" between HWSC and the consumers help to clarify the responsibilities of the offices. The HWSC is fostering a sense of partnership between consumers and the service provider, heightening mutual responsibility and providing the community with a convenient venue for communicating its needs. The HWSC gives bonuses to employees for achieving clear targets, such as reducing the quantity of unbilled water or increasing the percentage of bills collected. These targets serve as indicators of corporate performance and provide the staff with incentives. They also help discourage the rent-seeking that often characterizes close relationships between consumers and local employees.

Ward water supply employees are monitored by their community, but they are also motivated to do well by the inherent opportunity and challenge of their discretionary, broadly defined, situation-responsive tasks. An employee contract and the temporal framework provided by meter reading, billing, and collection give structure to their varied tasks. Monthly meetings with the ward People's Committee and with HWSC headquarters reaffirm the ward office's responsibility to the HWSC and provide an opportunity to exchange ideas and suggestions with other wards. The Haiphong model is being evaluated for replication by other city utilities.

Source: Coffee 1999.

of many households to pay for a system beyond their homes, make these designs unworkable from the start.⁵⁵ For example, the immense up-front costs of sewer systems led the World Bank to conclude that in Jakarta, waterborne sewerage systems are unlikely to be economically justifiable for any but the most wealthy

residential areas for the foreseeable future.⁵⁶ The logic of this conclusion, which confuses economic justification with the ability to cover costs, has been challenged.⁵⁷ However, the practical impact of aiming for an expensive, modern, centralized sewerage system has been that monopoly public providers have failed to increase access at a satisfactory rate.

Full cost recovery, particularly from user fees, remains virtually impossible with sewerage services. Under the “polluter pays” principle, all households should contribute to collection and treatment costs, but in practice it is difficult to collect such fees. If high fees are imposed, people seek informal solutions, and cheap and easy methods of improper disposal and treatment abound—all of them difficult to monitor and regulate. As a result the private sector, which would need to build in accordance with existing engineering standards, has not entered this market in developing countries in the same way that it has entered the market for water supply.

Yet certain communities wanting improved sanitation have still managed to initiate affordable alternatives. Lesotho’s urban areas have had success with ventilated improved pit latrines. Brazil’s northeastern cities have used shallow small-bore sewer schemes, in which condominium sewers run through all the households in a block. Wastewater is discharged from a single point into the main trunk line—an effective alternative to connecting each household to the trunk.⁵⁸ Applied in a number of Brazilian cities—including Brasilia and Recife—this design has lowered costs to affordable levels. The experience highlights the importance of community involvement and especially of intensive consultation between public agency staff and residents when projects are being designed and implemented.⁵⁹

Community organizations, often with NGOs providing technical assistance, have also gone beyond the household and lane levels to address neighborhood sewerage problems. An unplanned low-income settlement in Karachi known as Orangi offers an example of successful community cooperation. In 1980 this community of almost 1 million had only bucket latrines or soak pits in which to dispose of human excreta, and only open drains to dispose of wastewater. The incidence of disease was high, as were expenditures on medical care (which could have been avoided). Poor drainage was waterlogging the land, reducing property values. The Orangi Pilot Project motivated, trained, and guided the community to build an underground sewer system at its own cost. More than 88,000 house-

holds in 5,856 lanes have built sanitary pour-flush latrines, lane sewers, and more than 400 secondary sewers to carry wastewater out of the neighborhood. The costs were much lower than the costs of an equivalent public sector project, and the system has been well maintained for over 15 years.

Through this work the Orangi Research and Training Institute has developed a concept for providing sewerage systems in which communities and the city or state are partners. Communities finance and build household latrines, lane sewers, and secondary sewers. These three components are termed “internal development,” and evidence shows that communities can finance and manage them with appropriate technical support and managerial guidance. But municipal or state governments or semiautonomous regional agencies must help with long collector sewers, trunks, and treatment plants—the “external development” component. The cost ratio of internal to external development is typically about three to one. By adopting the partnership model, the government can use its limited funds to increase coverage and save on maintenance costs as well. Since 1987 the Orangi institute has worked with communities in more than 45 other settlements in Karachi and in 7 other cities, and the model has proved to be relatively simple to replicate.⁶⁰

Decentralized neighborhood and community-based systems with shallow sewers and basic community treatment facilities lower unit costs significantly. The Orangi model would never have worked if the capital costs per household were not low. This example has great relevance for other services. If incentives are created that control costs, services become more affordable, especially when they are combined with innovative repayment procedures. Repayments for water and sewer connections can be integrated into monthly bills, so that users repay capital costs over months or even a few years. The willingness of households to pay for sewerage increases when the sanitation system is technically adequate and thus acceptable to the users, as the success of Lesotho’s low-cost solution demonstrates.

