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SECONDARY TOWNS:

An Overview and Five Case Studies

SECONDARY TOWNS
Five Case Studies

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PREFACE

The Overview was written by Alfred P. Van Huyck, President, PADCO, Inc. and Goldie W. Rivkin, Vice President, Rivkin Associates. The Kenya Case Study is derived from a paper written by Stephen Reeve, USAID adviser to Kenya's Ministry of Local Government. An earlier version was presented in April 1984 by The Hon. John Mbogua, Permanent Secretary, Ministry of Local Government, Kenya, at the Ninth Conference on Housing and Urban Development in Africa, sponsored by the USAID Office of Housing and Urban Programs and the Ministry of Urbanism and Housing, Republic of Senegal. The Ivory Coast Case Study expands upon a presentation made in Dakar, Senegal, also before the Ninth Africa Conference, by Isaac Brou Koua, Director of Urban Projects, Ministry of Public Works, Construction, Post and Telecommunication, Ivory Coast, in April 1984. The Indonesia and Brazil Case Studies are adapted from papers delivered at the Ninth Africa Conference by, respectively, Edgar de Souza, Coordinator, Medium Size Cities Project, Ministry of Interior, Brazil, and Hendropranato Suselo, Head, Planning and Programming Division, Cipta Karya, Ministry of Public Works, Indonesia. The Korea Case Study was written by Goldie W. Rivkin, Vice President, Rivkin Associates, originally for Approaches to Planning for Secondary Cities in Developing Countries, USAID, Washington: 1981, and updated for this volume. The case studies have been edited and prepared for publication by Rivkin Associates Inc.

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Opinions and errors are the responsibility of the authors and should not be construed as the official position of the U.S. Agency for International Development.

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FOREWORD

In recent years the scope of concern about urbanization in the developing world has broadened. Countries have been looking beyond the issues of rural migration and impacts of growth on their super-cities, to the promise and problems of their secondary cities and towns. Motivated by a variety of objectives, nations have sought to develop policy rationale and systematic program strategies for their secondary or intermediate-size urban centers.

Through loans and training and technical assistance, the Office of Housing and Urban Programs of the United States Agency for International Development has offered support to a number of countries in their efforts to improve living conditions for the urban poor and create an economic environment capable of sustaining enterprise. Other international assistance agencies have done likewise.

Policies and programs undertaken by developing nations for their secondary cities and towns vary considerably with the countries' respective sizes, geographical situations, economic conditions, governmental structures, cultures and experience with matters of urban development. Yet some common themes run through their efforts, as the papers presented here reveal.

USAID's Office of Housing and Urban Programs is publishing this volume in recognition of the significance of secondary urban centers and the selection of this important subject as theme of the 1985 meetings of the United Nations Commission on Human Settlements in Kingston, Jamaica.

Peter M. Kimm
Director

Office of Housing
and Urban Programs

OVERVIEW

This paper presents case studies on secondary city development programs undertaken by five nations with varying degrees of international assistance from USAID and the World Bank. The countries are very different in physical size, population distribution among their urban centers, levels of per capita GNP and topography. Their diversity is reflected in the following statistics.

	1982 Population (million)	Per Capita GNP 1982 (US$)	Per Capita GNP % Growth 1960-82	% Pop Urban	% Urb Pop in Cities of 100,000+	Cities of 100,000+ Population
Kenya	18	390	2.8	15	57	2
Ivory Coast	9	950	2.1	42	34	2
Indonesia	153	580	4.2	22	23	28
Korea	39	1,910	6.6	61	41	36
Brazil	127	2,240	4.8	69	14	69

Countries in the developing world have been concerned with secondary city development for many years, sometimes out of fear of overconcentration of development in primate cities, sometimes out of desire to achieve more regional equity for lagging areas, sometimes for political reasons and sometimes out of concern for national security. Most of their early efforts have failed to induce the desired results. There has been very little impact on the overall trends of the various national settlement systems.

In recent years, however, new approaches to secondary cities have emerged which offer them the potential for significant improvement in economic and social development. The five case studies presented here describe various aspects of these new approaches which may be of value to other countries concerned with the issues of stimulating secondary city development.

I. THE BASIC PREMISES OF SECONDARY CITY DEVELOPMENT

The new approaches to secondary city development strategies rest on different premises from previous efforts. Among the central concepts to be recognized are that:

1. The overall objective of secondary town development is national economic growth with social equity for the population.
2. The efficiency of urban centers has a direct relationship with the achievement of national economic development objectives in agriculture, industry and services.
3. Efficient urbanization implies the development of a national settlement system with clear functional relationships based on economic comparative advantage, governmental administrative capacity and the delivery of essential services at affordable standards to the existing and potential populations.
4. The existing national settlement system of any country reflects the historical trends in population growth, natural and man-made resource development, physical features, climate and culture as modified by accumulated public policies and political processes. Therefore, there is no one national settlement system which is ideal for all nations or for all time.
5. The most desirable national settlement system for any country, at any one point in time, will be that one which represents the most efficient response to national objectives related to:
   a. Economic growth and job generation imperatives;
   b. Personal equity for the people (access to land, shelter, facilities and services at affordable standards to all households);
   c. Inter-regional equity (the right of all geographic regions to develop their social and economic potential according to their natural assets and comparative advantage).
6. Since national resources, both capital and management, are limited, no nation can maximize all three of these desirable

objectives simultaneously. Trade-offs, therefore, are required in sequencing the development of the secondary cities within the national settlement system.

II. OVERALL CONCLUSIONS REGARDING SECONDARY CITY DEVELOPMENT

The case studies presented here plus other worldwide experience suggests the following generalized conclusions about secondary city development strategies:

1. Secondary city development is a process which requires implementation over a relatively long period of time.
2. The most successful process will be one which focuses on the positive economic and social advantages of secondary cities rather than negative fears of migration flows, of poor people, or undocumented concerns of "overconcentration" in primate cities.
3. If nations consider increasing the relative share of capital investment allocated to secondary cities, such decisions should reflect awareness that, since total national resources are finite, such increases must come from reducing other investment priorities (unless presently untapped local resources can be mobilized).
4. A secondary cities development strategy, to be successful, must include the systematic build-up of local management and financial capacity.
5. National governments need to provide clear and stable policies for the implementation of secondary city development strategies. The frequent changing of policy and procedures year by year will act as an enormous disincentive to implementation of whatever secondary city strategy is chosen. Among the policy area of importance are:
    a. The definition of the role and responsibilities of local government to the central government,
    b. The definition of the role of the private sector and the informal sector, including the identification of those

development areas in which private initiative will be encouraged,

c. The establishment in advance of the central government's resources which will be available to secondary cities and the definition of the terms and conditions by which these resources will be made available,

d. The determination of appropriate and affordable national standards for facilities and services.

6. A recognition that so far as national resources to secondary cities are limited that central governments should facilitate through all possible means the ability of the local government, the private sector and individual households to contribute directly to their own secondary city development initiatives, with minimum interference by central government authorities.

It can be noted in the above set of conclusions that little or no value has been placed on the achievement of theoretical "hierarchies of urban places" or "rank/size distributions of cities". While urban hierarchies will continue to develop, their growth should be in response to economic and social objectives rather than theoretical notions of ideal population distribution within national space.

III. LESSONS FROM THE CASE STUDIES

One conclusion emerges from the case studies so clearly that it could be called the first axiom of secondary city development: Government cannot do the whole job.

It follows that government should not try to do the whole job. No central government has sufficient resources, personnel or power to play all the development roles and deal with all the myriad of details involved in creating and managing a national system of cities. Most developing country governments -- indeed, most governments -- have limited human and financial resources.

There are also two important corollaries:

- o Since governments cannot do everything, they must make choices, and
- o Resources that are available should be directed to achieving national development objectives

Sound choices require systematic analysis grounded in a realistic appraisal of conditions and trends. Since available resources are currently very small relative to the investment needs of all cities, as well as the full range of competing demands within the country, it is all the more important to apply these resources where they can be most productive. Since government cannot do everything, it should aim its efforts where they can best stimulate and support, or channel market forces and the energies of private citizens. Entrepreneurial energies, directed toward national development interests, can carry the effort farther than government action alone can do. To stifle private initiative or to ignore its potential is to undermine the development effort itself.

Government cannot rely on investment strategies alone, however. Pricing policies, tax laws, licensing practices and other regulatory measures all should be examined and adopted so they will free the market to operate successfully and efficiently within the over all development framework. To ignore the realities of business operations and the judgments of citizens about what is in their own interest, is to risk lost opportunities at best and, at worst, to render programs ineffective, wasteful or even damaging.

Each of the case study countries has devised an approach to suit its own level of development, size, institutional framework and secondary cities conditions. Their approaches are as diverse as their situations. No nostrums emerge from the case studies. There are no models of universal applicability. Nonetheless, parallel themes can be identified in the areas of:

- o selection of target cities,

- basic infrastructure as a precondition for urban economic development,
- packaging multi-project programs,
- affordability and feasibility and
- local participation and responsibility.

A. Selection of Target Cities

Some formal selection process has proven necessary to identify promising candidates for special treatment among a national pool of secondary centers. One of the primary lessons has been that no country, no matter how well endowed with resources, is able to address the entire hierarchy of towns and cities in a single program effort. Each of the case study countries, while maintaining an overall national policy to encourage development of secondary centers and lagging regions, has selected a limited number of secondary cities or towns for special treatment.

Selection criteria vary considerably. Politics is clearly a factor, but political considerations are to be expected in any country's approach to allocating resources.

The selection process is a significant factor in initiating the secondary cities program itself. Brazil, for example, screened over 100 middle-sized cities before choosing 11 as the sites of its US $200 million program funded with World Bank assistance. In the Ivory Coast, detailed economic, demographic and accessibility criteria have been established in evaluations of over 80 communities by USAID and the World Bank. There, the most important emerging criterion is the choice of clusters of cities and towns where investment will have a multiplier effect on improving agricultural productivity in nearby rural regions. Rural productivity, in turn, will provide raw materials for urban industry and services. In Korea, the approach is similar, although the target cities are larger, ranging in size from 60,000 to over a million population. In Indonesia, cities are categorized by size classes and slated for differing programs on this basis.

Kenya's approach is different, still. There central government is helping the secondary and smaller towns achieve a position in which they can compete for investment resources. These communities are assisted in learning how to plan, how to develop proposals for groups of related projects, how to evaluate and compare these proposals and alternatives, how to assess project feasibility in terms of costs and benefits and how to develop capacity for repaying loan funds that are advanced to finance the projects. At the same time, central government is gaining experience in evaluating and comparing in a more systematic manner the localities' requests for capital improvement financing.

B. Basic Infrastructure as a Precondition for Economic Development

Program objectives need to be defined prior to community selection. Some communities need certain types of investment and assistance before they can be expected to support new enterprise or institutional structures for managing modern urban infrastructure.

Brazil and Korea are examples of relatively prosperous countries where the centers targeted for investment projects have had basic municipal services and fairly well developed management institutions prior to the secondary cities program. Kenya and Indonesia are examples of countries with relatively low GNP per capita ($390 and $580, respectively) where most secondary towns have been more rudimentary settlements, unable to service basic human needs at a minimum acceptable standard, much less capitalize on economic development opportunities. The financial position of these communities has been weak and their planning practices have been ineffective. For them, the highest priority has been placed on correcting deficiencies and building a base of assets for the future.

In Kenya, emphasis has been placed on improving the weak financial positions of the towns and instituting effective development

planning practices. In Indonesia, emphasis has been on basic urban infrastructure and services.

Elected local councils in Kenya have primary responsibility for administration and development in the secondary centers. In some cases, these councils and their technical staffs have been unable to make effective use of the resources available to them. Therefore, the Kenyan government, with international assistance, has concentrated on strengthening the development planning and financial administration and management practices of local municipal institutions, as critical groundwork for development projects to follow. Special technical assistance and training is being provided and capital funds are being made available to support priority projects which emerge from this process of institutional reform. Expectations of tangible short-term economic returns are modest because the major emphasis lies on creating responsible municipal entities as the precursors of growth.

Indonesia decided almost two decades ago to provide safe drinking water supply and distribution systems in a large number of its secondary cities and towns. With the assistance of technical advisers, Indonesia selected appropriate techniques, set affordable standards for these systems and established a clear priority in its national development plans. Potable water was followed by sewage disposal and by nationwide attempts to involve the populace of these cities in upgrading the sanitation, drainage and housing in their neighborhoods or "kampungs". All these improvements were seen as essential, not only from the standpoint of public health and social equity (i.e. raising the standard of living for the urban population), but also as preconditions for economic development.

The task of asset-building is arduous, and its prospects for economic pay-off long term, but it may well be an appropriate approach to secondary city development when the complement of urban support facilities and institutions in non-metropolitan centers is rudimentary.

C. Packaging Multi-Project Programs

Each of the case countries is now committed to allocating a "package" of projects and programs to each targeted community. While the mix of program components varies among cities and among countries, the essence of each is complementarity, identification and application of related measures precisely directed to removing obstacles to productive economic growth. Such measures might include infrastructure investments to make up deficiencies or expand capacities in basic systems, administrative reforms to improve the capabilities of local officials to operate and maintain public services and manage municipal finances, and incentives to private enterprise.

The inducements to private development may include tax abatements or exemptions, special development loans on favorable terms, low cost land or industrial buildings, labor force training programs or management training assistance to establish viable corporate entities.

Incentives may be accompanied by regulatory reforms to remove impediments to private sector expansion in the communities. Onerous licensing requirements may be waived and costly development processing procedures may be streamlined. Most developing countries have tried all these private sector inducements in one form or another.

The secondary city programs also involve an array of financial commitments such as grants and loans from national authorities (including possible international agency assistance) plus commitments by the local community from its own budgetary resources. Planning exercises to determine precisely how these funds will be spent are an integral part of the program itself.

Three of the case countries, Kenya, Brazil and Korea, have developed approaches to project design which involve municipal authorities intensively in development planning and coordinating project implementation as well as major commitments to local financial contributions.

Planning in the Ivory Coast and Indonesia secondary cities programs is quite highly centralized, but there are efforts to expand the role for local participation. Local financial responsibility for development programs is an ultimate objective in both of these countries and steps are being taken toward this as well.

Brazil's middle-size city program staff has assisted the mayors and local planners of the target cities in preparing detailed studies of assets, needs and potentials of their communities. Strategies have been designed, projects for funding identified and budgets allocated from national, state, and municipal sources. The "package of projects" for each city includes both investments and administrative measures that fall into three related categories: physical and social infrastructure, employment and income generation and municipal administration and finance. While results in the 11 cities have varied, some 50 per cent of the quantitative targets (jobs, infrastructure, etc.) were in place after four years of the initial 5-year commitment. The effort has proved so successful it is now being improved and expanded to other centers.

Partly to contain the growth of the two main centers, and partly to establish a viable national network of secondary cities, Korea made massive investments in its secondary centers during the 1960s and 1970s. Infrastructure projects and development of decentralized industrial estates were combined with financial disincentives for further concentration of investment in the primate centers of Seoul and Busan. In some respects the effort was successful. Growth of the major cities was slowed and many intermediate cities experienced growth in industrial production as well as population. Yet there was considerable criticism that the effort was too dispersed and that too few of the secondary centers were building up the amenities, the social infrastructure and the housing supply needed to make them effective competitors to the metropolitan centers.

As a result, the 1981-2000 National Development Plan, which controls investment allocation, has adopted a coordinated investment approach. Each of the 15 regional cities selected on the basis of its potential comparative economic advantages has a multi-sectoral, comprehensive development plan. Each has been analyzed by national and local authorities, and an array of needed, complementary projects has been selected from their plans on the basis of the extent to which they meet the following investment objectives:

- improvement in public facilities
- contribution to expanding employment
- increase in municipal revenue
- improved living environment
- positive cost-benefit ratio
- maximum number of people and radius of area to be benefited.

Calculations were made of how much of the estimated project costs could be met through the cities' own resources and how much supplementary allocation would be required from central government. A special municipal loan fund is one mechanism under consideration for channeling the supplementary funds.

Indonesia, too, is moving toward linked projects as the basis for its secondary cities program. Bandung, a city of over a million population, has been the pilot for multi-sectoral, multi-year planning, investment and local government reorganization effort. Indonesia is initiating comprehensive, integrated urban development programs in other centers as well.

D. Affordability and Feasibility

Affordability and financial feasibility increasingly characterizes the capital investment projects undertaken. Indonesia, for example, in an effort to make maximum use of available resources among a number of cities and towns, made a concerted attempt to devise minimal acceptable standards for the water, sanitation, and kampung improvement projects included in its asset-building package. The standards

vary according to the size of the population base served by the facilities. They have been rigorously applied.

Financial feasibility analysis is one of the skills in which Kenya is training local public officials, preparing them to appraise the projects they propose for national government support. Working with both the World Bank and USAID, the Ivory Coast also will be establishing minimal standards for infrastructure investments and a screening of projects for financial soundness and feasibility of cost recovery.

Both Brazil and Korea subject each candidate project to detailed financial feasibility analysis, assessing the potential impact of the project (e.g. on jobs generated, households benefited etc.) and for the funds involved and the ability of the selected community to repay any loans.

E. Local Participation and Responsibility

No successful secondary city development effort has been solely imposed from above or implemented from a national capital. Local participation is a critical component, whether it is to help build the basis for future economic growth (the asset approach) or to design and implement related projects. Communities must feel they have a stake in the outcome.

Given the highly centralized structure of most developing countries, local participation is often difficult to achieve. Some countries -- for security or political reasons or out of tradition -- are reluctant to devolve authority to subnational levels of government. There is tension between economic decentralization objectives, which mandate beneficiary participation in planning and priority setting, and a country's desire to maintain close administrative and budgetary control at the national level.

Participation is particularly difficult when the community has only rudimentary institutions and services. Yet Indonesia has been successful in enlisting local participation in design and implementation

of its kampung improvement program and has established a network of training institutions throughout the country to upgrade the quality of municipal personnel and elected officials. Kenya has made improved local development analysis, financial management and financial feasibility the cornerstones of its program. Resources will be made available to towns meeting administrative and management performance standards.

The Ivory Coast has also embarked on a remedial, or asset building, program for its secondary centers. While projects are limited to very basic shelter and urban services, the local mayors and municipal councils play a major role in reviewing and approving the expenditures, for both maintenance and cost recovery on these projects. Indonesia believes it is important for the local councils to take greater responsibility for both budget formulation and municipal operations.

Brazil is a federal republic where states and municipalities have a fair degree of autonomy. Under their middle-size cities program planning, priority setting and coordination of implementation in the field have been led by local officials, with important technical assistance and guidance from the federal level and important loan funding for housing and infrastructure from the states.

Central government can assist the participatory process by providing technical assistance and training to the local governing bodies in planning and management. Kenya, Korea, Brazil and Indonesia are all offering such assistance and in Ivory Coast, a study of training needs has recently been completed.

Central government can also assist by devolving revenue-raising responsibility to the local authorities, providing loans and grants where needed, but emphasizing the requirement that local governments generate resources locally for project development and operations. In Brazil and Korea, where the target cities raise at least 50 per cent of their revenues locally, increasing local capacity is an objective no less than in Kenya as a precursor to economic growth in secondary cities.

In addition to the participation of local authorities, responsible local offices of participating national agencies are needed to implement commitments. In Indonesia, for example, branch headquarters of central government infrastructure agencies have been established at provincial and local levels. Central agency district officials meet with local officials to determine project priorities and budgets and they contract for construction work directly (with preference to local firms). Indonesia, in a first attempt to move from an asset-building to a comprehensive development approach for a secondary city has established in Bandung one of the most streamlined locally-oriented, implementing bodies. In Bandung, program implementation is handled by a joint authority representing both municipal and central government and directed by a single professional administrator.

Participation is one aspect of local involvement. An equally important aspect is responsible administrative performance. Indeed, one of the selection criteria for special assistance may be a municipality's current efforts to make the city work and to establish an appropriate climate for enterprise expansion, despite existing obstacles. Both USAID and the World Bank, in their urban development support activities, have begun to place more emphasis on technical assistance and training of municipal administrators.

Local leaders must demonstrate commitment to more rational financial and development planning processes. They are not only the principal advocates of their communities before lenders and government, but also the principal intermediaries between municipal bureaucracy and local entrepreneurs. Accountability to the local community as well as to central government for the outcome of development efforts will focus on these leaders. As the stakes involved grow larger, the status of municipal leadership is likely to rise. If the technical leadership of local governments is not unduly compromised and constrained by political interference, there is also a greater likelihood that local government will be able to attract and retain more competent public servants.

II. INITIATING A SECONDARY CITY DEVELOPMENT PROCESS

The development of secondary city strategies will continue to be a high priority of governments in the years to come. The sharing of experience and the experimentation with new ideas should be a cornerstone of this effort. The international donor community should play a supporting role in these national efforts and contribute through limited capital and technical assistance.

Almost all countries need to support the development of their secondary cities in order to achieve their national development objectives. The only possible exceptions might be those countries of such small geographic area or of such absolutely limited resources that it is feasible only to concentrate on one urban center which can supply the urban functions to the entire nation.

