Global Urbanization: Mobilizing International H/CD Partnerships

by

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Less developed countries (LDCs) have been experiencing rapid urbanization for several decades. In the coming years, however, they will be challenged to resolve emerging problems that are very different from those of the past.

The most apparent difference is the sheer number of people who will be living in cities. The urban populations of developing countries have been growing at twice that of the industrialized countries. By the end of this century, we expect 1.9 billion people to be living in the cities of the developing countries—double the number in 1980. In Latin America an already high proportion of the population lives in cities. Still, urban growth will exceed 2 percent per year. In another 20 years, nearly 80 percent of the populations of Latin American and Caribbean countries will live in urban places.

In contrast, Africa is now only about a quarter urbanized, but cities across that continent are growing at nearly 5 percent a year—twice the world average—putting incredible pressure on already strained economies.

Along with this growth, poverty is becoming increasingly concentrated in cities. Today, 40 percent of city dwellers live in slums and squatter settlements. The World Bank estimates that, in developing countries, by the year 2000, well over half of the households with poverty level incomes will be living in cities and towns.

Urbanization is no longer confined to the dominant large cities. It is now spreading beyond them into a network of secondary cities that do not have the infrastructure base to serve new populations or support employment growth. At the same time, a new dimension of the urbanization phenomenon is the emergence of extremely large cities.

By the year 2000, there will be 30 cities in developing countries with populations over five million. These “mega-cities” will be home to more than 330 million people and already they are straining under the pressure to maintain their existing infrastructures and meet the need for new growth.

Mexico City is growing at a rate of 1,000 people per day. Sao Paulo, Calcutta, and Bombay each soon will exceed 16 million people.

Urbanization, then, is not an optional matter to be addressed some time in the future. It is an issue that is shaping the very pattern of national economic growth, the settlement of vast populations, and the social and political stability of many countries in the developing world. The donor community is only now beginning to acknowledge the profound influence that urbanization is having on economic and social development in the developing countries.
There is no need, however, to be pessimistic. Cities are not the cause of economic and social distress. In fact, they are most often a sign of economic advancement and a powerful stimulus to further growth. Although they have problems, cities are really centers of opportunity.

Development Policy

People come to cities in search of economic advancement. Although they may be poor, they are energetic and resourceful. The city should encourage their initiatives, not stifle them. Entrepreneurial energy should be rewarded, not punished. Only a city that fully supports such initiatives can realize its potential role as an engine for creating employment.

The U.S. Agency for International Development (A.I.D.) has an agenda driven by a few primary objectives. First, it wants to help improve the capacity of people to participate fully in the economic activity of the city. Its focus here is very broad and includes households (especially the very poor), the labor force, and entrepreneurs. That focus spans the informal as well as the formal sectors.

Second, A.I.D. wants to improve the ability of the municipal government to provide a basic infrastructure and services. These are essential to support economic development and to assure at least minimally adequate health and sanitation.

Although we have been working worldwide with developing countries to help cities realize their potential, we are still learning. The problems are complex and the solutions elusive. Still, we think we understand the fundamental basis for success, although its precise form will vary from situation to situation. The central policy problem, we believe, is to achieve the proper delineation of responsibilities among levels of government and between the government and the private sector.

Our policy agenda proceeds from this principle. Perhaps the concept that best characterizes our efforts is that of “partnerships.” We see the need for central and local government partnerships that can lead to efficient public management. We see the need for public/private partnerships that will stimulate economic growth. And we see a need for a global partnership among the international agencies to coordinate assistance policies.

Decentralization

One thrust of our policy agenda is to work with national governments to increase the authority and responsibility of local governments. Decentralization for urban development and management should be implemented as a partnership between national and local governments. Each partner’s role should be based on its comparative strength.

The movement to governmental decentralization seems to be taking hold worldwide. In Colombia, recent legislative changes are making substantial resources available to local authorities through an incentive-based revenue-sharing program.

Indonesia is delegating considerable authority to local governments. Under a newly authorized A.I.D. program, the basis for a municipal bond financing system is being created in that country.

The Ivory Coast has created 135 municipalities since 1980, in the most aggressive decentralization effort in Africa. We are working closely with them, providing train-
ing for local officials and assisting the central ministries to create new policies to support local autonomy.

Often, the incentive is simply a matter of finances. Central governments are finding that they are no longer able to shoulder the burden of providing urban services throughout the country. There is a more fundamental issue, however: central governments are too far removed from the local situation to design and manage most programs effectively.