Urban transportation

Automobile use increases as incomes rise and employment is decentralized to outlying areas of a metropolis, weakening mass transit systems.⁶¹ The major problems of urban transportation relate to traffic congestion, pollution from emissions, and the limited mobility of the poor. The appropriate policies for addressing these issues require urban governments to optimize land use,

manage traffic and demand for transportation, formulate environmental policies and measures to mitigate congestion, improve fuel efficiency, and set up vehicle emissions control and inspection systems.⁶²

While public-private partnerships have proved helpful, the public sector plays a major role in the overall planning of the transportation sector. Perhaps the greatest payoff is from integrated land use and transportation planning. New roads open the doors to land development, and compact urban centers increase the possibilities for mass transit. Curitiba, Brazil, is a convincing example of how integrated public planning can improve accessibility at relatively low cost. By channeling urban growth along mass transit routes, the city has reduced the use of private cars—despite having the second-highest rate of per capita car ownership in Brazil. On a typical workday, more than 70 percent of commuters travel by bus in the city. As a result, Curitiba's gasoline use per capita is 25 percent lower than that of eight comparable Brazilian cities, and the city has one of Brazil's lowest rates of ambient air pollution.⁶³

Coordinating transportation and land use policies remains politically difficult in many developing countries, although sooner or later such coordination may become unavoidable. A start could be made in urban areas (such as Ho Chi Minh City, Vietnam) where motor vehicle ownership is still low, land remains available, and land use patterns are still evolving.

Even cities with high rates of automobile ownership can develop efficient transportation alternatives that accommodate the needs of all social groups. Many cities have combined innovations in mass transit with effective planning and controls for automobile use: Copenhagen; Curitiba; Freiburg, Germany; Hong Kong, China; Perth, Australia; Portland (Oregon), United States; Singapore; Surabaya, Indonesia; Toronto, Canada; and Zurich, Switzerland.⁶⁴ Space for walking and cycling is also consciously integrated into transportation planning in some of these cities, such as Surabaya. In addition to improving housing and infrastructure, Surabaya's Kampung Improvement Program has revamped alleyways and made them attractive with plantings and pedestrian zones. Privatizing and deregulating bus services have improved the quality of service and reduced costs in Colombo, Sri Lanka, and in New Zealand. Informal transit services that cater to low- and middle-income groups—such as jeepneys in Manila and *kabu-kabus* in Lagos—can also be integrated into formal transportation networks, improving safety and efficiency.

Reducing air pollution is an important factor in making cities more livable. Inspecting all vehicles to ensure that they comply with emissions standards is not feasible for most cities in developing countries because of the expense involved and problems of enforcement. A more flexible institutional approach is needed. One possibility shifts the focus of such regulations to large fleets of vehicles such as buses, which are easier to regulate (and which frequently emit large quantities of pollutants). Cities can make compliance with vehicle efficiency standards part of a contract with private bus companies trying to establish routes. Random emissions testing is another approach. Quezon City, Philippines, began such an inspection campaign in 1993 after a six-month education period. The owners of vehicles that failed the test (about 65 percent) were fined, had their licenses taken away, and were given 24 hours to have their vehicles fixed. More than 95 percent of vehicles passed the second test.⁶⁵

A creative and low-cost solution that relies on partnerships with large trucking firms has used the lure of a positive corporate image as an incentive to stop polluting. This approach has yielded dividends in Manila (box 7.3).

Social protection

Households need protection against crime and violence, but they also need protection against income shocks that impair their ability to sustain themselves. Cities acting on their own cannot provide this type of long-term security. If a city enjoying economic growth offers a strong safety net, it will attract low-income households and individuals from nearby areas, swelling the ranks of those receiving benefits and straining the local treasury. Conversely, if a city receives a severe economic shock that creates massive local unemployment, its ability to help its unemployed is severely limited (box 7.4).