The development of secondary cities will depend on technical contributions from many orgnizations at the national, regional and local levels of government. The policy process starts with a thorough understanding of the totality of the present plans, programs and commitments of all of these ministries and organizations. The approach is to establish the complementarities and identify the gaps as they affect individual secondary cities.

Once an overall development strategy has been determined, it is important to undertake a careful reveiw of all existing policies, rules, regulations and government procedures to insure that they do not have unintended negative effects on achieving the objectives for secondary city development. This is particualrly important in reviewing those policies which affect the primate city (or cities) such as pricing policies and subsidy policies which may unnecessarily enhance their competitive advantage over secondary cities.

Detailed planning for economic, social and physical development should be undertaken specifically for those secondary cities which are deemed to be strategic or of the highest priority. For all secondary cities (not just the priority centers) standard operating procedures

should be established (which stress simplicity and ease of compliance) to cover finance and accounting, development planning, project development and budgeting.

Large scale training programs should be instituted in order to enhance the capacity of local politcal leaders and local administrators to understand and execute the standard procedures. This training should be specific, skill-oriented training, provided in a short course or workshop format with follow-up, supervised, on-the-job training by the organization or unit entrusted with this training function.

Associations and organizations of local authorities and their staffs should be encouraged so that there will be a sharing of experience and know-how among the secondary cities.

All of these elements of the secondary city development process do not require capital allocations or capital programming. They are critical technical and planning activities designed to enhance local capacity and utilize existing resources more effectively.

Nonetheless, the added availability of capital resources (even limited capital resources) will provide incentives to secondary cities to develop their own capacities to the fullest. In allocating these resources the following criteria might usefully be considered:

1. Capital projects should be selected which are of high priority to local government (not imposed by central government).
2. Each project selected should have a relatively near-term payoff and be justified with an acceptably high rate of return.
3. It should include an implementation plan clearly within the capacity of local government to carry out.
4. It should ensure that the operation and maintenance costs can be met from local government resources.

By starting with simple, affordable and implementable projects, while local capacity is built-up, it is likely that early success can be achieved. In the process new projects will be identified which build on

the additional comparative advantage developed from the completion of the early projects. In this way, over time, the development process proceeds on an economically sound and broad base throughout the secondary city settlement system.

It should be noted in closing that large-scale, centrally funded projects which do not have any naturally available comparative advantage to a given secondary and which are demonstrably economically inefficient and/or will require continuing subsidies to operate, should be avoided. The opportunity costs to the nation are too high in spite of the perceived inter-regional equity benefits such projects might be thought to have.

CHAPTER ONE: KENYA CASE STUDY

I. INTRODUCTION

Like many predominantly rural African countries, Kenya is rapidly becoming urbanized. Although only 15 per cent of the population live in urban settlements, the country is changing fast. The number of urban centers will double in the next twenty years and the number of urban residents will nearly quadruple. Along with this urbanization comes the challenge of meeting tremendous demands for shelter, jobs, infrastructure, community facilities and services of all types.

Kenya cannot answer this challenge by shifting dramatically larger investment resources from the national treasury to local authorities. Because demands on the central government are expected to be heavy in the foreseeable future, local authorities must bear the major responsibility of providing for urbanization. They must develop local financial resources and use innovative, cost-efficient methods of extending urban services. Local government must be better organized to perform local development planning and urban management functions.

Recognizing this, the Government of Kenya approached the US Agency for International Development (USAID) to help design a project that would combine capital financing assistance with the building of local capacity to plan for, and meet the needs of urban development. The "Kenya Small Towns Shelter and Community Development Project" has been officially in progress since 1983 and final loan agreements signalling the commencement of capital projects construction were signed in April 1985. There have been some impressive accomplishments in the short span of this project. In particular, this case study will focus on an innovative development planning and implementation process that is beginning to make an important contribution toward strengthening local governments and meeting urban needs.

II. URBANIZATION TRENDS AND PATTERNS

Urbanization at the time of Kenya's independence in 1963 was limited to Nairobi, Mombasa, Kisumu and several small administrative

and commercial centers. Fewer than 75,000 people lived in towns of over 2,000 population then. Now, slightly over twenty years later, there are nearly 100 urban places and more than 2.5 million urban dwellers. If Kenya's four per cent birth rate continues during the next twenty years and the rate of rural to urban migration continues to rise, there will be nearly 200 urban areas and the number of urban dwellers will be close to 9 million.

This phenomenal growth brings opportunities, but also demands to be accommodated. Citizens can earn better incomes in the urban setting than in the rural. They can also find better access to education, treated water supply, health facilities and other services. Public and private investments produce higher returns in urban centers, especially with respect to generating secondary industrial and commercial development and opportunities for livelihood in the "informal" sector. The growing urban population requires adequate housing, however. They also require sufficient infrastructure and services if entire urban populations are not to be exposed to increased public health hazards. Most urban household incomes will be both low and unstable. Families will, thus, have limited ability to purchase shelter, services and goods essential to their well-being. At question, of course, will be how to meet the tremendous costs of the public services and facilities needed to serve the swelling urban population.

The strains of urbanization are occurring during period of economic difficulty for Kenya. Following on two decades of strong economic growth, recent years have brought Kenya problems in her balance of payments, agricultural output and industrial productivity. Solutions will require difficult adjustments.

Kenya recognizes that the population growth rate is an obstacle to continued improvement in living standards as well as the major force in continued urban growth. At four per cent per year, the country faces a doubling of her 19 million people in the next 15-20 years.

More than 60 per cent of Kenya's population is under the age of 20. Under the most optimistic assumptions about future rates of

fertility, this surge of young people will continue well into the next century causing unprecedented requirements for employment and insupportable pressures for ownership of agricultural land.

Performance of the agriculture sector is another national concern with important bearing on urbanization and population growth. Agricultural development is seen as the key to realizing national goals of reducing poverty, earning critically needed foreign exchange, meeting basic needs of citizens and generating capital for industrial development. While output has consistently increased over the past 20 years, the rate of expansion has dropped below the rate of population growth. Only 18 per cent of the land is in high or medium-value agricultural production. Even with extensive new irrigation efforts and broadened use of chemical fertilizers, new land cannot be placed into production at a rate commensurate with population growth. More and more Kenyans, unable to earn a livelihood in agriculture will leave the rural areas in search of urban employment.

The manner in which urbanization is taking place is also having profound impacts on the financial and institutional base for urban development. Urban settlement is spreading across the map of Kenya as numerous secondary and smaller urban centers, closely linked to the agricultural economy, experience rapid growth. Population growth rates are higher in secondary towns than in primary cities. No longer can the distinct requirements of each expanding urban center be addressed adequately from agencies headquartered in Nairobi. Local governments will have to assume greater responsibilities for solving their own problems.

With the immediate economic difficulties facing government, a significantly larger share of the nation's development budget is not likely to be available for local urban development in the near future. The best hope is to strengthen local institutions so they can develop local sources of revenue to cope with the demands of growth.

III. NATIONAL POLICIES FOR URBAN DEVELOPMENT

National Development Plans and other government policy documents have recognized the important role of cities in achieving national development objectives. The most concrete expression of these objectives occurs in urban centers in the form of schools, health care facilities, water supply systems, shelter, etc.

Official policies encourage the decentralization of urban growth to secondary and small urban centers to mitigate excessive population concentration in Nairobi and Mombasa, to strengthen local government, to improve urban development planning and to encourage the growth of urban employment.

The government has been consistent in holding to these policy objectives. The secondary towns development program is a particularly important commitment. This program is both a catalyst and an organizing force for urban investment and other supportive measures. The district development initiative of 1983 also has important bearing on the design of the secondary towns program. This measure has transfered considerable decision-making authority and small, but increasing, amounts of development funds to the district committees. These committees are comprised of representatives from line ministries, local governments, and other agencies, both public and private. Advocates of urban development and improved local government hope this recent institutional decentralization will result in improved coordination of investments between urban centers and their rural hinterlands.

Much remains to be done in establishing a supportive framework of institutions at the national, district and local levels and effective financial and planning instruments. Without an adequate and smoothly functioning system there is risk of disorderly, uncontrolled -- even misdirected -- use of the scarce resources available for the cities.

Hard decisions have yet to be made about such matters as the distribution of responsibilities among the various levels of government, about strengthening the key urban institutions and about incentives for

cost efficiency and resource generation at the local level. As important a constraint as any is the apparent wavering political will to support and strengthen local governments. Like many newly independent countries, Kenya felt the need in the early years of independence for a unified and centralized system of government. Power-sharing between the center and the system of local authorities has not been easy to accommodate, especially as local authorities have seemed to lack direction over the years and to be preoccupied with petty squabbles.

Now there is a worrisome policy vacuum in central-local relationships. Many are exasperated with what they see as inadequate, inefficient services in urban centers, alleged misappropriation of public funds and the drag that local governments are becoming on national development efforts. Such concern has led to the dissolution of the Nairobi City Council and to serious debate about the "local authority problem".

These circumstances have presented problems as well as opportunities for the Kenya Small Towns Project. The central effort to strengthen local governments could be frustrated by absence of clear central government commitment as much as by deliberately obstructive governmental actions. The project can help bring about real change on all urban development fronts, from realistic national policies to management reform in local government. It will be several years before its outcome can be judged.

IV. SECONDARY TOWNS

A. The Role of Secondary Towns

Though the challenge of urbanization is great, Kenya's prospects for meeting it inspire some hope. Grounds for this optimism lie in the established system of local government which, despite current strains in financial relationship with the central government, may be one of the strongest in Africa.

Following the British tradition, local authorities are semi-autonomous governmental units with rights and obligations defined in the Local Government Act. The Ministry of Local Government is responsible for overseeing their operations, financing and management. There are 83 local authorities, comprised of municipal, town, urban and county councils. Municipal councils are established in the major centers (including Nairobi, until recently) and are, or are expected to be, financially capable of offering a wide range of services to their residents including water, sewerage, housing, markets, education, roads, and health and social services. Somewhat lower in status, the town councils offer a more restricted range of services for the medium-sized towns. Urban councils for the smaller towns follow in this hierarchy. Urban councils come under the jurisdiction of county councils and are considered a transitional form of local administration. The county councils are regional in focus, and they handle the affairs of very small urban and market centers.

Because of the limited functions of both county and urban councils, the major contribution to secondary town development comes from the 27 municipal and town councils. These local governments carry the real burden of responding to urban growth and change. It is they who must assume financial and management obligation for urban infrastructure, facilities and services; and it is they who must answer most directly to the needs of the urban poor. No authority is more familiar than they are with the distinct needs and conditions of their urban areas, or in a better position to see to it that scarce financial resources are used to maximum benefit.

The potential contributions of these local governments to the nation's development are important. Improvements to their towns extend far beyond the direct benefits to local residents. Extended benefits include easing the strains on Nairobi and the other large urban areas, supporting increased productivity, expanded markets for agricultural goods and increased opportunities for off-farm employment. Yet these contributions are not being fully realized.

Most local authorities lack the financial and technical resources to respond to the problems and opportunities of rapid growth. Because they have been unable to plan and institute changes demanded by new urban pressures, many important decisions related to the viability of their towns have been pre-empted by central government ministries. The attitude toward financial control at the local level has become lax as authorities rely on the expectation that the central government will always be there to bail them out. Yet the trend for the last decade or so has been to increase local authorities' responsibility for many types of urban services while simultaneously reducing the level of central government financial support. As a result, real expenditures per capita by local authorities have declined considerably. Internal cash reserves have steadily been depleted as local authorities attempt to meet their responsibilities. The financial conditions of nearly all have deteriorated seriously, some to the point of bankruptcy. In the face of local governments' near-insolvency, severe strains on the central government budget, and limited international assistance new capital projects to accommodate expansion become more and more elusive.

The answer to this dilemma does not lie in more funding from the central government or international sources. There appears to be no alternative to locally-generated financial resources over the long run. High priority must be given to increasing local government revenues to reduce deficits. Most Kenyan towns can improve the collection of present taxes and users fees dramatically, particularly land rates (property taxes) and public utility tariffs. Rapid growth in urban centers also expands the revenue base through rising land values, broadened user group over which to spread the costs of various urban services and expansion of taxable business activity. Attempts to increase revenues must be closely coordinated with parallel programs to improve urban services, however, and achieving higher levels of service will, in turn require major efficiency and cost-reduction measures.

The Kenya government recognizes that a sound investment planning process is basic to all these measures. Local authorities must identify their needs carefully and select investment projects that both meet these needs and demonstrate high rates of return. Realistic standards must be adopted to keep costs to a minimum. Cost recovery strategies must be implemented to ensure adequate revenues to cover capital, maintenance and debt-servicing costs. Budgetary procedures must be improved at both the national and local levels. Existing revenue sources such as land rates must be tapped to a greater extent, both more fairly and more efficiently. Furthermore, gradual and orderly shift of urban planning and management responsibilities from central government to local is required. Many local officials may find such increased responsibilities difficult. They must be fully supported with technical assistance and training.

B. The Kenya Small Towns Shelter and Community Development Project

The Kenya Small Towns Shelter and Community project was developed by the Kenya and U.S. governments to provide a US $16 million loan under the USAID Housing Guaranty Program for financing secondary town capital development. Additional grant funds of several million dollars have been provided for an extensive technical assistance and training program. The direct beneficiaries of the project are 15 towns ranging in population from 5,000 to 50,000. Capital projects include shelter, infrastructure, community facilities and employment generation activities. Advisers and short-term consultants provide technical assistance for various aspects of the project as needed, including urban planning and administration, public finance and estate management. In addition, a comprehensive urban management training program for local authority personnel is under development.

New planning and management procedures introduced in the 15 target towns are to be prototypes for local authorities throughout Kenya.

1. Selection of the Project Towns

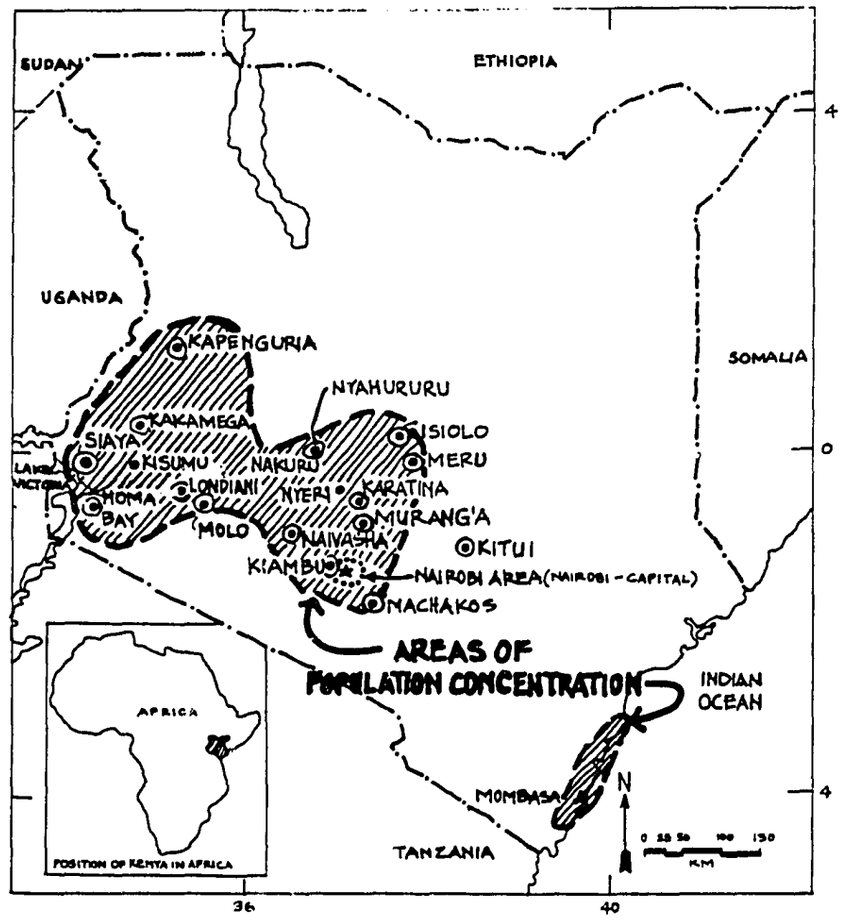
The Government of Kenya selected a target group of 20 secondary and smaller towns for investments to be financed with assistance from USAID and the World Bank. These centers were chosen on their individual merits rather than in context of a national spatial strategy. Selection criteria included: likelihood of rapid growth, role as an administrative center, function as a service center for rural economic development and geographical distribution in various regions of the country.

Fifteen towns were selected from the larger group for USAID financial assistance. They are in the second tier of Kenya's urban hierarchy. Nearly all of the towns play significant regional roles as suppliers of goods and services to their hinterlands and as local markets for agricultural products. Most of them do not yet have the substantial manufacturing activities that have been located, for the most part, in larger urban centers. About half the project towns are the sites of district administration headquarters and have recently been the focus of much attention with implementation of the new initiative to decentralize government functions to the district level. All 15 towns have deficiencies in shelter, community facilities, infrastructure and other services.

In most cases, the local authorities are municipal or town councils, although several of the very small towns are under the jurisdiction of county administrations. The main functions and services of local authorities for the project towns include: administration of land use regulations and building by-laws; public health, trading and other licensing; traffic control and provision of facilities and services such as water, sewerage, roads, drainage, street lighting, solid waste removal, recreation facilities, housing, markets, slaughterhouses and social services and facilities. The larger municipalities perform most or all of these activities. The smaller towns have lesser responsibilities, depending on their relative strengths and particular needs.

TARGET TOWNS

KENYA SMALL TOWNS SHELTER & COMMUNITY DEVELOPMENT PROJECT



⊙TARGET CITIES
• LARGEST CITIES

Public services provided by the councils are financed by various means. Water supply and housing are provided on a full cost recovery basis; and sewerage, solid waste collection, markets, slaughterhouses, bus parks, and other public enterprises are largely on a cost recovery basis. Health and social services, road construction and some other services are financed by general revenues of the council. Grants from the central government often supplement the council revenues, although this practice is occurring less frequently as the demands on public expenditures in other sectors increase.

Project towns which have only recently become councils are in a relatively better financial position than the others since they have not yet incurred debts. Without some major changes, the deficits most of the towns currently sustain will continue to grow. Borrowing by these councils has increased at an annual rate of five per cent in the past ten years. Difficult as it is to repay, even this level of borrowing is inadequate to keep pace with inflation and the needs of expanding town populations.

These financial problems are exacerbated by a shortage of technically skilled municipal personnel. Additional planners, engineers, surveyors, and financial specialists are needed in nearly every project town and existing staff need training across the whole range of urban management disciplines. There has been little, if any, direction, supervision or guidance for progressive improvement in local management practice from trained personnel in central government.

2. Institutional Arrangements

The Kenya Small Towns Project will finance a range of projects that come under the responsibilities of several central government ministries and parastatal agencies. To maximize project coordination and communication, over all policy decisions and coordination are vested in an Interministerial Steering Committee (ISC) comprised of representatives from all relevant ministries and parastatal bodies. Two key implementing ministries are the project coordinators: the Ministry

of Local Government (MLG) and the Ministry of Works, Housing and Physical Planning (MWHPP). The Local Government Loans Authority (under the general direction of MLG) serves as the financing conduit to local authorities for all non-shelter components of the project. The National Housing Corporation (NHC) performs this function for shelter components.

Leadership for project identification and implementation is, however, squarely on the shoulders of the participating local authorities. It is they who have responsibility for carrying out all steps of the project from identification of their basic needs to post-construction operation and maintenance. Assistance to the local authorities is provided by a Technical Assistance Team comprised of experienced professionals from MLG, MWHPP, NHC and two USAID Technical Advisers. Short-term consulting assistance, provided by USAID is coordinated by the Technical Assistance Team.

3. Project Approach

The first step in putting the project into action is the preparation of a "Local Authority Development Programme" (LADP) by each participating town. This is a five-year investment plan that states the town's development strategy and provides a basis for central government financial assistance. The LADP describes the town's physical, social, and economic conditions, the position of local authority finances, basic needs of the local citizens, development objectives of the local authority, and proposals for capital improvement projects that can best meet the stated needs and objectives. All sorts of projects may be proposed in the LADP although not all projects may be eligible for USAID financing assistance. The selection of projects must take careful account of both the impact on the local authority's financial condition and individual projects' financial rate of return.

Local officials in each project town as well as selected provincial and district officers are briefed by the Technical Assistance Team on how to prepare the LADP. The MLG distributes a manual containing

policy, planning and technical guidelines. Manual One: Preparing Development Programmes provides simple step-by-step instructions for defining the town's basic needs, identifying projects, assessing financial condition, and other development planning activities. So that councillors may understand and take an active role in the local development process, a short workbook (in English and Kiswahili) accompanies the manual. The workbook outlines the roles and responsibilities of councillors and includes guidelines and worksheets for defining community needs, identifying projects, and setting priorities.