Local needs are best met through local decision-making that is responsive to the people being served. This is not only a fundamental precept of democracy, it is also a basis for cost effectiveness.

Local government responsiveness means being sensitive to the needs of the people. It means developing appropriate and affordable services and infrastructure systems that meet those needs. Experience has shown that people who receive the public services they want are willing to pay for them.

Instead of relying on the overly designed and poorly maintained systems of central governments and the large subsidies they require, local governments can be made to pay their way. Local government responsiveness also means that customers can make it known when problems in service delivery occur and can expect them to be corrected.

Effective decentralization is not, of course, easily achieved. In many places, local government traditions are weak, and the capacity for local self-governance is not great. We are very aware of this need, and we have made training a cornerstone of many of our programs for municipal development.

If municipalities are to assume greater responsibility for local services and development projects, they must be able to raise and spend revenues. It is often difficult for central governments to yield fiscal control to municipalities.

Frequently, central governments are concerned that local governments do not have the capacity to levy and collect taxes, exercise expenditure controls or service public debt. Often this is an accurate perception. Capacity building should be a centerpiece of the national and local partnership to achieve effective public management.

**Private Sector**

But decentralization is not a blank check for municipal control over every aspect of city life; quite the opposite. Decentralization helps create an environment in which the second thrust of our policy agenda can be pursued—namely, the strengthening of the private sector and encouragement of its initiatives. Perhaps the most important thing that government can do to improve the standard of living of its constituents is to recognize its own limitations as an agent of social and economic development. Its role might best be one of setting a framework that stresses public/private partnerships and facilitates private sector action to drive economic growth.

The most critical development need is to create productive jobs for the rapidly growing urban labor force. This can only be accomplished through the fullest possible mobilization of private resources. That, in turn, requires that governments remove the barriers that impede entrepreneurial efforts.

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Global Partnerships

Just as partnerships should form the basis for the urban develop-
ment strategy within the developing countries, there is a need to
for global partnerships within the international donor community.
This is becoming more and more possible as a consensus emerges
on the importance of urbanization and the policies for addressing it.
Until now, urban development has not been a high priority of the
donors. This has begun to change and is likely to change even more
dramatically in the 1990s.

One hallmark event was the recent adoption by the United
Nations Habitat Commission of the "Global Shelter Strategy." The
strategy recognizes that governments are not the sole sources of
solutions for urban problems.

Rather, it advocates that govern-
ments play a facilitating role by creating a regulatory and policy
framework that encourages individual initiative. This idea is not
revolutionary, but its adoption by a United Nations body is.
Its widespread acceptance is creating a new basis for international ac-
tion to cope with the problems of continuing rapid urbanization and
to capitalize on the economic opportuni-
ties that urbanization presents.

Similar attention to urbaniza-
tion is being generated by the World
Bank and other donors. The potential for new international partnerships
to respond effec-
tively to urbanization in the developing
countries has never been better.

We recognize, however, that the
massive capital requirements for
urbanization cannot be met
through financial assistance alone. An equally great need is for the
industrialized countries to share what they have learned
through their own urbanization process. In this regard, the
strength of the United States is our
immense experience with our own
urban issues.

We have one of the world's most
effective forms of decentralized
government that relies exten-
sively on citizen participation.
We have developed modern, ef-
cient urban management sys-
tems and procedures. Our local
governments have considerable
fiscal responsibility and accounta-
bility, and they rely on the private
capital market to finance urban
development.

Throughout the country, cities
have made creative use of public/
private partnerships to support economic expansion, provide shelter, and deliver urban services.

One of our most important tasks now is to establish networks that can mobilize and deploy this knowledge and experience. We envision a system of partnerships between U.S. professionals and their counterparts in developing countries. There are opportunities for valuable technical, management, and training exchanges. The initiatives of Sister Cities International in the U.S. and the Federation of Canadian Municipalities have revealed the demand for this kind of help. A recent Sister Cities mission to Indonesia returned with requests from 18 cities for international partnerships.

We at A.I.D. want to build on these models, making U.S. expertise available where it is needed. We are beginning to develop ideas for a U.S. municipal network that can respond to the needs of cities in the developing world. Our goal is to provide a mechanism through which U.S. professionals—individually and through their organizations—can provide advice, training, and peer-to-peer assistance to developing country cities.

Organizations like NAHRO, can continue to exchange ideas and find new ways to convert what sometimes seems to be the overwhelming problems of urbanization into opportunities for growth and development.