Poverty must be addressed as a national issue, and most redistribution programs need to be financed through national transfers, as chapter 5 suggests. But policies and institutions operating (and typically designed) at the local level by individual cities influence the quality of life and the health of the urban poor. In particular, community-driven public work schemes—often nationally funded and locally designed—have emerged as an effective means of enabling the poor to expand their income-earning potential. When designed as a public guarantee of work with below-market wages, such

Box 7.3**Manila: a positive corporate image as an incentive to reduce pollution**

San Miguel Corporation, one of the largest business conglomerates in the Philippines, took the lead in banning high-polluting vehicles from its premises. A pollution control officer at one of the company's breweries, the San Miguel Polo Brewery, began requiring suppliers and haulers to have their trucks' emissions tested. Only those whose trucks passed the test were allowed to enter the plant premises and do business with the company. The approved vehicles were given stickers and retested every six months. The San Miguel Corporation received much positive publicity for this initiative and may actually have increased its sales as a result. Good environmental practices, it found, can be good marketing.

When the program started in April 1993, nearly a third of the vehicles tested failed to meet emissions standards. Today, only 3 percent fail. The company has expanded the program to all its plants and vehicles across the country, including vehicles belonging to employees.

Many other firms have followed San Miguel's example. Corporate members of Philippine Business for Social Progress, the Management Association of the Philippines, and the Philippine Chamber of Commerce and Industry have banded together to establish the Center for Corporate Citizenship, which is actively promoting the emissions program. More than 100 companies have adopted it. These companies have erected billboards at the entrances to their plants and compounds proudly declaring that the areas are "No Smoke-Belching Compounds." Some companies (Pilipinas Shell, Far East Bank and Trust Company, and Isuzu Zexel Corporation) have gone a step further, donating emissions-testing equipment to local government teams.

The approach has caught on with operators of public utility vehicles, who have signed agreements with the Department of Environmental and Natural Resources to field only vehicles that meet emissions standards. For operators and drivers, knowledge of the health effects of air pollution is key in convincing them to participate. Schools and residential subdivisions have also decided to implement the program, not only to manage their own microenvironments but also to help everyone breathe clean air.

schemes can screen out the nonneedy and increase equality across households. They can also build infrastructure of value to communities, especially when communities identify and determine what is needed. Targeted grant programs and the involvement of NGOs and community-based organizations are also important to the success of such programs. Some successful examples include Bolivia's Emergency Social Fund, Chile's Minimum Employment Program, and Senegal's AGETIP.⁶⁶

Nongovernmental safety nets can also be useful tools, even though their effectiveness in addressing urban

poverty is limited. Such informal mechanisms can take the form of food sharing, microfinancing, and the sharing of housing.⁶⁷ Variants of microcredit programs can increase employment opportunities through both self-employment and wage employment. The Full Circle Fund in Chicago, United States, and the emergency loan system (Mahila Milan) in Mumbai, India, have helped poor women generate incomes of their own. During a crisis, microcredit programs can also mitigate the risk of permanent income losses by allowing people to keep their productive assets. Such programs require careful targeting, and clients must have a full understanding of the nature of the assistance.⁶⁸ Successful programs can also strengthen social connections in urban communities, since microcredit often relies on social collateral in the form of peer pressure and support.

Poverty reduction programs are more likely to succeed when low-income groups successfully negotiate for resources and room for autonomous action.⁶⁹ Naga City, south of metropolitan Manila, has developed an urban poverty program targeting those in informal settlements. It relies on a partnership among communities, an NGO, the local government, and the national housing authority. Among other things, the program has helped create land-swapping and land-sharing schemes that provide land and security of tenure for squatters. This unique local resource mobilization scheme contributes to equity and helps with the provision of basic services.⁷⁰ Collective action enables the poor to lobby with municipal agencies for rights and services—and to help each other in times of temporary difficulties. When collective efforts occur, investments that improve the delivery of services rise substantially, as they did in the Wat Chonglom neighborhood in Bangkok.⁷¹ These examples confirm the willingness and ability of the poor to invest in welfare-improving measures—and the potential of partnership arrangements.