The Town Clerk and other key staff members draft the LADP with guidance on policy and priorities from the elected councillors. District and provincial officers of central government ministries assist as necessary, as does the Technical Asistance Team. Local residents are brought into the process through informal surveys, town meetings and other methods. Once approved by the municipal or town council, the LADP is reviewed by the District Development Committee (DDC) to ensure that district objectives are met. Modifications suggested by the DDC are incorporated and the LADP is forwarded to MLG which, upon consultation with appropriate ministries and the ISC, issues approval or returns the LADP for more work. Approval constitutes concurrence on the part of district and central government to support the local authority in carrying out selected investments and services within the prescribed manner and time frame.

For each project in the approved LADP that is eligible for USAID financing and approved for possible funding, the local authority prepares a Project Feasibility Report. This document describes the demand for the proposed project and assesses its affordability, location, design, and costs and benefits in relation to the council's financial condition and management capability. Manual Two: Preparing Feasibility Studies provides step-by-step guidelines to assist local authorities in performing the necessary analyses and presenting their findings.

The Project Feasibility Report compares projected capital, debt service, and operating costs with projected revenues and it identifies the appropriate cost recovery methods for each project element. It also assesses the capability of the local authority to manage construction and post-construction tasks (including estate management, collection of user fees for urban services, etc.) and identifies the needs for new positions, training and other management-strengthening measures. A task schedule outlines each phase of the project's implementation (including primary planning, project design, tendering, construction and post-construction management). The party responsible for each task is specified as well as the dates when each task it is to be initiated and completed.

The Project Feasibility Report is reviewed by the key implementing ministries, the ISC and USAID. Project financing approval is contingent on demonstration by the local authority that the project will be affordable to beneficiaries, will produce positive cash flows and will be appropriately located and designed; that the local authority will be capable of managing all aspects of the project; and that full loan cost recovery can be accomplished. For projects expected to generate insufficient surplus to recover expenditure, the council must indicate alternative revenue sources from which such expenditure will be recovered. Certain conditions, such as the hiring of requisite staff, maintenance of a specific project accounting system, improvements to internal controls or other measures tailored to the circumstances of individual local authorities and their projects, will become part of the loan agreement terms and conditions to be accepted by the concerned council.

MLG is currently preparing additional volumes in the series of manuals to provide guidance for the local authorities in project implementation. MLG staff is also available to help local authorities in arrears to the Local Government Loans Authority or the National Housing Corporation with special studies, technical assistance on enhancing revenue systems, training and analysis of possible debt rescheduling.

This approach to project planning and development is meant to give local authorities the resources and autonomy to identify investment projects within an established, mutually-accepted framework for policy, planning and finance. In return, fiscal and management responsibility are demanded of the local authorities. They must, in addition, demonstrate the entrepreneurial initiative, the political will and the commitment to plan and effectively implement projects which benefit the people for whom they are responsible.

4. Accomplishments

Accomplishments to date have been principally those of process rather than product. The LADP was designed originally to meet the project planning and identification needs of the Kenya Small Towns Project. It now has been instituted, nationwide, by the Ministry of Local Government as the process for local investment planning and as the means for determining financial assistance to local authorities for capital projects.

This sort of rational approach to local capital investment budgeting has been long overdue. The "wish-list" method of requesting financial support has become less and less satisfactory as urban development needs have grown and available funding has diminished. Also, a method has been needed to ensure proper coordination between the newly-emphasized development planning work at the district level and that of the urban centers. The LADP is a good mechanism for incorporating local authority projects in the central government's Forward Budget process, and it has become a much-needed training tool for strengthening local authorities' skills development planning, urban management and project identification.

The Project Feasibility Report is also being instituted nationwide, as the instrument for determining the feasibility of local authorities' development projects. All projects that involve borrowing from central government must have Project Feasibility Reports documenting that they are appropriately sited, financially sound, and capable of being

satisfactorily managed by the local authority. The Ministry of Local Government hopes to avoid the many costly design and management problems that have plagued local authority projects in the past. Like the LADP, the Project Feasibility Report is an important training device. It prepares local authorities for actual project implementation.

It is early to point to physical accomplishments of the Kenya Small Towns Project. Construction of the US $9 million first phase is now only just starting; but a "pipeline" of well-defined, feasible projects should enable project funds to flow on an ambitious implementation schedule defined by the Kenya Government. Of the 15 project towns, 11 should have projects under construction by the fourth quarter of 1985. Most are starting with a single, affordable and implementable project. Subsequent projects can be more complex, building on the experience gained from these initial efforts. Multiple projects will be undertaken simultaneously only in towns with sufficient financial and management capacity.

Approximately 46 per cent of the first phase funds will be allocated for housing projects (principally tenant purchase). The balance will be used for self-financing facilities and infrastructure, such as markets, bus stations and slaughterhouses. For the second and final phase (US $7 million) of the project, many towns have selected infrastructure projects such as water, sewerage, street lighting, roads, various community facilities and services and upgrading of low-income neighborhoods.

More towns (beyond the 15 slated for the Kenya Small Towns Project) have begun to prepare development programs. Although these towns may not be able to benefit from financing under the USAID project, the MLG intends to use their LADPs as a framework for better directing the array of urban investments now made by various donors, public agencies and non-governmental organizations.

5. Project Problems

Some of the more significant problems encountered in the Small Towns project are inherent in the variety of eligible investments, the complexity of its institution-building task and resistance to change.

With the recent signing of final loan agreements, there is cautious optimism that the last bottlenecks at the central government policy level have been removed and project funds can begin to flow.

Established procedures and attitudes have discouraged local authority involvement in decision-making and prevent ministry officials from becoming effective technical assistance agents. It may be years before certain significant responsibilities that are now almost entirely performed by central government such as urban physical planning, can be performed locally.

Public lands for community facilities, shelter projects, infrastructure and other capital investments are not available in a number of the project towns. Areas previously set aside in townships and municipalities are being exhausted by urban expansion and, because of the high costs and political problems surrounding government purchase of private land, well-located sites for projects have often proven difficult to find. Even where public lands have been available, approvals for their use have taken a long time to secure.

Implementation of the LADP process continues to pose some problems. Although the project towns have understood the purpose of the LADP and have performed remarkably well in carrying out the work requested, some aspects of the exercise require more lengthy consideration and probably a continuing dialogue with the project Technical Assistance Team. Councils tend to be over-optimistic about the amount of outside financial support available and postponed coming to grips with determining which few projects are really the most important. There is also general reluctance to examine the financial feasibility of projects and consider seriously how various proposed projects affect the council's financial condition.

V. LESSONS LEARNED

Though the Implementation Agreement was signed and the Kenya Small Towns Project officially began in 1983, project loan funds have yet to flow. Nevertheless, much has been learned already. Some of the lessons are mentioned here.

1. The early project emphasis on developing a local capacity to plan and implement projects is vital. Without it, the really important development decisions will continue to be made by central government and the sense of ownership and responsibility for the town's future will not be felt by local officers and councillors.

2. Early and accurate identification of the management shortcomings of the local authority is a critical starting point. Inadequate recordkeeping, poor tax collections and weak financial planning, among other symptoms of weak management, threaten a project's success and, for that matter, the success of the entire effort to strengthen local authorities. A long lead time is necessary to assess the problems and initiate and implement corrective action.

3. Through analysis of the project towns' financial status, it has become clear that improved local financial management can come about only with an overhaul of procedures in the Ministry of Local Government, especially in the administration of the Local Government Loans Authority. Where systems do exist, they are not effectively supervised by central government and, as a result, towns have lapsed into poor standards of performance. Many procedures imposed on local authorities need to be updated. Instructional guides or manuals are needed to direct the towns' financial personnel in the conduct of their managerial duties. More emphasis than earlier anticipated must be placed on training programs to help the towns' financial officers in revenue

collection, controlling expenditure and generally improving financial management practice.

4. Consideration of land use and other locational fators in the preparation of the LADPs has been important. Kenya's secondary towns are still in a formative stage with respect to physical development and have not yet made commitments to inefficient land use patterns that are irreversible or costly to correct. Careful project siting can save a lot of money, in both the initial capital cost and longer-range development of the town.

5. Several of the project towns are strategically insignificant to Kenya's economic development or to any other national or local urbanization issue. Others are not bonafide councils (i.e., they are administered by distant county councils) and thus there is no local authority per se to strengthen and few institutional development benefits to be derived. Government must give more careful consideration to placing investments in strategic urban centers whose development is critical to the achievement of national economic growth.

6. A secondary towns program depends on contributions from many organizations and ministries within government. The distribution of urban development responsibilities among these entities should be identified early in the program and specific roles should be defined. In Kenya's case, the Ministry of Finance and Planning should have been involved early on, to help establish the macroeconomic framework and select project towns. Ministries and parastatals that deliver services such as housing, water or transport must also be directly involved in the development programming.

7. Support for a decentralization program at high levels of relevant ministries should be probed early in the development of a

secondary towns program. A clear strategy for achieving decentralization objectives should be factored into the project design.

8. Not all problems of the secondary towns can be solved with one project -- at least not all at once. The technical assistance program needs to focus on a limited number of activities with identifiable, direct benefits, rather than to tackle simultaneously the myriad aspects of urban management and development. Though employment generation was correctly identified in the design of this project as a critical need in Kenya's urban areas, the problem has not yet received serious attention.

9. It takes time to implement a project that endeavors to accomplish so much. The US $16 million is only a beginning. Subsequent financing assistance will reinforce the accomplishments of this project, permit the effort to address new areas where management improvements are needed and enable the program to benefit additional target towns.

10. Capital financing can be used as an inducement for local authority management reforms. Assistance should be made available in phased increments that are conditional on the achievement of performance targets and other necessary improvements.

11. The more closely local officers and councillors can be involved in the development of improved systems and procedures, the more likely it is that lasting change will occur. Kenya's local authority officials are, by and large, capable professionals who, with clear guidance and a little assistance, can meet the urbanization challenge before them. They are aware of shortcomings in their performance and receptive to technical assistance and training.

Secondary towns in Kenya will continue grow rapidly. There will be new demands for all types of urban services. Urban development needs will increasingly deserve the attention of central and local governments.

Central government's role must be to define sound policies for urban development that can be implemented, and to encourage and support local authorities in managing their own affairs. Local authorities must learn to carry out the major responsibility for meeting their urbanization needs. They must demonstrate innovation, integrity, financial discipline and competent management.

CHAPTER TWO: IVORY COAST CASE STUDY

I. INTRODUCTION

Within the Ivory Coast's 322,000 square kilometers, there are approximately nine million inhabitants. Four major ethnic groups are represented among this resident population as well as an estimated two million foreigners, drawn by opportunities for work during the periods of prosperity that followed the Ivory Coast's independence in 1960.

While worldwide demand for coffee, cocoa and timber exports remained high, the Ivory Coast enjoyed a relatively favorable balance of trade and strong economic growth. Import substitution and agricultural processing industries have made significant gains. Exploitation of oil reserves, begun in 1977, has expanded to the point where over 80 per cent of the country's oil needs can be met through domestic production.

GDP (the gross domestic product) had been increasing at an average annual rate of 8 per cent through the 1960s. The country experienced a severe economic downturn in the late 1970s, however, with the drop in coffee and cocoa prices. Between 1970 and 1982 the rate of growth dropped to an average of 5.7 per cent a year. Rapidly rising foreign debt led, in 1980, to imposition by the International Monetary Fund of an austerity program. Government action and rescheduling of loan repayment have helped to remedy the situation, but measures such as curtailment of the public investment program by 90 per cent, 1979-81, have taken their toll. Employment in construction has dropped by almost one-third. The economy over all grew by only 1.4 per cent in 1981. The estimate for 1984 is only slightly more.

Although agricultural products and lumber have dropped from a 98 per cent share of exports in 1960 to 82 per cent in 1981, and industry's contribution to the GDP in 1982 was almost as large as that of agriculture (23 and 26 per cent, respectively), agriculture is still a very important employer. Between 75 and 80 per cent of the Ivory Coast's work force are still engaged in this sector. During the boom years of

the 1970s, agricultural production diversified and doubled. Export sales in this sector supported a sizeable wage-earning rural work force and created a class of large and medium size plantation owners with profits to invest in the towns. Conversely, some urban residents have invested in the plantations.

Population growth has been averaging 4.9 per cent annually since 1970 (5.5 per cent when resident foreign population are included). Per capita GNP was US $950 in 1982, and increasing by a little over two per cent a year. The World Bank classifies Ivory Coast as a lower middle-income country.

II. URBANIZATION TRENDS AND PATTERNS

A. Regional Disparities

Although the Ivory Coast is rather flat, the climate produces two markedly different ecological zones: the rain forest in the south and the savannah in the north.

Settlement patterns underwent a major shift with the introduction of colonial status at the beginning of this century. Prior to 1900, the territory of what is now the Ivory Coast was densely populated in the savannah area and commercially oriented toward the Sahel. Today, most of the population is concentrated in the rich, forested southern regions and most external trade is directed toward the coast. Projections of recent trends to the year 2000 based show a total of 20 million people in the country, more than 90 per cent of them living in the southern half.

The unequal distribution of towns in the provinces reflects differences in the economic vitality of forest and savannah zones, the wealth of the surrounding rural environment largely determining the shape of the urban network. Towns are fewer and farther apart in the dryer north; more numerous and closely spaced in the south. Regional disparities have been reflected in the pattern of public investment as well.

In 1975, for example, 25 per cent of the nation's $310 million investment budget went to the Abidjan area and 40 per cent to the central region where Bouake and Yamoussoukro, the designated new capital, are located. Only 35 per cent of the budget was invested in the less well-off parts of the country, resulting in a level of per capita expenditure one-fourth that of the Abidjan and Bouake /Yamoussoukro regions.

B. Urban Population

At independence in 1960, 84 per cent of the population of the Ivory Coast lived outside the towns. Only ten towns besides Abidjan and Bouake had more than 10,000 inhabitants.

Urban population, nationwide, has increased by 8.2 per cent a year since 1970. This is almost double the over all population growth rate and three times the percentage increase in rural population. As a group, the provincial towns have been averaging growth rates of seven to eight per cent in the north and ten per cent in the south.

By 1982, there were over three million urban dwellers, 72 per cent of the total Ivory Coast population. Various projections for the year 2000 point to a level of urbanization ranging between 60 and 78 per cent of the population, if present trends continue.

Population shifts account for two-thirds of the demographic growth in cities and towns. Foreigners have been particularly in evidence in this process, representing about 18 per cent of the population in regional towns (as compared with estimates of 40-50 per cent in Abidjan). They may exceed 30 per cent in certain frontier towns such as Agnibilekrou or in cities that have grown exceptionally fast, such as San Pedro.

Somewhat over one-third of the urban population live in Abidjan, the largest city (1.8 million in 1980). An estimated 70 per cent of the country's urban economic activity and commercial transactions occur in Abidjan as well. If Abidjan's 10 per cent annual growth rate continues in this decade, the city will have 3.5 million inhabitants by 1990,

or over half the country's urban dwellers. A growth rate of 7.1 per cent between 1990 and the year 2000 would double Abidjan's population, raising it to 7 million, the size of New York City in 1980.

Bouake, the second largest city, had a population of 250,000 in 1980. There are six towns of 50,000-100,000 population; fourteen between 20,000 and 50,000. Thirty-nine more towns range from 5,000 to 20,000 in size. Altogether these cities and towns are the residential setting for close to 2.3 million people today.

C. Institutional Framework

For the first two decades of the country's existence as a modern nation, governmental administration was almost entirely centralized. The political party provided the principal framework linking the towns and villages and the administrative-ethnocultural entities that embodied authority at the level of the sub-prefecture with the national legislature. There 150 elected deputies interceded before the government on behalf of the interests of their respective local constituencies.

In 1980, the Ivory Coast took a major step toward decentralization of governmental authority. To meet the needs of the country's many rapidly-growing and increasingly complex urban communities for more efficient local management, central government instituted a policy of controlled local autonomy. Commune (municipality) status, with locally elected mayor and town council, was conferred on most of the important intermediate-size urban centers. This raised the number of communes from eight to 36. Eventually, all the 34 prefectures and 166 sub-prefectures are expected to be made communes as well.

Central government and assistance agencies such as USAID and the World Bank have emphasized the importance of strengthening local institutional structure because of its pivotal role in efforts to achieve more balanced regional development.

At the national level, the principal responsibilities for urban development lie with several agencies in the Ministry of Construction

and Urban Development (MCU): the Urbanism Department (DU), the Central Office for Technical Studies (BCET)*, the Department of Urban Lands (DCDU) and the Departments of Housing and Road Works (DH and DCVR); the Urban Projects Directorate of the Ministry of Public Works Construction, Post and Telecommunications (MTPCPT); and the Ministry of Finance (MinFin). Three parastatals and three financial institutions play major roles as well:

SICOGI, the Ivorian Housing Construction and Management Company, a mixed public-private corporation under the general supervision of MCU, established in 1965 to undertake real estate transactions for the government, public or private institutions or private individuals, to do town planning and housing studies and to offer technical assistance. Foreign assistance for building moderate-cost housing has been channeled through this agency.

SOGEFIHA, the Housing Finance Management Company, is an independent government corporation, organized in 1963 under the general supervision of MinFin to manage funds for urban and rural housing, collect monthly payments for housing it has built and to contract and service loans. Foreign loan assistance to the shelter sector has also been channeled through this institution.

SETU, the Land Development Company, an independent state corporation created in 1972 under the joint general supervision of four ministries, MCU, MTPCPT, MinFin and the Ministry of Planning. SETU's purpose is to execute urban land development projects involving preparatory studies, construction and maintenance of urban sewage and storm drainage works, subdivision and management of urbanized land. SETU is empowered to acquire land and manage and contract loans to finance its urban projects as authorized by MinFin.

CAA is the National Sinking Fund, managed by the Ministry of Finance that secures foreign loan assistance for urban projects and assumes the foreign exchange risk.

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* Until mid-1984, when this office was terminated.

NSFH, the National Social Housing Fund, manages a revolving fund comprised of resources made available through the CAA and counterpart funds from the MCU budget. NSFH programs and monitors the application of its loans and the decentralized financial institutions with whom it contracts for disbursal and collection services.

III. NATIONAL URBAN DEVELOPMENT POLICY

Through the 1970s, the thrust of Ivorian development policy was toward increasing agricultural incomes and promoting labor-intensive activities in the interior. The objective was to redress, somewhat, the regional and rural-urban imbalances and to strengthen the domestic market for products of local industries.

Government policy was to prepare urban development plans and provide urban infrastructure. Interest rate and infrastructure subsidies were introduced for low-income rental housing projects. The primary sources of finance for construction of the housing were household savings and loans secured by the various parastatal housing agencies.

The 1971-75 National Development Plan specified the following urban development objectives:

1. construction of satellite towns, industrial parks and transportation infrastructure in the Abidjan and Bouake regions,
2. massive investment in the new port city of San Pedro, economic focal point for the southwest region and
3. stimulation of other regional poles in the west, south-center and north.

The level of urban development investment proposed in the 1971-75 plan was 22 per cent of the GDP. Of this public investment, 10 per cent was to be for direct government investment in urban infrastructure and 14 per cent, for housing.

Subsequent expenditure generally followed that plan, but Abidjan and San Pedro received most of it. Little planning was done for other development poles. From 1971 to 1975, total urban investment of all types averaged 26 per cent of the development budget; investment in regional towns, 11 per cent.

During the following five-year period, however, when the total development budget almost doubled, urban investment dropped to 24 per cent of the total and the regional towns' share fell to less than five per cent of the over all development expenditures.

Governmental investment, to the extent that it occurred in the interior towns, was characterized by discontinuity. The two principal activities undertaken amounted to a sprinkling of resources, widely scattered. There was no concerted development effort. The "Independence Celebrations" were a one-shot infusion of capital. Each year a different regional town, selected as the focus for the national celebration, was provided with some modern facilities and cosmetic treatment. Some simply deteriorated there after, for lack of maintenance. This had little lasting effect on the beneficiary town's economic base.

The second program dealt with improving governmental facilities such as hospitals, schools and administrative offices for the prefectures and subprefectures. To the extent that these facilities employed new personnel on a continuing basis, or purchased goods and services nearby, they did have some impact on the local economies. Yet this was governmental expenditure "priming the pump" -- hardly self-generating economic growth -- and the radius of benefits conferred was narrow. Ironically, some enterprising local leaders are said to have sought to extend these benefits through replication, i.e. by persuading 2,000-3,000 of their followers to resettle, forming a new village nucleus. The villagers would create a subdivision and collaborate in building teachers' housing, and they would put up shelter for themselves as well. Then they would petition for status as a subprefecture in order to obtain a subprefect administrative unit, modern buildings, school and so on.

The selection of Yamoussoukro as a centrally-located capital site seems to have stimulated some growth in its immediate vicinity, but for the nation as a whole it has had less value as a generating force for development of the interior than as a symbol of national pride and freedom from colonial dominance.

Cutbacks in the Ivory Coast development program, necessitated by the economic crisis, reduced Abidjan's investment since 1978 and Yamoussoukro's since 1980. International loans have made it possible to maintain funds for the regional towns at 1976 levels, however. The terms of these loans have entailed a major revision in the country's approach to urban investment. Grants of largesse and subsidies borne of the euphoria of economic boom are no longer the mode. The aim now is to plan investments capable of producing the returns necessary to finance debt service, repay the loans and have enough left over to finance further projects.

President Houphouet-Boigny outlined a new urban investment strategy in a speech to the nation on World Urban Development Day in 1982. His four key points were:

1. replacement of government intervention by local and individual initiative
2. mobilization of personal savings
3. national and individual self-sufficiency and
4. encouragement of private investment.

In this context, an IFL (Local Functions Investment) budget was established for regular funding of urban development programs and local social investments, excluding housing. The basis was a commitment of one-eighth of gross fixed investment or three per cent of the GDP (which amounts to about one-fourth the budget of the Public Works and Building Department). Per capita annual budgets were then set at 15,000 FCFA for the provincial towns and 27,000 for Abidjan.*

A given town's development budget is derived by multiplying the per capita allocation by the number of inhabitants in the town, and projecting the annual amounts five years into the future. This projected budget is then the "envelope" within which central government and the local authorities can determine, realistically, the town's priorities and make allocations to specific projects.

* About US $42 and $75 per capita, respectively, at current exchange rates.

Every city (other than Abidjan) was placed on an equal footing with others of comparable size, thus encouraging the spirit of competition already existing among them.

IV. THE SECONDARY CITIES DEVELOPMENT EFFORT

A. Status and Problems to be Addressed

The early 1980s found Ivory Coast's secondary cities and towns in a very difficult position economically and institutionally to cope with the serious deterioration in living conditions they were experiencing as the result of rapid growth.

Agriculture, petty trade and commerce and, to some extent public administration, are the chief components of the economic bases in the secondary cities and towns. There is little industrial activity. The average monthly income of African households living in these places (as estimated in a 1978 survey) runs 11 per cent below that of the average Abidjan household (US $235 and 265, respectively). Combined production of housing by public and modern private sector builders has been able to meet less than 10 per cent of the secondary cities' shelter need since the mid-1970s (as compared with 30 per cent in Abidjan). USAID estimates the need for new housing in the secondary cities and towns -- for below median income families alone -- to be 14,250 dwelling units a year. Squatting was becoming an increasingly serious problem and, in the absence of an adequate planning framework to guide growth, the new spontaneous settlements were creating broad areas of low-density sprawl at the urban fringe.

Local authorities were able to do very little in the face of these mounting problems. Deriving more than half their local revenues from market taxes and the remainder from various fees such as service charges for street cleaning and garbage collection, these authorities had neither resources nor personnel to perform more than the limited functions of collecting trash and maintaining parks and secondary streets. Most other vital urban services were not provided at all, for

capacity to invest in water supply or sanitation systems was negligible. The 1976-81 Five-Year Investment Program for the Ivory Coast anticipated local contributions amounting to no more than 0.4 per cent of the urban development program.

Influence of local political authorities over the design and implementation of central government's urban sector projects was commensurate with their financial participation. Indeed, they could not really do more, lacking both qualified staff and an appropriate institutional framework. The newly created communes (municipalities) might, theoretically, carry out some planning and implementation functions. Their potential could be realized in time if sufficient effort were devoted to strengthening their administrative mechanisms, personnel capabilities and revenue bases; but they were, by and large, only becoming operational in 1981.

B. Strategy

Given the importance of Abidjan to the national economy, government policy was to maintain the levels of investment there, but with an emphasis on cost-effectiveness and cost recovery. Having, nonetheless, clearly articulated a policy of reducing the investment disparities between Abidjan and the secondary cities, the government called upon the World Bank and USAID for assistance with a regional development program to help improve the geographical distribution of economic growth.

The long range objective is to attract industry and skilled and semi-skilled labor to the secondary cities. It is obvious, however, that these cities must be provided with some basic level of infrastructure and, at least, some minimal amenities before they can attract and support industrial operations. Government strategy, further, calls for linking improvements in urban infrastructure wherever possible with agricultural modernization efforts, especially around the smaller towns. A secondary cities program is to be approached in a selective manner, concentrating on those cities showing the best prospects for

economic development and the greatest capacity to absorb funds in productive investments.

The task of formulating appropriate short-range program elements to implement this sort of strategy has been a new challenge for the Ivorians. Besides general lack of experience, they have faced two major obstacles: absence of pre-investment studies grounded in sound basic data and analysis, and a very limited capacity at the local level for planning and implementation.

The portions of the secondary cities program assisted by USAID and the World Bank differ somewhat in focus and scale as well as the selection of cities for initial projects. Begun in 1981, they share in common, however, the objectives of furthering a coherent nationwide development strategy tailored to the circumstances of the Ivory Coast, and preparing the groundwork for future investments within this framework. Institution-building is a principal thrust of the effort at this first stage -- specifically, improving the abilities of local authorities to respond to their constituencies' needs, to plan rationally and within the bounds of affordability, and to operate and maintain public facilities. Financial management practices receive particular emphasis since cost recovery must be achieved. On the expenditure side, techniques for budgeting and control of outlays are needed; and on the income side, the land registry, property assessment, tax collections, recordkeeping and enforcement measures essential to a satisfactory revenue system.

C. The Pilot Program in Bouake, Daloa and Korhogo

Pilot projects in these three secondary cities have been undertaken with assistance from the World Bank. Bouake is the second largest urban area in the Ivory Coast. Since it is in the region that benefited most from investments in the 1976-81 period, the project there has been limited to a study of public transportation.

Daloa and Korhogo are the country's third and fourth largest cities.* The public works program in Daloa includes:

* With 1981 populations of 83,000 and 70,000, respectively.

improvement and repair of existing severely eroded streets in a central neighborhood where 18,000 people live,

construction of 600 meters of roadway to improve neighborhood access to the rest of the urban road network,

conversion of 2,600 meters of steeply sloping streets into pedestrian ways in order to minimize stormwater run-off,

joint construction of another 800 meters of access road and a subsurface water main linking another of the city's poorest neighborhoods with public infrastructure at the city center,

construction of access streets to new housing areas that can alleviate pressure on existing settlements,

a 2,950-lot sites and services project,

paving of 3.1 hectares of the city's two main market areas and

creation of a new one-hectare paved marketplace in one of the new extension areas.

Korhogo's pilot program includes slightly different infrastructure components. In addition to improvement and repair of existing streets in the city center, the project encompasses:

improved access to neighborhoods separated from the center by a major ravine,

paving of the central market and country bus station (an important node in the regional economic system),

paving to improve sanitary conditions of five neighborhood market areas,

rehabilitation of a small clinic and existing primary schools and

construction of a social center building.

A technical assistance component deals with reorganizing the two towns' technical departments. There is also a program for training workers responsible for vehicle repair and maintenance, and for programming the maintenance of drainage canals, public buildings and other facilities. In addition, each city has for a year, the services of a resident expert in taxation and financial management, to help review

and improve procedures utilized in the setting of rates, valuation of property and collection of tax levies. Preparation of municipal budgets, maintenance of the land registry, and systems for allocating plots in the sites and services projects as well as collecting payments from the project beneficiaries are other objects of the technical assistance.

Project budgets cover the purchase of equipment for road construction and maintenance, tools and improved garages for the technical departments of both cities, equipment for the municipal finance offices, and a variety of supplies required during the first two years of the project such as cement, gravel, steel, fuel and spare parts for machinery.

Project loan documents were signed in May 1982. Construction began in Daloa in early 1983 and was completed in November 1984. In Korhogo construction is 90 per cent completed as of April 1985. Total project costs, originally appraised at US $12.6 million are roughly two-thirds of that amount because of devaluation of the CFA franc in relation to the dollar. The Government of the Ivory Coast is the official "Borrower" of World Bank funds for this project, through the Ministry of Finance. Proceeds of the loan, together with Ivory Coast contributions are channeled to the MTPCPT and the MCU in the form of grants, since costs were not to be recovered directly from final beneficiaries in the pilot cities. Although cost recovery is a major objective of this program, actual results could not be foreseen with certainty at the time the project was designed. Daloa and Korhogo had at the outset, land title registers on which to base taxation, but cost recovery mechanisms had to be created and tested during implementation of the pilot operations.*

* As of this writing the evaluations of the technical advisers resident in the two cities are in preparation. A further secondary cities development project will await the installation of new municipal officers following elections scheduled for 1985.

D. The Thirteen-City Program

In September 1981, the president of the Ivory Coast gave final approval to this project. It is financed, 80 per cent through a US $20 million USAID Housing Guarantee loan and 20 per cent, through an Ivory Coast counterpart contribution equivalent to US $5 million. The total project cost of US $25 million includes an FCFA budget equivalent to about US $130,000 for studies.

1. Program Objectives

The original proposal for this project was geared to improving living conditions, access to urban services and plot ownership for low income families in secondary cities in the interior of the country. The project undertook to address some of the deficiencies in infrastructure that have hampered development of the interior cities. Urban plans prepared in close collaboration between local authorities, MCU and the Central Directorate for Urban Areas (in the MTPCPT) were to be the instruments for determining the selection of program elements to receive priority in this effort.

2. Initial Steps

The procedure adopted for carrying out the 13-cities program began with selection of the target cities. Of sixteen cities originally proposed, thirteen were approved. Representing a cross-section of cities of varying size in different parts of the Ivory Coast, the list included:

Man (the largest city of the group, with a population of 60,000 in 1979 and projected to grow to 100,000 by 1985);
Dabou and Oume (cities of 23,000 and 14,000 inhabitants, respectively, that were expected to attain the size of 50,000-55,000 by 1985);

four intermediate size cities in the 10,000-15,000 population class that would grow to 16,000-18,500 over four years (Bongouanou, Lakota, Issia and Odienne);

and three towns whose combined population forecast for 1985 was 10,000-15,000: Sassandra (a very old town), Vavoua (a pioneer

settlement), and Zouan-Hounien (a town exposed to economic shock resulting from the drop in value of its gold mining activity).

Three very small new towns with projected 1985 populations of 5,000-10,000 were also included: Serebou, Bodo-Offa and Bouna.

A second step was the preparation of socioeconomic studies for each of the cities. MCU's Central Office for Technical Studies (BCET) was to be solely responsible for the data-gathering and analysis to ensure consistency with the Ministry's town planning program. (Where town plans already existed, the task was essentially updating information and filling in some gaps.)

The third step was to determine the size of the construction budget allocation for each town based on the population projections.*

Technical studies included, for each town, a detailed diagnostic analysis and long term structure plan, a short term action program and a plan for an urban project meeting USAID's funding criteria (including a detailed prospectus and specifications necessary to issue a request for proposal for contractors' bids). Separate bid portfolios were prepared for community facilities (subject to construction supervision by MCU) and road drainage works (supervised by SETU)

The entire sequence was to take ten months. Four or five consultations with local authorities were called for at critical checkpoints: at the completion and presentation of the diagnostic analysis (prior to its publication in final form), on presentations of the draft version of the long term plan and (two months later) the draft version of the short-term action program, at completion of the pre-project technical studies and, finally, when the whole package was finalized, ready to be put out for bids. This sequence of local presentations was scheduled to follow a regular rhythm, paced to sustain the local authorities' interest and show them real progress in the work from one meeting to the next.

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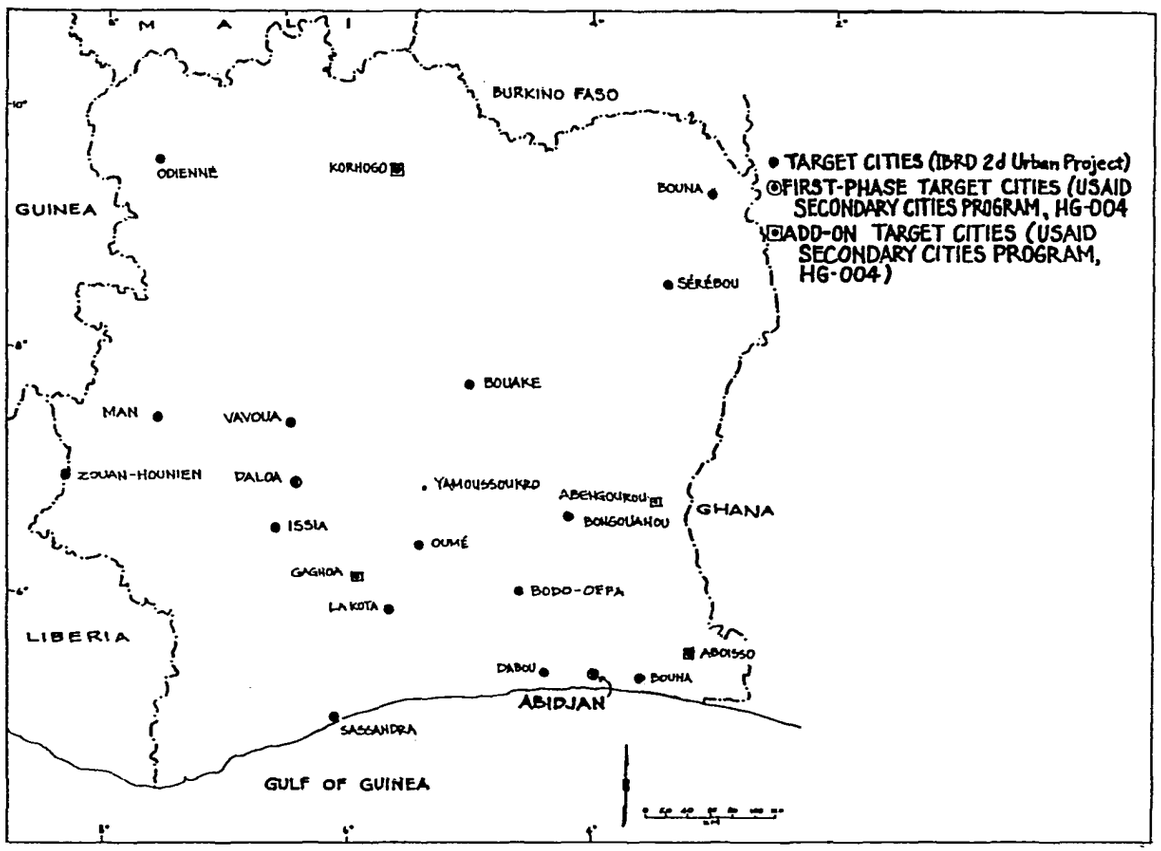
* See page 50.

MEDIUM-SIZE & SMALL CITIES & TOWNS OF THE IVORY COAST TARGETED UNDER SECONDARY CITIES DEVELOPMENT PROGRAMS



3. Activities Eligible for Financing

The activities eligible for financing under the 13-cities program are:

a. upgrading and new construction of roads and drainage systems in low-income neighborhoods

b. renovation and new construction of community facilities serving low-income populations

c. sites and services projects (subdivision of housing lots for low-income households)

d. small loans up to a FCFA equivalent of US $3,400 per family to households for home improvements, in sites and services subdivisions or neighborhoods designated for upgrading

e. small business development loans, up to a maximum equivalent to $30,000, for individual business owners or for agricultural and other trade cooperatives whose owners' incomes or members' incomes are no more than the median, whose operations are located where low-income project beneficiaries are concentrated or provide goods and services accessible to target populations (rather than luxury commodities).

In the sub-prefect of Dabou, for example, the short-term action plan, approved at a cost of 1,000 million FCFA (about US $2.8 million) includes these elements:

a. roadways (to be surfaced, partially surfaced or cleared and graded)

b. public amenities (including a community center and the first stage construction of a new central market)

c. a 50-hectare sites and services subdivision extending the developed area southward and

d. a provision for contingencies.

4. Cost Recovery

Although commitment to the principal of cost recovery from project beneficiaries is firm, the precise amounts and manner of cost recovery for project elements was the subject of a detailed study, not yet ready when the final Dabou project document was approved. Several general approaches were under consideration:

a. for road and drainage works, which benefit a wider community beyond the immediate upgrading neighborhood, a pro rata assessment based on land area of property owned or on the increase in property value accruing from the new facilities.

b. for the market, the responsibility would be on the mayor to enforce collection of the various local taxes and fees (such as shop-window taxes, license fees, slaughter taxes, market stall rental, garbage collection fee, etc.) so as to be able to make resources available from the municipal general fund.

c. for social or cultural facilities, justification of direct cost recovery was seen as too difficult and thus financing for health centers, schools or social-cultural centers, was to be covered indirectly through the general property tax.

d. for serviced house lots, beneficiaries must make a 20 per cent down payment when they receive their allocations, and monthly payments thereafter for a year until the balance has been fully repaid.

Certain conditions, recognized as prerequisite for cost recovery, were to have a high priority such as early development of a simplified cadastral survey as basis for a modern, efficient municipal tax collection system.

5. Program Achievements

At the beginning of the third quarter of 1984, construction on roadways and community facilities was well under way for neighborhood upgrading projects in four of the 13 cities, and similar construction was about to begin in two more cities. Sites and services projects for three cities had been approved by USAID for funding, and had reached the stage of detailed site layout and final agreement among USAID, central government and local authorities on plot allocation criteria. USAID had approved draft plans for sites and services projects in two additional cities. Planning work was completed for all but the two smallest towns which were to have been new communities, one associated with a sugar complex and the other at a highway interchange. Their future status was uncertain, government having withdrawn plans for the principal employment base in both cases.

The two small loan programs were still in the process of organization. USAID hoped to have them in operation in time to coincide with the development phase of the three sites and services projects. Cadastral surveys were under way in two cities as part of a pilot cost recovery effort.

Work was in process on the revised rationale for selecting target cities and assembly of an appropriate data base for applying the new regional cluster approach.

V. LESSONS OF THE EXPERIENCE

A. Institution-Building: A Test of Time and Patience

The 13-City Program has allowed both partners, Ivorian and American, to obtain a precise, clear and realistic understanding of the problems involved in aid to secondary cities and towns of the Ivory Coast. Projects currently under way are the fruits of a genuinely collaborative planning effort. There has been local participation despite the very recent establishment and inexperience of the municipal institutions involved. The effort has been an important step in helping local and central government officials come to grips with the issues of improving living standards for poorer members of the small- and medium-sized communities of the country.

This work has engendered an appreciation for the time required for such an undertaking. Every facet of the secondary cities program -- from technical studies through bid approvals and contracting -- has taken considerably longer than originally anticipated. Local authorities, accustomed to direct grant funding from the central government or the parastatal utility companies, have not always fully understood the program's goals, or concepts such as low-income neighborhood upgrading or the segregation of low-income families in sites and services projects, resulting from application of the plot allocation criteria. It has often been a long, hard process for them to modify the full range of local demands to fit the restricted scope of this program.

The large number of consultations and approvals called for in the procedural scheme has been very time-consuming, in view of the diverse elements included in the individual cities' programs and the number of institutional "actors" involved in the decisions. Organizing meetings has tended to be difficult because of the mobility of officials, competing pressures on their time and attention, communications problems and the number of towns participating in the program.

B. Cost Recovery

First steps have been taken toward cost recovery in the pilot cadastral surveys of two cities; but full implementation of this part of the program is still some way off. Many building blocks remain to be put into place before the secondary cities have workable revenue systems and are able to take responsibility for financial management.

C. Small Loans

Efforts are still in process to establish management arrangements for the small loans programs through secondary city branches of commercial financial institutions. The number of locations where such services are desired, and the responsibilities of servicing large numbers of very small loans present obstacles yet to be overcome.

D. Development Impact

As for impact of the program on the economic development potential of the target cities and towns, it is still too early to make a judgment, given the stage of progress of most of the cities' programs.

Some observers believe the 13-City Project investment will have no significant regional or subregional impact because of the wide dispersion of its target cities across the country. Indeed, regional development was not an explicit objective in the selection of either target cities or the components of their individual investment programs. Selections were based on an inward-looking assessment of an urban center's development needs rather than on a review of

investments that might strengthen the city's economic and social functions and its role within its region. An attempt to redress this is reflected in the selection methodology introduced in late 1984 to identify three additional target towns for inclusion in the program. Economic growth potential was the key determinant for investment.

The next phase of the USAID-assisted program will be directed to testing the regional development approach. Four cities have been proposed, of which three will be added to the secondary program roster. These choices grew out of an exercise to identify major existing or future economic growth poles and the urban centers exhibiting development potential within their respective spheres of influence. Projects are to be selected in these urban centers with an eye to supporting existing, or establishing new, economic and social activities that contribute to the economic dynamism of the city's immediate subregion. The intention is to concentrate investments within four or five cities that make up an "urban cluster". Sensitivity to inter-urban relationships will be required as well as to urban-rural.

The groundwork for this approach has already been laid as far as identifying the clusters of urban settlements. During 1984, somewhat in parallel with USAID's analysis of secondary towns' growth prospects, the World Bank supported a study of structural and functional relationships between these towns and others clustered within their respective regions. The two assistance agencies have collaborated on an examination of municipal management procedures and training needs for municipal employees, focusing particularly on matters of financial management. Additional studies, now in process, have been commissioned by USAID to determine for two or three of the newly targeted towns,* precisely the subregional economic inter-relationships that can be reinforced or enhanced through investments under the Housing Guaranty-funded secondary city program.