Reducing the incidence of crime and violence lessens another burden on the urban poor. Here again, the trend is toward community-based actions that involve community policing and citizen-police liaison committees.⁷² One such initiative, Programa de Desarrollo, Seguridad, y Paz (DESEPAZ) in Cali, has received worldwide attention. DESEPAZ has established municipal security councils that bring together government officials and community leaders in public meetings in each of Cali's 20 districts. This process has generated programs in law enforcement and public education. DESEPAZ is too recent for a rigorous evaluation, but the

Box 7.4**Shenyang: social welfare in a struggling industrial city**

Shenyang is the central node of the industrial complex that covers China's three northeastern provinces. The northeast area is the most urbanized of China's seven regions, an agglomeration of cities and towns with tightly linked economies, all heavily dependent on state enterprises. When economic reforms began in 1979, the northeast was a showplace, with its many heavy industries, model state enterprises, skilled, well-educated labor force, and a per capita income second only to that of Beijing, Tianjin, and Shanghai. But as the reforms enter their third decade, the state enterprises have become better known for their losses than for their products. The region's high per capita income is steadily slipping, and unemployment is spreading.

The losses many of Shenyang's state enterprises have sustained in the past few years have debilitated the city's social welfare system. State enterprises in Shenyang, as elsewhere, have always been responsible for the social welfare of their employees and often of their families. The companies finance and administer old-age pensions, health care, and housing and in many cases provide ancillary services such as water systems for both current and retired employees. They also run schools and hospitals. Except when they are in dire straits, enterprises are expected to keep their surplus employees on the books, provide them with a living allowance, help them find new jobs, and retrain them. In Liaoning Province—Shenyang is its capital city—unemployment in disguise, known as *xia-gang*, was estimated at 15 percent in 1997, or more than 1.8 million persons—more than four times the 440,000 workers who are formally unemployed.

The enterprise-based social welfare system has been under stress for some time. It is now beginning to collapse under multiple pressures: a sharp deterioration in the financial position of state enterprises, new competition from other regions and imports, and the rising number of pensioners and surplus employees. Many enterprises are defaulting on old-age pensions, living allowances to *xia-gang* employees, reimbursements of health care expenses, and sometimes also wages and salaries. Such defaults were the exception a few years ago, but they are now widespread in Shenyang and even more so in small and medium-size cities in Liaoning.

The northeast has remained on the sidelines of two developments spearheading the growth of the nonstate sector in

China: the dramatic increase in village and household enterprises, and the proliferation of foreign-funded businesses. As a result, the area has missed out on product and organizational diversification and still has an economic structure very similar to that of the prereform period. An alternative to enterprise-based social welfare is taking shape but is years away from being fully operational. The system emerging in Shenyang and in other cities is founded on a number of changes:

- Transferring social welfare administration to the municipal social security bureau
- Implementing joint financing of social insurance by employees, employers, and the municipal government, and eventually pooling risks at the provincial level
- Revising the benefits schedule
- Gradually transferring social facilities such as schools and utilities to the municipal government
- Privatizing the housing market.

The administration of old-age pensions is moving to recently established social security bureaus, and joint financing for pensions has been introduced. Responsibility for the *xia-gang* employees is now divided among enterprises, the municipal government, and the unemployment insurance fund, with each paying a third. A system for pooling large medical expenses across enterprises is in place, and municipal-level health insurance along the lines of trial schemes in Jiujiang and Zhenjiang in the east is being introduced. Nondeductibles, co-payments, and tight regulation of the cost of drugs and medical intervention have been adopted. The central government is soon to unveil a national framework for municipal health insurance schemes.

The immediate problem is that many enterprises cannot afford to pay their social insurance contribution. Moreover, many of the municipal governments that depend heavily on taxes from local state enterprises face a fiscal squeeze because of the eroding tax base. Safety net programs at the national level are urgently needed. Shenyang has succeeded so far in preventing destitution, but it has not been able to avoid economic distress. The city is struggling to find a way to maintain a robust social safety net while negotiating the path to a more diversified economic structure.

measures are reported to have produced results in Cali, as well as in Medellín and Bogotá, where the initiative has been extended.⁷³

Looking ahead

The improvements in essential urban services discussed throughout this chapter offer hope and direction for the future. Land use and transportation planning in Curitiba, slum upgrades in Jakarta, community sanita-

tion in Karachi, water partnerships in Haiphong, environmental improvements in Surat, community policing in Cali—all represent remarkable achievements. The challenge now (and it is by no means out of reach) is to bring similar achievements to every city.