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* Gagnoa, Abengourou or Korhogo, and Aboisso.

MTPCPT and USAID anticipate close collaboration with the Ministries of Agriculture and Rural Development, Commerce and Interior in this next phase of the secondary city effort.

The World Bank's new (Third) Urban Project for the Ivory Coast deals only with Abidjan. Further World Bank involvement in Ivorian secondary cities development will await completion of the evaluations new being prepared by the technical advisers who have been resident in Daloa and Korhogo, and also the installation of new municipal officers following the elections scheduled for 1985.

CHAPTER THREE: INDONESIA CASE STUDY

I. INTRODUCTION

Since gaining independence in 1945, Indonesia has become one of the world's major oil suppliers, and is striving to raise the standard of living for her 153 million people. In the last decade, the Indonesian economy grew at almost double the rate of the 1960s, averaging almost 8 per cent annually. Yet average annual per capita GNP was $580 in 1984 and poverty is still pervasive in this predominantly rural nation of many islands.

Successive five-year development programs beginning in 1969 have emphasized the agricultural sector, seeking to modernize and diversify beyond the traditional timber, rubber and coffee export crops and to increase production of food for domestic consumption. Import substitution has, likewise, been the thrust of efforts to expand the country's industrial base. Dramatic increases in international prices of petroleum during the early 1970s generated considerable earnings for Indonesia, which, together with resources from international and bilateral assistance, financed the development investment program.

Agricultural output has risen by 41 per cent, from 1978 to 1980, and although this sector remains important as the source of livelihood for the majority of Indonesia's population, its relative value in the national economy has dropped from 45 per cent of the gross domestic product to 25 per cent over the same period. The end of the 1970s decade has seen industry emerge as the leading sector in terms of value of production as result of the large gains registered in manufacturing and construction, particularly. Though important as a generator of income and foreign exchange, mining activity has not made significant contributions to expanding employment.

Indonesia is beginning its fourth development plan (1984-88) in a period when oil revenues are below earlier expectations. The hopes of her people for sharing the benefits of development remain high, nonetheless.

II. URBANIZATION TRENDS AND PATTERNS

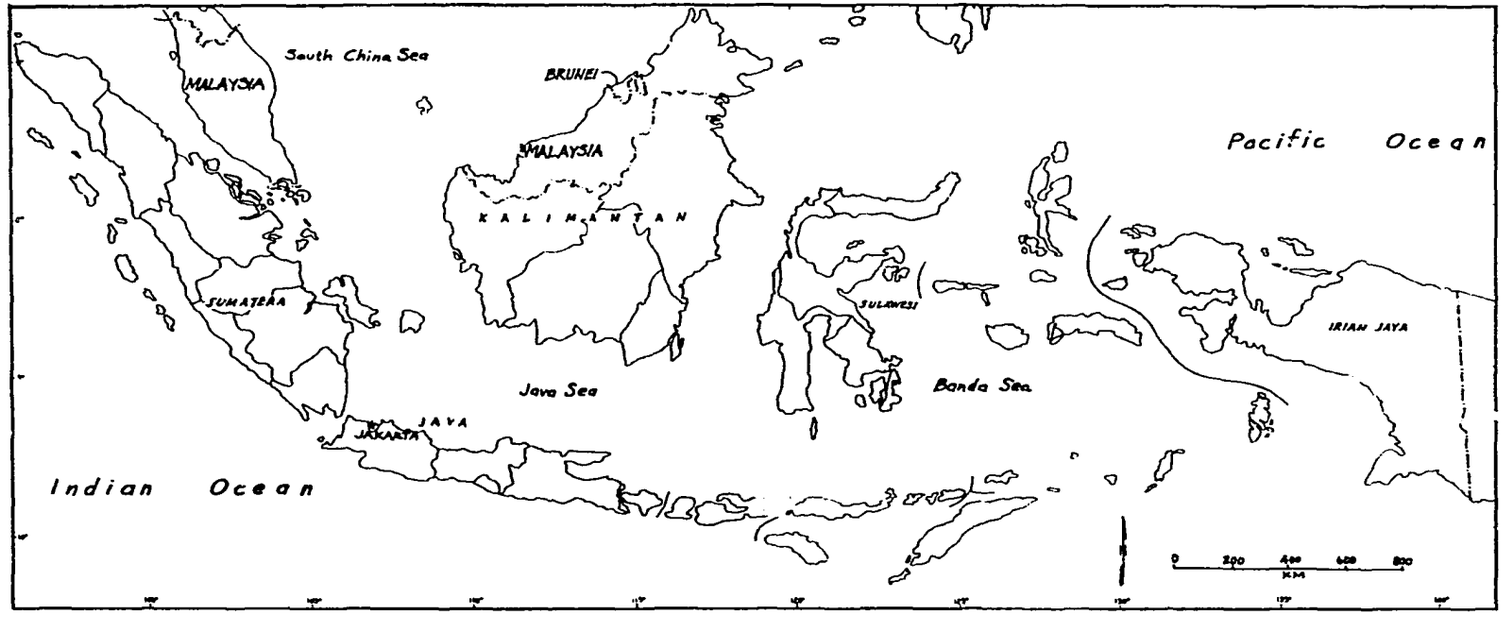
A. National Trends

Indonesia's total population increased at an average rate of 2.3 per cent between 1971 and 1980. Urban population in this period increased at nearly twice that rate, growing from 24.3 million in 1971 to 33 million by 1980. The urban population now equals roughly 23 per cent of the total national population. A little under half the growth in urban population has come from natural population increase. The larger part has occurred as a result of migration from the rural areas, having been stimulated by both a rapid expansion of urban employment and technological changes in agricultural production. If present urban growth rates continue as expected, urban population will reach 72 million by the year 2000.

B. Regional Trends

More than 13,000 islands make up the Indonesian Archipelago, which extends 4,800 kilometers and spreads over 1.9 million square kilometers. The island of Java accounts for 22.9 million, or approximately 70 per cent of Indonesia's 33 million urban dwellers. In comparison, the outer islands of Sumatra, Kalimantan and Sulawesi contain 16.6, 4.4 and 5.0 per cent of the urban population, respectively while the Eastern Islands (including Irian Jaya) contain the remaining 4.1 per cent. Despite Java's dominance in terms of total urban population, only 25 per cent of the island's population live in urban areas. This percentage is only slightly higher than in the major population centers of the outer islands. Moreover, the outer islands are urbanizing at a faster rate than Java; and if present trends continue, the relative difference in urbanization between them will disappear by the year 2000. Nonetheless, Java faces the most acute urbanization pressures of all the islands; for rural densities there are 580 people per square kilometer, ten times the population density that qualifies a place as urban in the United States.

INDONESIA


South China Sea
MALAYSIA
BRUNEI
MALAYSIA
KALIMANTAN
Pacific Ocean
SUMATERA
SULAWESI
IRIAN JAYA
Java Sea
Banda Sea
JAVA
JAKARTA
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C. Urban Hierarchy

In 1980, Indonesia had 36 cities classified as either large or medium size. Metropolitan Jakarta, the capital, is the largest, with its population of 6.5 million. Although Jakarta is nearly five times larger than the next largest urban center, its 19 per cent share of total urban population is low in comparison with capital city dominance in other developing countries. The remaining eight large cities range in population from 500,000 to 1.5 million. Indonesia's 27 medium size cities range in population from 100,000 to 500,000. As a group these medium size cities contain approximately 12 per cent of Indonesia's total population. The country has, in addition, 293 cities with populations ranging from 20,000 to 100,000. Over the 1971-80 period, large and medium size cities grew at average annual rates of 4.1 and 3.8 per cent, respectively. If these trends continue, large and medium cities' share of total urban population will increase from 66.2 in 1980 to 71.4 per cent by the year 2000.

D. Implications

Indonesia's agricultural sector is able to absorb only one out of every nine children born to a rural family when that child reaches the age to join the labor force, and the future yields little prospect of improving these odds. Agricultural employment is actually expected to decline.

Thus, generating sufficient urban employment opportunities to absorb Indonesia's surplus rural population will be a major challenge. Correcting deficiencies and meeting future needs for water, basic sanitation and housing are imperative — made more difficult by the extent of poverty and more urgent by the extent of pollution. The threat of floods and natural hazards complicate life even further in the swampy, coastal environments where most of the cities are located.

III. NATIONAL URBAN DEVELOPMENT POLICY

A. Policy Context

Although some countries de-emphasize urban development programs, favoring rural policy geared to keeping people on the land, Indonesia has chosen to address her urban problems squarely. Through the series of national development plans, agricultural programs have focused on expanding food production and supplementing income-earning opportunities in rural industry. Urban development policy has also evolved through a succession of progressive phases. The extraordinarily high rural densities found in Java have driven home the point that cities must play an ever-more important role in absorbing future growth. Yet the urban growth that has already occurred is threatening to overwhelm the country's urban institutions.

When the first five-year national development plan (Repelita I, 1969-73) was launched, the old infrastructure installed by the Dutch had fallen into disrepair through lack of maintenance. Existing urban services were functioning poorly and failure to expand the systems had created a backlog of need. The main task as seen at that time was to rehabilitate the existing urban public works installations and restore services. Expansion needs were addressed through the first Kampung Improvement Program (KIP) begun in 1969 to upgrade basic services and living conditions in Jakarta's "spontaneous" settlements. This was accompanied by an effort to accelerate technological research and development activity in the fields of low cost construction materials and building systems for housing.

Repelita II (1974-78) undertook to make substantial quantities of housing construction materials available to the public at large. The kampung improvement program was expanded to accomplish further upgrading and extension of the urban infrastructure systems and major investments were made in public health facilities.

During this period, the INPRES (Presidential Instruction) program was initiated to improve the balance between central government and local development finances and create local employment. At first, central government provided local districts equal lump sum allocations regardless of their sizes. Under the next INPRES program, municipalities and regencies were allocated subsidies on a per capita basis, subject to a specified limit. This second Inpres program was a major source of funding for improved local infrastructure such as roads, markets, drainage works, environmental health and other municipal services outside Jakarta. Project selection criteria were: early yield (within one year), paid labor (no self-help), labor-intensive techniques, and amelioration of environmental sanitation. Since those early days, the Inpres program has grown to encompass additional types of projects such as operation and maintenance of roads and irrigation networks, schools, health centers, markets, and reforestation. Local funds play a small role, if any, in these infrastructure projects because local revenue bases are generally weak. Communities are, however, encouraged to borrow from central government to finance projects, for which user fees can be charged, such as water supply. The loans are subsidized in the sense that they can be repaid over 20 years with little (two to four per cent) or no interest. A few loans for income-generating facilities such as markets, have carried interest rates as high as eight per cent.

The third development plan period, just completed in 1984, adopted a more target-oriented, basic needs approach in providing urban services. A World Bank report prepared in connection with lending for Repelita III, noted that fewer than one-third of the country's people had access to a reliable supply of safe drinking water, only four cities had even rudimentary sewerage systems, one-quarter of the population were still disposing of human wastes directly into watercourses for lack of alternative facilities, no more than 17 per cent had sanitary latrines, almost 60 per cent of urban households were living in impermanent shelter and infant mortality rates were a high 126 per 1,000. Responding to these problems, the Government of Indonesia expanded the

scope of the kampung improvement program, making it available to 220 cities. In 1979, the government issued a regulation requiring the procurement of local goods and services for its projects. Intended to stimulate weak economic sectors, this measure has had a wide impact on the spatial distribution of economic activity as well. Most materials, construction and consultant services contracts tendered by government had been let to big contractors and suppliers from Jakarta or the other major centers before the regulation. Now, only local suppliers, contractors or consultants at the municipal or regencies level are eligible to bid. Firms from Jakarta and other large cities can participate in local tenders if they establish joint ventures with local firms and are registered locally. Because this policy has stimulated the growth of local construction capacity as well as professional services, secondary cities are in a much better position to furnish services to the surrounding regions outside their immediate borders.

The current (fourth) development plan period, as described by one of the strategy planners centers on:

> "...creating a balance between the development of an inter-island complex of large coastal cities, the activation of often slow-growing rural towns in densely-settled heartland regions, and the provision of basic development functions in lagging regions and expanding frontier areas."

Another major objective of the plan is to improve the long-term capacity of government to continue development planning and programming by training young professionals and establishing both a data system and the organizational ability to monitor and analyze large sets of urban and regional data.

Given current financial constraints, the Indonesian government sees very clearly that the system for delivering urban services must be made increasingly efficient if higher outputs are to be achieved. Long-held goals of ameliorating living conditions and equitably distributing investment in improved water supply, sanitation and shelter are still articulated. Now, however, officials speak of coordinating urban

development efforts with other governmental activities, and of making infrastructure supportive to the country's main goals of self reliance in food production and promotion of export commodities other than oil.

B. Institutional Framework

In Indonesia the primary responsibilities for urban development and management are shared by the Ministry of Home Affairs (MHA) and the Ministry of Public Works. Various agencies in these ministries, plus parastatal organizations, and provincial and local government carry out the development programs. Jakarta is a special case because the capital has a metropolitan agency operating along with local government and the national level ministries.

Provincial governors are appointed directly by the MHA from a professional administrative-political cadre. Mayors are also appointed, but from a list of local nominees submitted to MHA by municipal councils which are, themselves, elected by popular vote. Thus the municipal chief executives bridge the distance between central government and local community, through ties and responsibilities to both.

Although capital funding for local projects comes from central government (for lack of local resources), municipalities participate in identifying projects, planning, site selection and land acquisition. Capacity to carry out such tasks varies considerably from one place to another.

In the Ministry of Public Works, responsibility for urban development projects is consolidated under the Directorate General for Housing, Building, Planning and Urban Development (Cipta Karya, or CK). Cipta Karya was established in the late 1960s with five executive agencies. There were the Directorates of Sanitary Engineering (in charge of both water supply and urban sanitation), Housing, Public Building, Urban and Regional Planning and Building Research. Planning and programming functions as well as implementation have been separate for each executive agency.

With the start of Repelita IV, however, Sanitary Engineering and Water Supply have been split into two directorates. The separate planning and programming units of each directorate have been consolidated into a single Directorate of Planning and Programming.

The national planning agency under MHA (BAPPENAS) is the key institution for setting public investment priorities at national, provincial and local levels. BAPPENAS works with counterpart agencies at the provincial (BAPPEDAS), county (BAPPEMKAS) and municipal (BAPPEMKOS), levels. Other central government departments in most ministries have parallel divisions at each administrative level as well.

Even within a city, there are multi-tiered administrative institutions, down to neighborhood and block levels. Political party membership plays a role in the organization. As channels for communication and control, these units have been quite effective. This has been so, particularly, in gaining support for the kampung improvement programs.

The tightly integrated, centrally controlled nature of public sector decision-making is exemplified in the process of municipal budget preparation. A city's annual capital and operating budget is formulated locally with assistance from the Ministry of Public Works' planning division (within the framework of a local five-year development plan, where one exists). Once ratified by the local council, the budget is forwarded to MHA. The process is similar at county and provincial levels. In the final quarter of each calendar year, the national planning agency reviews these proposed budgets in light of national priorities and resources available for the coming year. The budgets that are finally approved become actual project budgets in the next fiscal period.

Because this process is essentially one of distributing central government resources, the politics of competing demands and conflicting objectives play themselves out at this last stage. There have been efforts to rationalize the allocation decisions under Repelita III, however, particularly with respect to funding Cipta Karya's urban projects for the medium-size cities.

IV. THE MEDIUM SIZE CITIES

A. Current Status: Potential Unfulfilled

As noted above, Indonesia's 27 medium size cities contain approximately 12 per cent of the country's total population. Yet, as a group, these cities have failed to make a significant contribution to national economic growth.

Some Indonesian planners conjecture, based on comparison with other countries, that these cities lack the advantages of close links with the agricultural sector or enjoy lower per capita government investment than the larger cities. Others believe the medium-size cities may be passed over by private sector investors in favor of national or provincial capitals, because the latter offer access to governmental authorities and "external economies" associated with larger industrial bases. Perhaps the answer lies in some combination of these factors; perhaps, in the possibility that Indonesia's medium size cities have not yet attained certain preconditions for vigorous growth, such as basic urban services of even the minimum standards that Repelita III was committed to providing.

B. The Urban Upgrading Program

Indonesia's 1978-84 urban program under Repelita III was directed explicitly toward cities seriously deficient in basic services for existing population. In its emphasis on upgrading and amelioration, this program differs from those in other countries where the central concerns are development of the local economic base, or provision for anticipated urban growth or improvement in the range of services accessible to residents of a rural hinterland.

As a basis for allocating investments and setting performance goals for this program, Cipta Karya selected a target group of 200 cities. These included 10 very large ones, the 27 medium size cities, 13 smaller ones (in the 20,000 - 100,000 size class) and 150 towns of 3,000 - 20,000 located throughout the country. Towns in this last category

were considered "transition" settlements, essentially rural centers on their way to becoming more urban in character.

Cipta Karya offered a "package" of basic human needs services, including kampung improvements (upgrading and reconstruction of settlement areas) serving 150,000 households nationwide, urban water supply, basic sewage disposal and treatment, storm drainage works and facilities for solid waste collection and disposal. All were to be executed at minimum standards* and the operational objective of any single element of the package has been to link its performance with those of the others in a given city. The five-year kampung improvement targets were 200 hectares for each large city, 100 hectares for each medium size, and 60 for each of the smaller cities.

C. Shelter

Perumnas, the national housing corporation of Indonesia, was established as a parastatal organization in 1974, to build conventional housing for low and moderate income families, nationwide, and to develop sites and services projects in association with Cipta Karya's urban upgrading program. A quasi-independent corporation, Perumnas works closely with Cipta Karya, especially the planning division, and is accountable to the same minister.

During the second plan period (1974-78), Perumnas produced 50,000 dwelling units. Its target under Repelita III was 150,000, in the 36 large and medium size cities and 40 towns. To achieve economies of scale, each project was planned for a minimum of 200 units. Gradually, however, the corporation has been moving toward development of larger housing estates and satellite towns with allied commercial and industrial enterprises.

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* The target for water supply, for example, was to provide safe drinking water for 60 per cent of a city's population at a flow level of 60 liters per person per day. The standard is 45 liters for transition settlements.

D. Financial Arrangements

The principles of kampung improvement are to improve basic infrastructure with minimum disturbance or removal of the residences. Components vary according to the conditions in a kampung, but they can include local roads, footpaths, drainage, water supply, public sanitation facilities, solid waste collection, schools and/or clinics. Cost of the infrastructure is not directly recovered from residents, but through a land tax levied by the municipality on beneficiaries in the improved areas.

The policy for implementing KIP programs differs according to city size. The program for the smaller cities, averaging an estimated cost of US $2,800 per hectare, is fully financed by central government, and aimed at upgrading infrastructure to the basic minimum standard. In the medium size cities, local governments tend to want a higher standard. Jurisdictions willing to bear approximately 50 per cent of the project cost (through direct budget commitments or long-term loans under foreign assistance programs) are eligible to receive central government grants for the remainder. Local governments in the bigger cities which normally wish to execute improvement programs at standards considerably higher than the minimum and at costs ranging as high as US $10,000 per hectare must finance the entire projects entirely on their own.

Central government assistance is referred to as the "pioneering KIP program". The initial investment is intended to stimulate better appreciation of program benefits by the local governments and the communities-at-large. Further work is to be financed through local investments.

The mass provision of urban water supply is, financially speaking, Cipta Karya's largest program. It absorbed 56 per cent of the Directorate General's budget during the third plan period (US $370 million, of which US $ 72 million was funded by foreign aid). The budget for sanitation was US $32 million (US $12 million of it, from foreign aid).

In accordance with the equity principal envisaged in the third five-year plan, the Government of Indonesia has adapted the basic needs approach in its policy for water supply development. This was a departure from the previous "master plan" approach, which had involved design of systems at a scale to serve the entire projected long-term needs of individual cities at locally-determined standards. Financing policy for water supply systems was adjusted to provide full central government financing for the small cities at standards not exceeding the basic need minimum. Big and medium size cities requiring standards of service as high as 125 liters per capita per day, can still rely on government equity and subsidized loan funding. To provide service levels above this threshhold however, cities must seek their own funding from commercial lending institutions.

E. Program Achievements

Perumnas produced 104,000 units during the third plan period, more than double its output in the previous five years.

Kampung improvement projects were begun in more than the 200 initial target cities, but only 11,725 hectares were actually improved by the end of Repelita III -- 78 per cent of the plan period goal. The secondary effects of KIP have been remarkably good. For every US $1,000 invested in kampung improvement, it has been found that private investments of US $1,900 have followed. Although land values have risen, few residents have been forced out by rents increases.

National water supply capacity has been raised to 35,000 liters per second; and the total number of cities with installations, to a total of 461. Modest water facilities now exist in more than 600 towns as well. Achievements of the past five years include standardization in planning design, and development of small prefabricated package water treatment plants, consisting of multiple modules with capacities of 20 liters per second. This new, simplified technology has shortened the time required to execute water supply projects in the smaller cities and has, in addition, stimulated growth of a new domestic industry manufacturing the package treatment plants.

A special urban sanitation program was begun during the third five-year planning period. Small-scale, incremental approaches have been emphasized as have modular systems integrating sewerage, drainage and solid waste facilities that are capable of easy extension and replication.

Beyond these achievements in the spheres of technology and public works construction, important steps in institutional development have been accomplished under Repelita III. Indonesian planners have gained experience in combining a variety of sectoral investments into integrated urban projects based on short-term (four to five year) assessments of individual cities' needs. This approach has cut across both traditional sectoral lines and governmental levels, and demonstrated the principles of basic minimum, affordable standards for urban services with provision for cost recovery. Provincial and local governments in eight large and medium size cities were brought into the planning and budgeting process for projects in their respective target cities. The program operated in 38 small cities of Central Java Province as well.

Although problems remain to be solved, Indonesia is well on the way toward adapting and expanding the application, on a nationwide scale, of the techniques for improving urban living conditions that were first tested and proven in Jakarta.

V. LESSONS IN CONCENTRATING ON FUNDAMENTALS

A. Need for a Conceptual Framework and Feedback

While an urban development system for Indonesia's cities has been put into place and numerous individual projects are in progress, Cipta Karya's planners take a realistic view of future prospects for their program in light of experience to date.

The planning division (referred to by CK officials as the planning "kitchen") has operated without benefit of either a long term conceptual development framework or feedback from work being carried out in the field. They have improvised a rationale for selecting and coordinating the many projects and measures that need to be related to one another in space and over time, and created a framework by preparing manuals which set forth standards, norms and procedural models to guide the planning, programming and budgeting of urban development activities of both Cipta Karya and other units of central and local government. They have been quite successful during this learning period of "first-round" projects. But in a country so vast as Indonesia, with resources so limited in relation to needs, sound decisions will require both a strategy context and good information on which to base the choices that must be made. Thus, one of the first tasks in this current national plan period (Repelita IV) is preparation of a national urban strategy for guiding investment patterns "between the two strategic pillars" of regional balance and national economic development. Another high priority effort is to create a system for monitoring implementation and local impacts.

B. A Model for Coordinating Implementation Locally

Realizing that centrally-run operations will simply not be possible over the long term as the urban development program expands, Cipta Karya has been trying to foster capacity to coordinate implementation at the local level. Steps have been taken toward this long term objective in the urban development programs for Bandung (Indonesia's third largest city) and Medan. But it is a reflection of the formidable obstacles involved -- in terms of limited resources and institutional development -- that no other places have yet had fully operational projects, integrating all phases of the urban development program. Bandung's multi-dimensional program includes kampung improvement on three sites supporting almost 10 per cent of the city's total resident

population of 1.3 million, plus sites and services and conventional housing projects. There are drainage, sewerage and solid waste works projects serving between 200,000 and 400,000 people as well.

An over all physical plan has been prepared for Bandung. Given the realities of available resources, much of this multi-faceted plan may never come into being, but its short-term action program can reduce the arbitrariness of investment decisions, shape elements of the urban project and channel their impacts.

A single program director is responsible to both the mayor of Bandung and Cipta Karya. He is supported by a complement of foreign advisers who serve as counterparts to him and to Indonesian planners and engineers responsible for various facets of the program. Funds for the Bandung project come from pooled resources of national, provincial and local governments plus monies from an Asian Development Bank loan.

C. Personnel Training

Indonesia is pursuing its commitment to more flexible, project-oriented planning by engaging in a major training effort, assisted by USAID and other international agencies. In context of a broader attempt to make thoroughgoing improvements in urban management throughout Indonesia, the Ministry of Home Affairs is undertaking to train a cadre of urban planners to staff the country's provincial, county and city planning agencies — a need estimated at 7,000 people in the near term. Four regional centers have been established to carry out the program which involves intensive classroom instruction of several weeks' or several months' duration and on-the-job training. In addition, MHA runs a series of seminars for mayors, governors and officials of public works construction agencies, on the use of planning and planners. These sessions are geared to creating a receptive and informed market for approaches that the trainees are preparing to apply. The government is eager to elevate the perception of planners' importance as well as the planning function itself.

D. Kampung Improvement

Unfulfilled kampung improvement performance goals from the third planning period have been carried over to the fourth. The target has been revised, expanding the effort from the 200 original cities to 400 by 1989. Among the lessons derived from work in this area over the past five years, are the importance of controlling the per hectare expenditure, of reviewing carefully the allocation of funds among various project components and of evaluating the environmental standards achieved when the upgrading work has been completed. Improving the efficiency of management methods and determining KIP's appropriate role in fostering more effective local planning and implementation in the medium size and small cities are other matters on the agenda for this new phase of national development.

E. Urban Services

Problems remain in achieving the goal of expanding water supply to serve 75 per cent of Indosesia's urban population. Less than half of water currently being treated ever reaches its intended consumers because the old distribution systems leak so badly. How to allocate funds among towns and villages on the basis of their relative water deficiencies is another task that lies ahead; and how to make water supply available for low income groups who cannot afford to pay the price local water enterprises must get to maintain cost recovery. Failure to extend service to these people is growing ever more critical in Greater Jakarta where water supply is deteriorating rapidly. Overburdened treatment plants are unable to prevent dangerous levels of pollution, treatment costs are rising and so much groundwater has been withdrawn that wells are beginning to show seepage of saline water.

A new directorate for sanitation has been created and endowed in this fourth plan period with a budget of US $260 million. Based on their experience so far, Cipta Karya planners have concluded that, in the smaller towns, they must address sanitation issues on a town-wide basis rather than utilize the partial solutions feasible in larger cities.

Greater attention must be given to selecting appropriate low cost technologies for human waste disposal. In a massive program targeted for at least 100 medium size and small cities, central government will provide some seed capital for sanitation. The cities will be expected to finance the balance of the costs for this program through their own resources or long-term, low-interest municipal loans. Low-cost solutions for drainage and flood protection will be emphasized as well. Under the current program each selected community will have a one-time, labor-intensive rehabilitation and maintenance project, to demonstrate for local government how to establish and sustain a continuing maintenance operation for these facilities.

To foster solid waste collection in the small cities, the government is planning to provide a package of assistance and equipment for collection and final disposal of trash, scaled to a community of 30,000 people. The collection system, using handcarts, trucks, handling equipment and transfer stations, is to be developed using a standard modular approach based on a pilot project developed during the third five-year plan. For the small "urban transition" communities a facility for improvement of solid waste and human waste disposal in central market areas is being incorporated in the cost of the water supply program.

F. Private Sector Shelter Initiatives and Government's Role

Shelter goals for the new planning period, have been set at 1.2 million units a year, 28,000 of which are to be produced by Perumnas.

Increasingly, Perumnas' is placing emphasis on small plots with small core houses, affordable for the target group in the 20th to 80th percentile income brackets. Difficulty in acquiring housing sites near places of employment is an obstacle to meeting the production target. Other constraints are the limited market for low income housing (especially on small plots) in the smaller cities, and the high per unit overhead in relatively small scale projects of 200-500 units.

Because the demand for urban housing is most pressing in the bigger cities, Perumnas will likely concentrate its efforts there, in projects of 1,000-5,000 units. Smaller projects will be left for local governments and nonprofit organizations to develop.

For the majority of new units, however, Indonesia must rely on innovative ways of guiding conventional private production. Until now, public and formal private suppliers of housing have played but a limited role in meeting Indonesia's housing needs. Increasingly, however, government will be seeking ways of supporting private shelter initiatives at all income levels, particularly in respect to land development and housing finance.

The policy of reliance on people to build, expand and upgrade their own housing fits well with government's pragmatic approach to neighborhood upgrading in the kampung improvement program, with its sites and services activities and with its realistic commitment to building a firm, affordable foundation -- both physical and institutional -- for Indonesia's long term urban future.

CHAPTER FOUR: KOREA CASE STUDY

I. INTRODUCTION

In scarcely more than three decades' history as a modern nation, the Republic of Korea has undergone the devastation of war, geographical division and one of the most strikingly successful economic development efforts observed anywhere. Created under United Nations auspices in 1948, after almost a half-century of Japanese colonial rule, Korea was very shortly embroiled in military conflict. South Korea emerged in 1953, a very small country with many refugees and displaced persons. Most of the country's mineral wealth and industrial base lay to the north of the demilitarized zone. Of the 98,000 square kilometers in the south, three-quarters is rugged, mountainous and widely denuded of forest cover. Following post-war land reforms, most of the remaining arable area has been divided into intensively cultivated small holdings. With a population of 39.3 million in 1982, South Korea is among the most densely populated countries of the world.

Korea's concerted, government-led efforts have achieved an economic boom, emphasizing industrial production for export markets. The country attained economic growth rates on the order of 10 per cent a year through the 1960s and early 1970s. Although growth has slowed in more recent years, it continues at a healthy 6.6 per cent annually, well in excess of the rate of population increase.

The World Bank classifies Korea as an upper middle-income country, with a per capita gross national product of $1,910 per year in 1982.

II. URBANIZATION TRENDS AND PATTERNS

Over the past 30 years Korea has become urbanized at a pace virtually unparalleled, even in the rapidly urbanizing developing world. Between 1970 and 1982, urban population grew more than 85 per cent. (Total population increase in this period was 27 per cent.) By 1975, half the country's population was urban. With two-thirds of her population

living in cities today, Korea has attained a degree of urbanization approaching that of some of the world's most industrialized nations.

In 1970 there were 41 cities and towns of 50,000 population or more. Today there are 55, 35 of which had more than 100,000 residents in 1980. Eleven cities are in the 200,000-500,000 size class; two, between 500,000 and a million. Four cities have over a million inhabitants.

Despite the range and variety of opportunities for urban living in Korea and a full hierarchy of city sizes, growth of Korea's largest urban concentrations has continued on an enormous scale. One-third of Korea's 39 million people live in her two largest cities. Seoul alone has close to 9 million. Busan, at 3.5 million, is the size of Seoul in 1965. Both cities have grown by almost two and one-half times in the past twenty years.

Because of Korea's rapid economic growth, many problems associated with rapid, massive urbanization have been less serious than in some other developing countries. An expanding urban employment base has been able to absorb the rural migrants quite readily, largely sparing them the severe poverty and insecurity faced by so many in other countries. Urban housing supply, inadequate for many years, has begun to catch up with demand; and the pace of investment in urban transportation has enabled Korea to avoid the chaos that typically occurs where numbers and density of population and the rate of change are so great.

III. NATIONAL URBAN DEVELOPMENT POLICY

A. Evolving Policy

Thus it is not the intractability of primate city problems that motivates Korea's concern for building up secondary cities, but rather three quite specific different objectives. One is to cope with urban expansion at smaller scale and, hence, lesser social cost than continued growth of the largest cities would demand. Second is to achieve a

more balanced pattern of growth throughout the country -- utilizing resources so far undeveloped and interrupting the self-propelling trend of regional disparity. The breadth of the gap between opportunity in the more favored parts of the country and other areas has, itself, been recognized as one of the most significant contributing factors in the growth of Seoul and Busan. Third is national security. So much of the nation's population and economic activity, concentrated in Seoul, is vulnerable because of its nearness to the border with North Korea. Concern for dispersion is a real issue, and one which has even inspired proposals to relocate the capital.

Decentralization policy ideas have been applied and revised in Korea since the mid-1960s. Government has tried in numerous ways to stem the flow of migrants to the big cities: creation of "greenbelts" girdling Seoul and other major cities, national land utilization planning and "growth poles", rural community development programs, residence tax in the big cities, limitation on student admissions in the big city educational institutions, an integrated regional development program and "regional cities", "deconcentration" of industrial development to satellite cities outside Seoul and Busan, and now, national housing and land development programs to facilitate expansion of intermediate size cities.

These efforts have begun to show results in the past few years. Although Seoul has not stopped growing, much less diminished in size or dominance, its growth has slowed from the rate of over seven per cent in the 1965-75 years, to half that between 1975 and 1981. Busan's annual growth rate has stayed in the five to six per cent range, increasing slightly in the early 1980s. Other cities have outpaced these two, however; notably, in the region surrounding Seoul and in the southeastern coastal area along routes radiating outward from Busan. These developments may be credited to the industrial deconcentration program, if not to the combination of other approaches.

Looking to the future, however, the current (fifth) Five-Year Economic and Social Development Plan (1982-86) asserts that sustained economic growth depends on balancing regional development. In this Five-Year Plan the Economic Planning Board reaffirms a critical role for "growth poles" in its spatial policy, but calls for a "major shift in government strategy". It is a shift from the 1970s concentration on a single leading sector (i.e. manufacturing industry) to more broadly-based efforts to boost growth of individual cities.

Individual city development strategies, in turn, are cast in context of regional development programs, and within the framework of the Second National Physical Development Plan (1982-91).

Physical planning has provided a base of reference for land allocation decisions and, to some extent, for capital works, but it has had relatively little influence over enterprise investments. The real, driving force has come, instead, from macro-economic or sectoral planning. Local planning has tended to take the traditional long-range, comprehensive and generalized approach to creating an image of how a given city could look at a certain time in the future. Now, however, the Planning Board's strategy implies a convergence of economic development programming and local planning in a program to stimulate the growth of selected intermediate size cities. The Plan targets cities identified as having the greatest potential for economic development and for playing a catalytic role in the development of their surrounding regions.

This strategy challenges the municipalities' ability to initiate, plan, implement and finance physical and social infrastructure required to support and/or attract new investment in diverse economic activities. Recognizing that public infrastructure investments, while necessary, may not be sufficient to attract investment to the targeted locations, the planners acknowledge the challenge to devise and apply an effective system of credit and tax incentives to ensure the desired response on the part of business.

B. Institutional Framework

Central government administers municipalities as direct channels for national policy. Although local autonomy legislation remains on the books, none of the administrative subdivisions has had an elected decision-making body for the past twenty years. Heads of all provincial and local government units are career administrators, appointed by the president. They are members of the Ministry of Home Affairs' local government service (a cadre separate from the national civil service and somewhat lower in prestige). County chiefs and mayors of all but four cities are also personnel of the local government service, nominated by their respective provincial governors, and answerable to MOHA. The large cities of Seoul, Incheon, Busan and Daegu are under the direct control and supervision of the Prime Minister's office, however, rather than MOHA.

Local government officials are rotated among various positions in different parts of the country for two to four-year tours of duty in each place. A successful promotional route tends to be from smaller communities to larger ones, with status escalating accordingly. The pinnacle is the position of Minister of Home Affairs.

The authority of local government to levy taxes is limited. Because locally-generated revenues cover no more than 50 to 60 per cent of local governments' expenditures, these units are financially dependent on the central government. Special projects or programs central government wishes to implement are subsidized directly or through the provincial offices of the ministries through a shared tax* statutorily fixed at 13.27 per cent of the internal tax revenue.

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* Shared tax allocations are based on the computed difference between the local entity's projected "needs" and its ability to finance such expenditures through local revenue sources. The Ministry of Home Affairs determines unit costs for the various eligible services. Estimated "needs" are, consequently, the computed costs of meeting a schedule of uniform standards of service compiled by the central government (expressed in won per thousand population or won per square feet in the case of expenditures for property maintenance). "Ability" is measured as 80 per cent of the regular local tax levy. Separate "unit expense" scales are created for the "special" (four largest) cities, provinces, nonmetropolitan cities and the counties. The Ministry of Home Affairs has some flexibility to adjust for changing conditions or emergencies.

Under this system, the entire budgetary structure of local government is closely monitored by central government, which generates an elaborate data base on the individual communities.

Central government responsibilities for the intermediate size cities divide principally along the lines of urban administration, which is the bailiwick of the Ministry of Home Affairs (MOHA), and development, which is the concern of the Ministry of Construction (MOC).

The law mandates that all cities have plans. The framework for these plans and their final approvals come from the MOC. This Ministry is the parent agency of the Korea Research Institute for Human Settlements (KRIHS) which, among its various research duties, sets out policy and statistical parameters such as population targets, as terms of reference for preparation of individual cities' plans.

Local governments must arrange, and pay for, preparation of these plans and must oversee their implementation. Thus, the plans must be screened and accepted by MOHA. In actual practice, the municipalities usually contract with professional consultants -- and sometimes with KRIHS itself -- to prepare the plan documents. The plans are screened by advisory committees within the municipalities and then by MOHA before being sent on the MOC for formal approval.

Once adopted, the local plans become the official plans of government. They are the basis for stringent land use regulations and greenbelts, special zones and building permits through which local administrators control the location of private sector development. In larger, privately developed housing estates, the Ministry of Construction also requires developers to install schools, recreation facilities and other community services in accordance with standards set forth in the plans. The relationship of public sector development to the plans is complicated, however, by the fact that several arms of central government and local government, itself, carry out development activities.

The Ministry of Construction (MOC), through its eight regional offices, designs and builds most public works, e.g. roads, schools, water

supply, etc. (Exceptions are power and telephone lines which are built by the Korea Electric Corporation and the Ministry of Communications' Bureau of telephones, respectively.) MOC's national Physical Planning Bureau achieves over all coordination through review of designs and final inspection of completed construction. MOC's projects, by and large, conform with local plans in respect to location and scale. Such is not always the case, however, with projects of the Korea National Housing Corporation (KNHC) and the Korea Land Development Corporation (KLDC), agencies which have more clout than the plans and local regulatory officials.

The Korea National Housing Corporation (KNHC) is a government corporation created in the early 1960s as the principal implementing agency for public housing programs and other measures to relieve Korea's housing shortage. Its mission includes the supply, finance, and upgrading of shelter (including sites and services projects) as well as the management of housing estates. KNHC is attached to the Ministry of Construction, which directs its housing operations in consultation with the Ministry of Finance. KNHC's building program is very large by any criterion -- 45,000 units in 1981. The work is widespread throughout the country, but under highly centralized control. Seven branch offices have responsibility for construction management. All project planning is done in Seoul.

Beginning in 1976, KNHC reoriented its production from emphasis on Seoul and Busan (where over two-thirds of its units had been built in the previous 14 years) to other cities. By 1979, almost three-quarters of KNHC's new units were being built in 38 cities other than Seoul and Busan. Thirty of these cities are in the small or medium size class. New projects have been started in five more cities since 1979.

Under a 1977 Ministry policy governing KNHC operations, housing construction priorities focus on five regional growth poles (Daegu,

Daejon, Cheongju, Gwangju and Masan) and seven other industrial cities. The objective is to have the housing ready for industrial workers when it is needed, but timing of the industrial development and services for the new residents is not always well synchronized with housing construction. Delays in the creation of new jobs have left KNHC with several hundred vacant units in various smaller cities where it is enjoined to build. This problem is virtually nonexistent in the metropolitan areas, where there is a strong demand for housing.

In the past, KNHC production was about evenly divided between units for rent and for sale. Now, however, all new housing is built for sale. Consequently, market acceptance is an important factor in the agency's planning. Although resistance to "affordable" dwelling space standards and to the five-story walkup flat (99 per cent of current production) has been overcome in time, consumer concerns impose other constraints on the projects. One of these is cost, as KNHC is obliged to build unsubsidized shelter for low and moderate income families.* Another is location -- specifically, access to urban services and employment. KNHC has had a major problem reconciling these objectives in the selection of housing project sites.

The Korea Land Development Corporation (KLDC) is another government corporation, created in 1979 to play a major role in shaping, as well as implementing, urban land development and reclamation policies. Its mission is to acquire land for residential and industrial use and either to sell the land to private developers or to develop the land itself, prior to sale. Developments as large as a whole new town are within the purview of KLDC. Current priorities center on residential land development for low income groups.

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* Affordable standards, cost recovery (i.e. elimination of shelter subsidies), decentralization of housing investment and targeting production for below-median-income families in context of a national housing policy are among the principles adopted with the encouragement of USAID over many years of policy dialogue and housing finance assistance.

In addition to Seoul headquarters, KLDC maintains five branch offices, in Busan, Daegu, Gwangju, Daejon and Cheonju.

Finance for KLDC activities has come mainly through government capital and sales of bonds backed by its land assets. All costs for land acquisition and development (including overhead and interest) must be recovered through land sales. Given the constraint of sales price affordable by the targeted low-income segment of the market, KLDC is virtually forced to seek out the cheapest possible land.

Municipalities are a third group empowered to develop land for housing and allied purposes. They subdivide land and install utilities and roads, and they are required to provide off-site infrastructure for KNHC and KLDC housing projects. In both range of initiative and volume of production, the municipalities are more limited than central government agencies. This is partly because of local financial resources are restricted and partly because central government has cast itself in a leadership role.

C. A Sum of Parts but Not Quite a Whole

Practical and serious development problems arise in the timing, sequence and coordination of sectoral budgets for components of urban development. The industrial thrust of the 1970s achieved some functional specialization among the provincial cities but, at the same time, tended to make towns overly dependent on a single industry or group of inter-linked industries. Although 85,000 workers are now employed at the 25 industrial estates created in provincial centers around the country, the impact on employment in any single community has been limited and more than 30 per cent of the fully-serviced industrial sites were still unsold in 1982.