The success stories also reaffirm the importance for cities of developing appropriate institutions that get the most from the private sector, community-based organizations, and NGOs. A number of communities, like

Wat Chonglom in Thailand and Orangi in Karachi, Pakistan, are fortunate to have solved some of their problems through self-help (with guidance from NGOs) and to have developed the confidence and cohesion to interact with the municipality. The internal-external approach to infrastructure provision demonstrated in Orangi is now a model for future partnerships. Such partnerships point to some of the most valuable assets for cities: the capacity of civil and community organizations to identify local problems and their causes, to organize and manage community initiatives, and to monitor the effectiveness of public or external inputs.

This self-generated community development process is a very slow one, however. The Orangi experience identified four barriers that must be overcome: a psychological barrier created by the expectation that the municipal government should provide all services; an economic barrier created by the high costs of conventional infrastructure provision; a technical barrier that hampers the initiation of self-help activities; and a sociological barrier stemming from a lack of trust that militates against collective action.⁷⁴

For every Wat Chonglom and Orangi, there are thousands of communities, especially in smaller urban centers, where community development processes have not even been initiated. Cities need to be proactive in establishing formal but friendly institutional mechanisms to encourage partnerships that will bring dynamism to development. The much-appraised experience of Porto Alegre, Brazil, offers an example of how such a process can be initiated.⁷⁵ In Porto Alegre, a city of 9.6 million, the mayor organized the division of the city into 16 districts, each of which set up a popular council made up of representatives of community associations. Two elected representatives from each district council sit on the citywide council of representatives, and city hall officials are assigned to act as permanent liaisons with the district representatives.

The key institutional innovation in Porto Alegre is the municipal budget forum, where the council of representatives sets the agenda for municipal spending based on district priorities. The final decisions on public spending are made in a three-way meeting of city hall officials, the council of representatives, and the chamber of councillors (who are elected on a citywide basis). Once projects are selected, community representatives supervise their progress and monitor expenditures. The opportunity to articulate community demands and vote on project selection creates an incentive for neighbor-

hoods to organize themselves. Participatory budgeting is now in place in some 50 other Brazilian cities, and the system is scheduled to be implemented in Buenos Aires and Rosario, Argentina, and in Montevideo, Uruguay.⁷⁶

Involving the private sector in partnerships requires, as a starting point, modifying rules that inhibit the private provision of services. Private water providers in Paraguay provide a good example of the kind of action that is needed. These vendors compete legally with the public water companies and with each other. They pay commercial, corporate, and income taxes to the government and operate within a clear set of rules. Many governments are now putting legislation in place to allow the private sector to invest in infrastructure, typically using a build-operate-transfer (that is, transfer to the public sector) framework. The accumulating experiences with such systems are generating model concession agreements that combine transparency, flexibility, and provisions for fair arbitration. Results have been forthcoming in the form of major international private investments in water, electricity, and telecommunication infrastructure. Regulatory uncertainties still need to be reduced, but training programs for regulators have begun to address this need.

To improve the accountability of service providers, citizens and community representatives are becoming involved in performance monitoring through “voice mechanisms.”⁷⁷ Even approaches as straightforward as a poll or survey of users’ views on services or the gathering of data from both users and service providers can sometimes offer an effective alternative to elaborate participatory arrangements. The public transparency that hard data generate can in turn encourage and mobilize citizen groups, creating pressure for reform. Citizens’ report cards on the performance of municipal agencies are beginning to show results in India (box 7.5). They are now spreading to other cities, including Washington, D.C.

Successful urban development also requires strategic citywide or regional planning to guide trunk investments and identify the most appropriate locations for jobs, residences, and transportation. The process can help cities avoid the worst outcomes of unplanned growth. An overall strategic plan needs to be followed by coherent decentralized implementation that creates a substantial role for the private sector. This type of careful planning and implementation is particularly important in developing megacities, some of which are larger than many countries. It is not an argument for the type of central

Box 7.5**Bangalore: citizens' report cards**

A "report card" on urban public services is an innovative way to gather systematic feedback from citizens on the performance of a city's service providers. In 1993 in Bangalore, India, local civic groups used a report card on services to nudge their monopolistic service providers into responding more effectively to their customers.

A small group of people concerned about deteriorating public services enlisted a market research agency to survey citizens on the city's services. The findings were used to create a report card that rated the performance of all the major public agencies. The report card was sent to the heads of all agencies, and its findings were widely disseminated through the media. What started as an informal endeavor soon led to the creation of a new nonprofit body, the Public Affairs Center, which has continued the work in different parts of India.

The Bangalore experiment used separate surveys for middle-class and slum households. Both surveys confirmed that public dissatisfaction with the city's services ran high. Even the better-rated service providers received no more than a 25 percent satisfaction rating. The worst, the Bangalore Development Authority, received a mere 1 percent satisfaction rating—but it won the highest rating for corruption. The ratings received much media and public attention and were also discussed in public forums.

The objective was to create public interest and awareness and to pressure service providers to respond positively to the citizen feedback. Not surprisingly, given their large bureaucracies, these public agencies took some time to respond. The first to respond was the Bangalore Development Authority, which reviewed its internal systems for service delivery, introduced training for lower-level staff, and strengthened its ser-

vice function. It also joined with the Bangalore Municipal Corporation, which initiated experiments in such areas as waste management, and created a forum of NGOs and public agencies to deal with key concerns. More recently the Karnataka Electricity Board has formalized periodic dialogues with residents' associations to improve its services in the city. Several agencies have strengthened their systems for redressing consumer grievances.

Of the eight agencies covered by the report card, four remained indifferent. But the service providers that mattered most to the people did respond. The experiment has given the public a greater appreciation of the value of citizen feedback and of how civil society can improve local governance.

Whether the quality of services has improved, however, is a difficult question. A small survey conducted a year ago showed that a majority of people perceived modest improvements in some services and in the responsiveness of agency staff to their problems. But fewer than a third of respondents believed that corruption had declined. The problems are deeply rooted, and there are no quick fixes. Some 90 percent of respondents felt that citizens' groups were more active than before, a sure sign that public pressure on service providers will continue.

The Public Affairs Center has since prepared report cards on services in six other large cities of India, mostly in partnership with NGOs and local civic groups. Report cards have also been issued for specialized services such as hospitals and public transport. In all cases, citizens have used the report cards as a trigger for collective action to increase the responsiveness of public agencies.

Source: Paul 1998.

planning that led to the misallocation of public investments in Eastern Europe.⁷⁸ Rather, it is based on the type of strategic planning that directed urban expansion along transportation corridors and made Curitiba a model to emulate. The contribution of the Orangi Pilot Project sewerage investment in Karachi could have been considerably enhanced if it had been part of an overall city sewerage plan. To encourage public participation, the planning process needs to guarantee that all plans will be disclosed before they are implemented and that affected parties will have the right to lodge objections. Many local governments in Japan have recently done just that, enacting ordinances on information disclosure that make information on the environment easily available.⁷⁹

As the private sector and community organizations provide more services, the public sector needs to assume a revised regulatory role. The traditional approach to regulation suffered from industry influence, political in-

terference, and a lack of transparency in dealings between regulators and the firms they regulated. Here again partnerships offer a promising institutional innovation. The monitoring and verification of information can be contracted out to professional private sector firms, educational institutes, think tanks, or NGOs, all of which have reputations for independence to defend. Citizen involvement based on the public disclosure of information can then provide a stimulus for providers to improve. This model of public performance audits—in which the regulatory task is contracted out to reputable agencies and the public uses information to motivate good behavior—holds great promise in developing countries. It has been successfully implemented for industrial regulation in Indonesia and is to be used to regulate the recently privatized water supply in Manila.⁸⁰

The policies and institutional approaches described in this chapter are intended to further the "quiet revo-

lution” in local governance that is already leading cities and parts of cities to improve their livability. Many of the innovative and successful programs suggest models of partnerships that can be institutionalized and promoted. Such partnerships allow synergy and the combining of resources among the public sector, international organizations, the voluntary and community sector, individuals, and households. The next

step is to initiate an empowerment process that enables community-based groups to define their own goals and options—and to assume responsibility for actions to achieve these goals. The growing movement toward democratization and the decentralization of power and decisionmaking that are expected to characterize the 21st century will help make this possibility a reality.