Dwelling units stand unoccupied in some cities because the potential buyers and the economic activity to support them have not yet arrived. Residential sites purchased by KLDC, under the dictates of its least-cost selection criteria, may be so distant from existing

development that they fail to meet KNHC's criteria and prove excessively costly for the municipalities to service with infrastructure. A massive housing estate may be completed and occupied, still lacking the schools, health clinics, shopping facilities, recreation or other services essential to an urban community.

Citizens are pressing increasingly for improved services. In the push for economic growth, urban services have been downplayed. Similarly, concerns about pollution. Now, however, these matters are beginning to be seen in some quarters as elements in a strategy to attract population and economic activity to communities outside Seoul and Busan.

IV. THE INTERMEDIATE CITIES

A. Status and Trends

Investment in intermediate size cities during the 1970s fell short of planners' hopes. Recent statistics show a job in manufacturing for one out of every 29 residents in the metropolitan areas and one out of 74, in the middle and smaller size cities. Between 1970 and 1980, four times as many new jobs were created in the metropolitan areas as in the intermediate and small cities, and professional, managerial and other specialized types of higher-paying employment lagged even more. The services sector, that residual category that includes small enterprise and other employment falling outside "formal" wage sector categories, dropped from about one-third of all employment in 1960 to under ten per cent in the largest cities in 1980, but was 17 per cent in the middle size cities of 100,000-200,000 population and remained proportionately even more important in the smaller cities.

Much of the capital derived from domestic and foreign business transactions was reinvested in the metropolitan areas; very little was made available to support business ventures in the major provincial cities. Development of institutions of higher learning, considered an important generator of high technology activity, remained seriously skewed toward the metropolitan areas.

The consequences of the imbalance for local public finance and, hence, the ability of cities to finance expansion of needed infrastructure, are what might be expected. Seoul and Busan are able to raise revenues sufficient to cover 95 and 91 per cent of their respective municipal budgets. Fiscal dependency of the intermediate cities has, by contrast, increased in recent years.

Concern in the central government about insufficiency of the intermediate cities' financial bases is matched by concern over the inadequacy of local government. Current practices of administrative personnel assignments averaging only two years in a given city hinder implementation of extended local development programs. This is not conducive to establishing confidence between government and local residents or potential investors or to engendering active local support for development activities. One high official tells of local initiatives being "blocked at the grass-root sources" even when they do arise spontaneously.

B. The Intermediate Size Cities Program - An "Action Plan for the '80s"

KRIHS has outlined an implementation strategy for MOC's 1981-2000 National Development Plan that features 15 "regional cities" or "growth balance centers", an updated version of the "growth poles" of earlier plans.*

C. Selection of Cities

Government investment priorities focus on the two groups of cities. The highest priority group consists of three: Daegu in the east, Gwangju in the southwest and Daejon in the central part of the country. Twelve cities are accorded second-level priority: Weonju, Chuncheon, Cheongju, Cheonan, Gangreung, Jeonju, Namweon, Mogpo, Suncheon, Andong, Jinju and Jeju. (See Map.)

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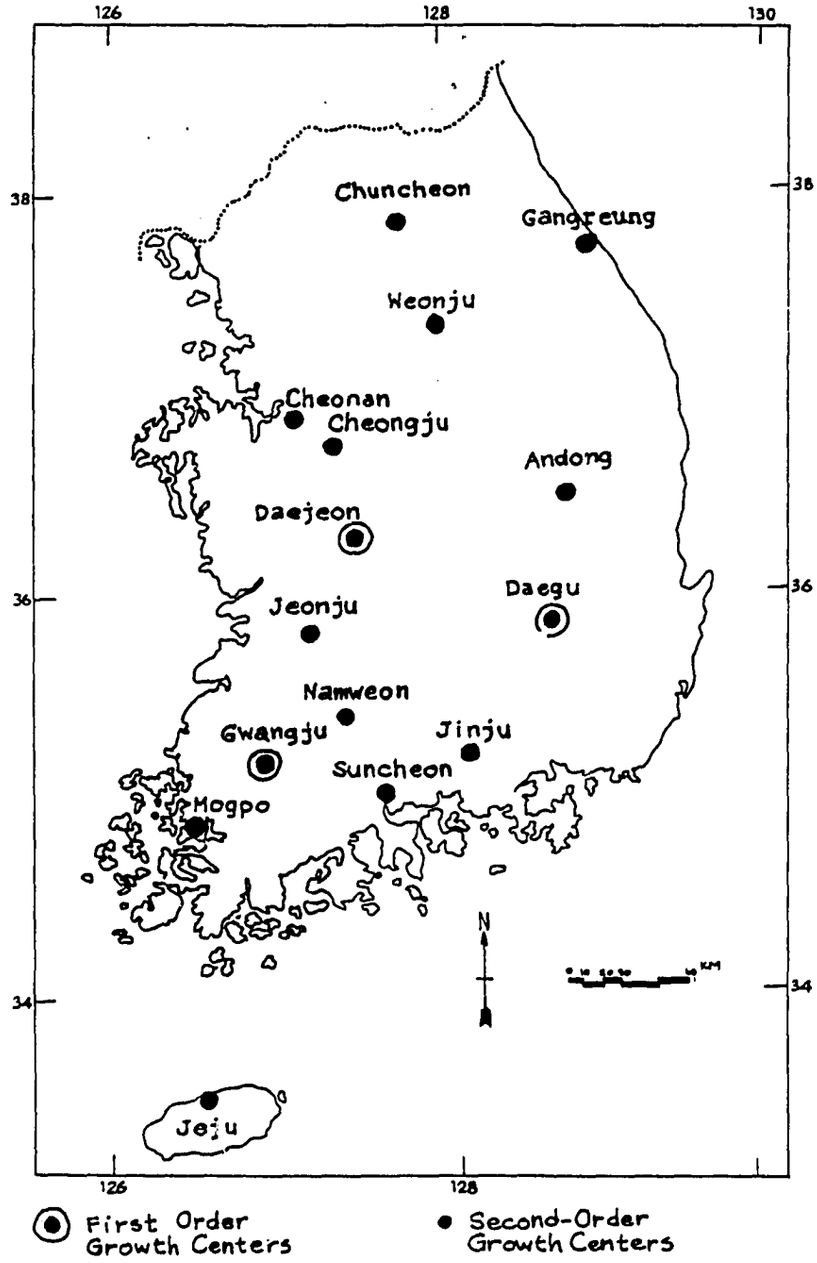
* Principles of differentiation, comparative advantage, and diversification through expansion of smaller-scale indigenous activity are emphasized and the "network of equals" image and "leading sector" strategy associated with the "growth poles" idea are downplayed.

TARGET CITIES
INTERMEDIATE SIZE CITIES PROGRAM
KOREA



The selected cities range in size from 60,000 to 1.6 million. They differ widely in function and physical attributes as well as past records of growth and development. Some of the fastest-growing cities in the group have benefited from industrial decentralization programs. They were chosen on the basis of:

1. availability of infrastructure to support large and diversified local economies
2. good communications and transportation links with both the largest cities and the lower order urban centers in the surrounding region
3. extent and variety of services offered to outlying areas
4. development potential untapped for lack of resources that outside assistance might be able to provide under this new program
5. geographic distribution.

KRIHS has analyzed the selected cities to determine what physical, economic and social development investments can boost their growth to the target levels. Projects were identified from the cities' master plans according to the following investment criteria:

1. improvement of public facilities
2. extent to which a proposed project would expand employment opportunities or prevent emigration from the city
3. degree to which the proposed project investment would add to municipal revenue
4. contribution of the project to improved living environment
5. the cost-benefit ratio calculated for the project
6. number of people and radius of territory to be benefited

Costs were estimated and each city's revenue-generating capacity, examined, to determine the requisite supplementary funding.

D. Administration

The intermediate size cities development program will be coordinated by the Korea Planning Board (KPB). Because the Deputy Premier is Minister of the KPB, this agency has significant authority to orchestrate investment activities and to order the priorities of various other ministries. A special coordinating committee includes representatives of the KPB, KLDC, Ministry of Construction, National Statistical Office, the Ministry of Home Affairs' Director of Urban Planning,

Chief of KRIHS and Chief of the Korea Development Institute plus university professors with expertise in regional economics and regional planning. KPB wants to decentralize its administrative function to local areas but has not decided how. One scheme under consideration would create local branch offices of each ministry in the target cities.

E. Finance

Based on project ideas and general cost estimates in the National Ten-Year Plan, MOC has projected costs of the 15 city program on the order of US $800 million for the first five years and US $2.2 billion for the 1986-91 period.

A principal recommendation of the current ten-year plan is creation of a national Urban Development Fund which would be a source of loans for the municipalities whose revenue base is too small to permit major capital improvement investments. Loans from the fund could be used for infrastructure (i.e. roads, water, sewer, medical and educational facilities) or for industrial development. Financing for the fund would come from governmental appropriations, banking institution loans, private sources and/or foreign borrowing.

Whether the fund would be controlled by the Ministry of Home Affairs (in its capacity of overseer of municipal finance) or the Ministry of Construction (in its capacity of national general contractor) is still under discussion. Pending resolution of this issue, the "Action Plan for the 80s" will be regarded as the Ministry of Construction's plan, without controlling authority over other agencies such as MOHA or the KLDC.

F. Local Plans

The 15 targeted intermediate size cities must update their comprehensive plans to cover the 1981-2001 period. They must also prepare both ten-year detailed action programs incorporating capital budgeting, and annual implementation plans. The ten-year plans are to address the following subjects:

1. population
2. land use
3. transportation
4. public facilities
5. economic base and employment
6. environmental protection
7. housing needs and standards
8. parks and recreation
9. public health and hygiene
10. social welfare
11. revenue prospects
12. administration and
13. project recommendations in context of a staged implementation program according to the six priorities indicated above.

Plans for specific residential, commercial and industrial districts as well as areas slated for other uses are to be spelled out in detail. As these plans are to be the basis for project programming, they must be updated every five years. The annual implementation plan is to be the capital budget for the coming year.

In most cases, updating the comprehensive plan involves little more than consulting with each ministry about its five-year construction plans so that scheduled projects can be indicated as such. The annual implementation plans, however, are more complicated since they will determine how limited funds for the 15 target cities will be allocated, and the precise level of over all funding to be available is not yet known.

Availability of appropriately trained staff is a problem in implementing this over all planning program. New regulations recommend that each local government establish a planning group composed of professionals such as economists, landscape architects, planners, engineers, etc. to advise the mayor on plan preparation and implementation. Despite increased numbers of qualified Korean planners since the mid-1970s,* few cities have professional and technical planning personnel to

* Five universities have undergraduate training programs in municipal planning. Two offer graduate degrees.

draft their plans in-house. MOC considers it unlikely that much new staff will be hired by local government, mainly because of the high cost of their salaries. Thus, many of the plans will probably be prepared by university professors (authorized, in view of the circumstances, to engage in part-time contract work) or specialists with consulting firms in the fields of engineering, architecture or planning. There are 50 such firms in Korea today, two-thirds of them located in Seoul. The services of foreign specialists resident in Korea are also available to local government. The MOC also expects to conduct special training seminars for local officials on how to administer the work called for under the new planning guidelines.

V. BUILDING ON THE LESSONS OF PAST EXPERIENCE

Governmental action to date in housing, land use regulation, community development, social infrastructure and administrative training has had more impact on the quality and management of Korea's urbanization than on its spatial distribution. Land development planning and decentralization policy have never quite been given "teeth." Investments in growth pole development were too limited to make the designated cities genuinely competitive with the capital. Industrial facilities were provided, to be sure, but community facilities, cultural activities, a wide variety of services at high standards and other urban amenities such as parks and recreation facilities were not furnished as part of a locational incentive package. Nor were punitive measures applied in Seoul strong enough to outweigh its perceived and real advantages. Diversion of credit to certain industries and sectors in metropolitan locations, investment-output criteria and continued centralization of governmental authority have all undermined the growth pole strategy.

The current 15-city development program has been designed to overcome key problems encountered in earlier decentralization efforts that were unisectoral, not well coordinated, overly reliant on inadequate incentives and restrictive but weak industrial location sanctions

and broadly spread geographically, rather than sharply pinpointed. Important issues remain to be resolved, however, in both the program's design and its implementation.

1. Government commitment. Some agencies, whose participation is critical, are looking for convincing evidence that the program has full backing of government at the highest levels before they will respect it as governing their own decisions. There is skepticism about the will behind the intermediate city development program since the last round of "growth pole" policy was not pursued consistently. This time, government seems to be saying that development of the intermediate size cities is an important goal in its own right, rather than one defined in the negative and unrealistic terms of reducing the size of Seoul and Busan.

The test of policy commitment will not lie in direct support of the 15-city program alone, but also in the extent to which the government modifies its other policies and programs that might undermine efforts to stimulate economic development of the targeted cities.

2. Financial and administrative arrangements. The level of financing to be made available will control the scope of the program and the precise number of cities to be included. In order for any city to receive enough resources to make an impact in terms of the program's objectives, Korea will have to exercise strict discipline in limiting the number of target cities despite political pressure to include more.* The financial mechanism will be important in view of the rivalry among ministries for the power that goes with its control and the critical need for improved coordination across agency lines.

3. Care must be taken lest the intermediate cities development program concentrate, rather than devolve, central government power. The 15-city program is intended to place the massive burden of planning at the local level, but Seoul could retain most of the

* The 14 cities originally targeted for this program in 1981 have already been increased to 15.

decision-making authority. If this happens, the program would, paradoxically, increase the workload of central government in reviewing and approving all the new documents, projects and budgets.

Thus, despite the establishment of local branches of central governmental agencies, the channels of communication could become so clogged as to stifle local initiative. Much will depend on whether Korea shows a genuine commitment to decentralization and on how new decision-making procedures are introduced.

4. Merging economic development and physical planning effectively will be one of the most interesting and challenging facets of the intermediate cities program. Physical planning has, heretofore, been relegated to a role of preparing the way for industrial development or coping with the impacts of development after the fact. Now, however, development of the intermediate city in the full range of its civic, cultural and physical functions is seen as, itself, a significant factor in attracting new investment. The housing and community facilities and services, regarded as nice luxuries which could follow industrialization and economic growth when communities were able to afford them, are now seen by, at least some, theorists and policy-makers as preconditions or incentives for achieving diversified economic growth. Strong domestic markets will become increasingly important to the over all strategy for economic growth, and in that context, well-developed urban concentrations will definitely be long range assets.

Economic planners speak of tax incentives and credit controls as means of directing the geographic distribution of new industrial investment, but the intermediate cities program challenges them to think about strategies for building and expanding a diversified urban economic base for individual cities. The scale, perspective and issues will be quite different from the national sectoral planning the economic planners have been doing. The current five-year economic development plan points to some slowing in the over all rate of growth of the national economy. As a remedy, the plan calls for much greater development of economic activities outside the major industrial sectors than

has occurred under recent, narrowly focused and tightly government-controlled investment programs. This implies a much greater role for expansion in the private sector and mixed enterprise and wider latitude for the marketplace in influencing decision-making. If, indeed, government pursues such a policy, the program for intermediate cities will have to rely much more on strategies that make them appealing industrial and commercial locations in market terms and less on governmental leverage through credit controls. Success in such an economic environment will require more than simply procedural training for planners and administrators of the local development programs. These people will need to be imbued with a large dose of entrepreneurial spirit and they will need to be permitted scope for imagination and innovation. The ability of local officials and business people to recognize, and respond energetically to, opportunities that arise may make the critical difference in how well the intermediate cities program succeeds.

The intermediate cities program is very ambitious and also complex. Its implementation will require careful balancing of efforts between those which will produce visible results within a fairly short time and those which work toward the longer-term institutional and economic development objectives.

CHAPTER FIVE: BRAZIL CASE STUDY

I. INTRODUCTION

With an area of 8.5 million square kilometers, Brazil is the fifth largest country in the world. Mostly tropical in climate, Brazil has rich mineral resources, including oil, which off-shore installations have recently begun to exploit.

Brazil's status as a federal republic dates from 1889. Today the country is comprised of 23 states, 3 territories, and a federal district where Brasilia, the national capital, is situated. A federal constitution sets forth the division of political and administrative responsibilities among federal, state and municipal governments. The territories and the federal district are administered by the federal government. State constitutions define and empower the municipalities, of which there are currently 4,036.

Until the 'thirties, the Brazilian economy was based on export of raw materials. Industrialization accelerated between the two World Wars through manufacture of products as substitutes for imports. During the period, 1930-45, Brazil had an industrial growth rate around 10 per cent annually, and a considerable increase in production of cement, iron, steel, non-metallic minerals, textiles and manufactured goods. In the late 1950s, the industrialization process was strengthened by a large inflow of foreign investment in durable goods manufacturing enterprises, producing such goods as automobiles and electric appliances. Meanwhile, the public sector also expanded very quickly, with emphasis on road construction.

A recessionary period, 1962-67, was followed by another rapid growth phase with annual GNP increases above 10 per cent. This lasted until 1975, when, with the increase in oil prices and the worldwide economic recession, Brazil showed much less impressive growth. In 1983, the GDP declined 4 per cent and 1984 saw that trend continue.

Although Brazil's agricultural development has been significantly smaller than that of the industrial sector (4.5 per cent annual rate of growth and 8.2 per cent, respectively, 1970-82), it did keep pace with

the rate of population growth and per capita income as a whole (2.4 per cent and 4.8 per cent, respectively, in the same years).

Despite the record of achievement, Brazilian economic development has been characterized by problems that have become particularly serious since the late 1970s: high inflation (around 210 per cent in 1983) and large national debt (both external and internal). A recession, brought on by stringent measures to deal with the debt crisis since 1981, has aggravated Brazil's chronic unemployment and underemployment. Employment in the "semi-structured" and "non-organized" sectors of the economy has increased at an annual rate of 13 per cent during the 1980-84 "stabilization" period, double the rate of the previous decade. Unemployment increased by 9.8 per cent between June 1983 and June 1984 in the country's six metropolitan regions, reaching levels as high as 31 per cent in Recife and 40.5 per cent in Salvador. Unbalanced distribution of income and regional disparities continue. Much of the country's economic expansion has occurred in the more developed southern and southeastern regions while the northern and northeastern regions remain backward and poor.

II. URBANIZATION TRENDS AND PATTERNS

Although Brazil's over all population density is very low (14 people per square kilometer in 1980), the settlement pattern of her 119 million people has been heavily concentrated in certain parts of the country, within urban areas in general and particularly, in a limited number of very large metropolitan areas and large centers.

Industrial expansion, high birth rates and rapid transformation of the agricultural sector from labor- to capital-intensive production have all contributed to a 537 per cent increase in Brazil's urban population between 1940 and 1980. During this period total population increased 189 per cent, and urban residents as a proportion of the total grew from one-third to more than two-thirds. While the national population growth rate has decreased a little in the last decades (falling from 2.99 per cent annually in 1960 to 2.49 per cent annually in 1980), the urban

population growth rate still remains quite high (4.1 per cent annually in 1980).

Population Growth in Brazil, 1940-80

Year	Total (000)	% Annual Change Since Previous Census	Urban (000)	Urban % of Total	Rural (000)	Rural % of Total
1940	41,236	1.49*	12,880	31.2	28,356	68.8
1950	51,945	2.39	18,783	34.2	33,162	65.8
1960	70,995	2.99	32,005	45.1	38,988	54.9
1970	94,509	2.89	52,905	55.9	41,604	44.1
1980	119,099	2.49	82,013	68.9	37,086	31.1

* 1920-1940
SOURCE: Fundacao Instituto Brasileiro de Geografia e Estatistica.

Between 1970 and 1980, an average of 2.9 million inhabitants per year were added to Brazil's cities. Half this growth resulted from rural-urban migration and half, from natural increase of urban residents. Every Brazilian state, with the exception of Para and the federal territories, experienced intensive migration toward the cities.

Until the 1960s, most of the urban growth occurred in the bigger cities, i.e. those with population of 200,000 or more. In the 1970s the rates of increase varied little among cities of different sizes, although cities in the 50,000 - 200,000 population class showed faster growth than the largest places. Even so, massive concentration of urban population in the larger cities continues to intensify. From 1940 to 1980 the percentage of the total population living in cities with more than 500,000 inhabitants rose from 7.7 to 31.5 per cent. Nine metropolitan areas together shelter 42 per cent of the country's urban population. These metropolitan areas, except for Rio de Janeiro, Recife and Porto Alegre, grew faster than the rest of the country. Two-thirds of the state capitals also showed population growth rates higher than the national average. Rio de Janeiro's growth rate dropped partly due to

the transfer of the capital to Brasilia. Within individual metropolitan areas there has also been a trend of population movement from the core cities to settlement areas on the periphery.

The cities are experiencing many vexing problems, owing to the nature of their urbanization — more a swelling than a genuine, incremental growth.

Concentration of economic activity in a few urban centers, mainly in the southern and southeastern regions, has generated an uneven and disconnected urban network.

Increasingly congested, the metropolitan areas and larger centers are suffering deteriorated environmental conditions. Economies of scale are eroded by the severely impeded internal circulation. Municipal finance has been seriously disrupted by the gradual complication and decline of federal revenue transfers that were instituted under a 1967 tax reform to redress the problems of centralized tax collection.

Urban population growth at rates exceeding four per cent and urban labor force expansion of more than five per cent annually are outpacing the creation of new jobs in the formal sector (scarcely over two per cent in 1984). As a consequence, large strata of the population must seek their livelihood in the so-called "informal sector" where productivity levels are very low and incomes precarious.

More than 60 per cent of the nation's urban population are unable to enjoy the benefits of basic urban services. Caught between the speed and extent of their spreading settlement areas and the lagging expansion of their institutional and economic bases, cities have been uanble to support sufficient growth in their physical and social infrastructure.

The chronic gap between cost of available housing and what low income households can afford, forces large numbers of people to live under very poor conditions in the extensive squatter areas on the outskirts of the cities.

III. NATIONAL URBAN DEVELOPMENT POLICY

Brazilian urban policy is defined by the National Council for Urban Development (CNDU) and implemented under the coordination of the Subsecretariat of Urban Development of the Ministry of Interior. CNDU Resolution 003/79 expressed the policy direction for the 1979-85 period as:

> "the consolidation of an urban system able to ensure a more adequate spatial distribution of economic development contributing to a better interaction of the national territory and to the reduction of the inter-regional as well as the inter-personal disparities in income distribution."

These aims were to be achieved through:

> ". . . utilization of the still not exploited local and regional potential in some not yet developed areas; and to improve the sectoral and vertical articulation mechanisms between the federal government, the states and the municipalities; and to guarantee the resources necessary to the improvement of local infrastructure and urban services."

In its inter-urban dimension, the policy seeks deconcentration of the metropolitan areas toward certain selected urban centers. In its intra-urban dimension, the policy aims at eliminating deficiencies in the physical and social infrastructure of urban areas. Stated objectives include improvement of utilities and services to meet basic needs, especially for the low-income population, and investment in improved urban land use, housing conditions, transport services, basic sanitation and historic and environmental preservation.

The approach to deconcentration of the congested metropolises identifies four categories of places for special action:

1. deconcentration areas, where the existence or pressing danger of congestion due to excessive concentration are perceived (i.e. the metropolitan regions of Rio de Janeiro and Sao Paulo and their surroundings)

2. areas of controlled expansion, that present a dynamic urbanization process, good socio-economic structure and appropriate conditions for industries that might relocate out of the deconcentration areas

3. development areas, where efforts to stimulate new economic activity would be directed, and

4. areas with special functions, as defined by the needs of the national sectoral programs, particularly those related to the creation of industrial centers, occupation and colonization of border regions, tourist development, historical or ecological preservation.

Within this larger scheme, four classes of urban centers are distinguished, each slated for a special type of strategic program:

1. metropolitan - the municipalities constituting the nine metropolitan regions,

2. medium size - cities which, due to their size and regional functions, have achieved urban scale that could offer alternatives for population and economic activities that have been tending to locate in the metropolitan regions,

3. small size - other cities in the national urban system that function as support nuclei for rural activities, and

4. urban support - communities which provide services for areas with special functions.

Throughout this urban policy there is a strong current of national government direction, initiative and financing, although institutions at the state and local levels of government are directly involved in planning and implementation.

Agencies involved in urban development at the federal level are: the National Council for Urban Development (CNDU) and its operating arm, the Subsecretariat of Urban Development (SDU) from the Ministry of Interior; the Regional Development Superintendencies (one for each of the country's five macro-regions) which support the SDU through their local development departments; several sectoral agencies with specific tasks, e.g. the National Housing Bank (BNH), the Brazilian Transport Enterprise (EBTU), Brazilian Food Company (COBAL), Brazilian Support Center for Medium and Small Enterprises (CEBRAE) and the National Employment System (SINE) from the Ministry of Labor, among others.

The State Planning Secretaries, the State Housing Companies, concessionaires responsible for water and sewerage services, metropolitan development agencies, etc. enter at the state level.

At the local level are the municipal secretaries and agencies responsible for public services.

IV. THE MEDIUM SIZE CITIES

A. Strategic Importance

About 120 municipalities are in the group of medium size cities designated to play an important strategic role under the 1979-85 urban deconcentration process. Most had more than 100,000 inhabitants in 1980. A few regional centers with somewhat less population are included as well. None of the group, however, is a municipality located in one of the nine metropolitan areas or the federal district of Brasilia.

During the 1970s Brazil's medium size cities grew at higher rates than either the national average or the core cities of the metropolitan regions. Together these municipalities housed 17 per cent of Brazil's total population and 22 per cent of the country's urban population -- a number equivalent to the combined inhabitants of metropolitan Sao Paulo and Rio de Janeiro.

In terms of economic productivity these cities have been doing quite well, with 19 per cent of the country's 1980 labor force producing 19 per cent of the nation's industrial output. Survey data from the 1980 census showed that in 38 per cent of the medium size cities the value of industrial production per labor unit was higher than the average of the nine metropolitan areas, 26 per cent higher than the national average and 30 per cent higher than that of the City of Sao Paulo. Significance of these cities is not restricted to the industrial sector alone. They also function as central places, providing facilities and services for their surrounding regions. In this capacity, the medium size cities are seen to be contributing greatly to the process of

modernizing and raising the living standard of Brazilian society in general.

Such positive factors notwithstanding, many of the medium size cities have not been doing so well as they might in generating employment and income. Limitations of physical and social infrastructure and municipal administration have been constraints to more fully realizing their potential contributions to national development goals.

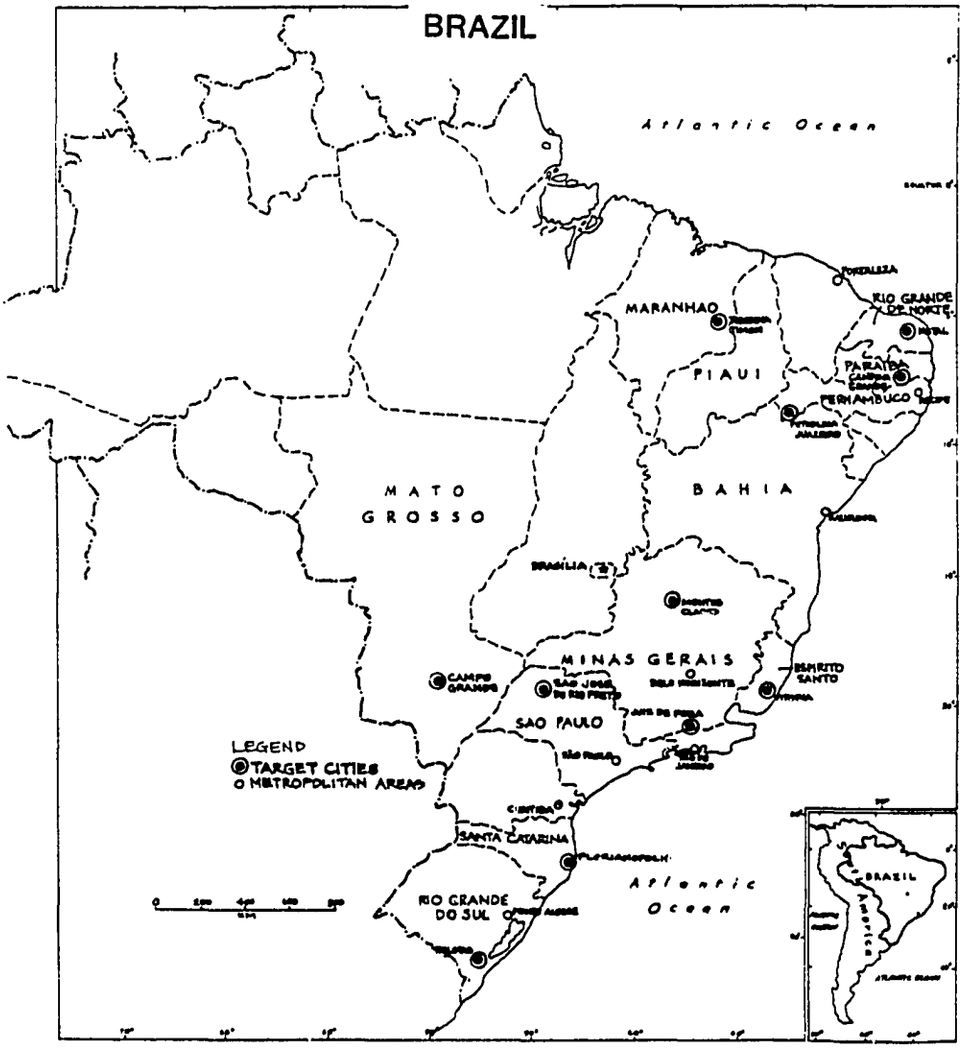
B. The Medium Size Cities Project

1. City Selection

The Medium Size Cities Project was begun in 1979 to address these problems. Under a loan agreement with the World Bank, the Project has focused on eleven centers selected from the group of 120. Originally eight centers were selected for the initial phase: Natal, Florianopolis, Juiz de Fora, Campina Grande, Montes Claros, Pelotas, Vitoria and Petrolina/Juazeiro. (See map.) In 1982, three more were added: Sao Jose do Rio Preto, Teresina/Timon and Campo Grande; and the term of the project was extended from three to five years.

States submitted short lists of cities demonstrating current and continued capacity for growth, physical capacity to accommodate expansion, economic relationships with an extensive hinterland, a history of coping with problems of growth, organization and capability for preparing and implementing projects of significant scale and willingness to participate in, and to follow through on, the special experimental program. Ultimately, selection of this initial group of cities was based largely on the degree of sophistication of local public administration, strong political commitment, specific political pressures and on the desire to include a representative sample of cities of varying character in different parts of the country.

TARGETED CITIES MEDIUM SIZE CITIES PROJECT
BRAZIL



The approach has been to prepare an individual development program for each city or area selected, combining elements from a list of investments or activities eligible for financing under the project. Planning has followed a specified procedure and several basic principles. All levels of government have been involved, with federal coordination, supervision and assistance.

2. Basic Principles

Five basic principles govern the Medium Size Cities Project:

a. The various works and services must benefit, first of all, the low-income population and the respective cities as a whole. Low income areas were defined as those neighborhoods where at least 70 per cent of the resident families earn three times the minimum salary or less. Project employment and income generation components -- without respect to their actual location -- must favor the target population. Improvements in municipal management must result in increased financial and administrative capacity.

b. All works and services must be implemented according to minimal cost criteria. Alternative solutions must be investigated to ensure this objective is satisfied.

c. Every activity must ensure technical, financial and economic feasibility, as spelled out in the project guidelines.

d. Community participation must be adequately provided for. Activities requiring the creation of cooperatives, associations, mutual help organizations etc., must incorporate community involvement in the planning and implementation phases.

e. The project stipulates recovery, where and whenever possible, of the financial resources. Repayment amounts are to be deposited in a Municipal Urban Development Fund (FMDU). This money is to be recycled back into the future project activities, enabling it to continue.

3. Procedural Steps

A profile was prepared for each city or relevant "urban agglomeration area". The profile presented data and analyses of administrative, economic, social and physical characteristics, assessment of the locality's development potential and a discussion of issues to be addressed.

Then a local development strategy was drafted, identifying general and specific goals, guidelines for governmental action, possible projects and a statement of results anticipated from the proposed program.

Activity charts were made next, listing specific infrastructure, public services, employment generation and other projects which could be undertaken to meet the objectives that had been outlined, and feasibility studies were undertaken for the most promising of these activities.

Finally, a series of executive projects were prepared. These were final specifications for each program component, with detailed architectural, engineering, administrative and financial documentation sufficient to commission the work.

4. Activities Eligible for Project Financing

Elements of the individual cities' development programs could be selected from three categories of investments:

a. Physical and social infrastructure, e.g. low cost water supply or sewerage systems; drainage works; improvement of transport systems, including the paving of roads and the construction of terminals; garbage collection and final waste disposal; upgrading and sites and services projects; tenure legalization; construction of schools, health centers, nurseries and community centers; improvements of local pedestrian ways, construction of squares, leisure centers, etc.

b. Employment and income generation, e.g. creation or enlargement of industrial areas, mainly oriented toward medium and small industrial enterprises; technical assistance for very small to medium size enterprises; organization and equipment of cooperatives and informal sector activities including handicrafts; professional or technical training; incentives to the production and distribution of food; organization of fairs and free-markets, etc.

c. Municipal administration and finances, e.g. organizational development of city administrations; personnel upgrading; establishment or improvement of financial economic, social and administrative records.

5. An Illustrative Program - Natal

The initial development program for Natal illustrates a fairly typical combination, or "package" of investment activities. Natal is a major city of the depressed northeast region, a state capital and home to a half million people, 70 per cent of them poor. Concurrent with the Medium Size Cities Project, a large state-sponsored tourist development was under construction along several kilometers of the city's beachfront.

Income and job creation subprojects in Natal involved provision of a warehouse and rentals of mobile stalls for the public market, organizational assistance and facilities for a new entity to service fishermen's cooperatives and establishment of a local office of technical assistance for small commercial and industrial firms. Infrastructure projects included expansion of the municipal water and sewerage systems, storm drainage facilities for several low-income residential areas, municipal solid waste collection and disposal system improvements, road upgrading and extension of bus service into low-income neighborhoods, new public health clinics and expanded police protection for low-income areas and enlargement of the city's ongoing sites and services program. Municipal government's financial management was enhanced by the purchase of new electronic equipment under the program and improvements in the cadastral system.

Most of these activities have been oriented toward the city's internal development. Increasing attention has been devoted under the Medium Size Cities Project however, to strengthening the target cities' economic relationships within their broader regions -- through wholesale and retail marketing programs, grain warehousing and processing activities, processing facilities for dairy cooperatives and assistance to "micro" leatherworking industries.

6. Organization of the Project

General coordination at the federal level has been the charge of the Ministry of Interior (MINTER) through its Subsecretariat for Urban Development (SDU). Within the SDU, there has been a unit for Coordination for Medium and Small Size Cities (CPM). This project has a national coordinator with a technical staff. In addtion, MINTER has made special arrangements with various federal agencies (BNH, EBTU, CEBRAE, COBAL, the Brazilian Food Company, the Superintendency for Fishing Development (SUDEPE) and the Ministry of Labor) to function as advisers throughout the project. BNH and EBTU also have a role in the financial arrangements through which the project cities secure the resources allotted them.

The federal sectoral agencies cooperate with the SDU as part of their technical assistance to local staffs in preparing profiles, strategies and activity charts. In the feasibility studies and executive projects, the assistance comes mainly from the federal sectoral agencies. So does final approval of executive projects, following evaluation of the feasibility studies (in which SDU participates). SDU must approve the contents of tenders and submission, supervise the individual cities' subprojects and monitor their accounts.

Special instruments and guidelines have been devised for carrying out each of these responsibilities. SDU has prepared handbooks on Project Characteristics and the Preparation and Analysis of Activities including criteria for evaluating and determining eligibility of subproject components. Others deal with Profiles, Strategy and Activity Charts, Operations, Tendering, Accounting Control, Norms and Evaluation. The federal sectoral agencies have developed several manuals on the Preparation of Feasibility Studies and a multi-volume handbook for Preparation of Executive Projects. There is also a BNH Procedures handbook for subproject components dealing with housing and basic sanitation.

Each project city or urban agglomeration has a Subproject Administration Unit (UAS), created to coordinate preparatory studies and implementation of works and services under the project by different executive agencies of state or municipal government. These units have usually been linked to the municipal planning departments (in the case of freestanding cities) or to the state planning agencies (in cases of urban agglomerations). All local activity by municipal or state agencies is overseen by the regional superintendencies.

Two additional groups help with project implementation at the local level -- the Local Coordination Committee (CLC) and the Local Executive Committee (CEL). The CLCs are comprised of representatives of the executive agencies, the mayors and their secretaries. They undertake to resolve general questions related to their respective local projects. The CEL's, however, are made up of technical representatives from the executive agencies and the UAS coordinator. They deal specifically with technical questions arising in project implementation.

7. Financial Arrangements

The first phase Medium Size Cities Project has cost an estimated US $200 million. Of this sum, 70 per cent has been funded by the federal government (through special allocations to MINTER and EBTU). A World Bank loan financed 35 per cent (US $70 million) of the federal share of the project costs.

State and municipal resources contributed 30 per cent of the total project cost. Their budgets generated part of this amount. They borrowed the remainder from BNH under a lending program that makes available to local governments 20-30 per cent of the value of basic infrastructure works built under the Housing Bank's guidance.

All project funds -- both federal and local -- were channeled through the local UAS bodies, which, in turn, either contracted with the various sectoral agencies or assigned municipal personnel to implement the subproject elements.

8. Project Achievements

As of January 1984, at least 50 per cent of the Project's quantitative goals have been achieved. (See chart.) The direct benefits of the subproject investments can be observed in the new jobs created, increased income of the target population, improvement of the selected cities' physical and social infrastructure and stronger financial conditions, etc.

Positive impacts extend beyond these immediate results, however. The project has clearly demonstrated how a successful federal-local joint effort can be accomplished and how a variety of sectoral agencies can participate in a multi-faceted integrated program. The search for alternative solutions for sanitary sewerage and other waste disposal problems has led agencies to experiment with unconventional minimal cost approaches to providing public works and urban services. Community participation has been introduced into the planning and implementation processes.

At every level of government, high quality staff were appointed to this project. They have gained experience working as teams and have gradually improved their performance through on-the-job training. Moreover, the system as a whole is gathering experience in implementation of urban development projects which, in turn, improves the prospects for replicability in the future.

V. LESSONS FROM THE EXPERIENCE

Evaluations of the Medium Size City Project have been conducted by the World Bank with the SDU, federal sectoral agencies and personnel of the local subprojects (UAS's) participating. The principal conclusions concerning lessons of the experience during this first phase are essentially the following.

QUANTITATIVE GOALS OF THE MEDIUM SIZE CITIES PROJECT

CATEGORY: Employment and Income Generation

Components	Constructed Area (m^2)	# of Jobs (New and Consolidated)
Food Warehousing & Distribution	19,961	1,175
Horticulture	-	2,486
Public Markets	-	2,095
Slaughterhouses	225	421
Food Supply of Pelotas	1,200	988
Teresina Projects		
- Retail Market	1,308	-
- Horticulture	-	1,300
- Shopping Centers	-	-
Support to Micro-Enterprises	-	17,195
Artisan Fishing Cooperative	9,842	6,595
Support to Artisans	3,959	11,000
Support to Laundryworkers	3,559	1,150
Support to Cart-Drivers	178	1,510
Industrial Districts	1,685,605	5,269
Professional Training	3,181	11,010
Service Centers	7,192	-
Support to Brickmakers	-	1,431
Support to Confectioners	-	150
Dairy Products Cooperative	-	2,000
District of Mechanical Services	25,262	1,063
Bus Station	2,822	96

CATEGORY: Municipal Administration and Finances

Activities	Municipalities Served
Modernization and Administrative Reform	10
Cadaster Improvements	11
Land Use Plans	7
Upgrading of Human Resources	4
Cartographic Systems	8

QUANTITATIVE GOALS OF THE MEDIUM SIZE CITIES PROJECT

CATEGORY: Urban and Social Infrastructure

Components	Quantity		Population Served
Water Supply	75,743	connections	395,930
Sewage Systems	35,988	connections	182,110
Septic Tanks	23,013	units	118,184
Drainage	86,618	ml	367,147
Transportation			
- Paving	1,160,241	m^2	
- Terminals	1,340	units	1,602,485
- Cycleways	32,750	m	
Local Streets	235,939	m^2	320,510
Garbage Collection	2,057,200	m^2 earthworks	2,028,720
Housing			
- Upgrading	33,103	units	167,325
- Tenure Legalization	23,188	plots	115,940
- Houses	2,158	units	11,018
- Sites and Services	7,050	plots	32,250
Leisure Areas	888,933	m^2	597,481
Electricity	19,475	connections	98,786
Neighborhood Commercial Centers	2,000		79,469
Building Materials Depots	2	units	-
Cemeteries	2	units	-
Fire Stations	1	station	-
Police Stations	12	stations	-
Schools	127	units	63,412 children
Health Centers	67	units	1,045,473
Nurseries	38	units	985 children
Community Centers	30	units	171,851

1. The Medium Size Cities Project has moved too slowly and been overburdened with bureaucratic protocols. These problems are attributed to the many organizations involved and to the complexities of both technical requirements and financial operations. Evaluators have recommended that the number of operations controlled directly by federal entities be reduced by transferring more of these responsibilities to the municipal level.

2. The most successful project components have been the ones aimed at eliminating bottlenecks blocking the full development of economic activities. These should be emphasized and strengthened in the future. Others, such as the informal sector enterprise assistance, that have demonstrated relatively low returns or have proven very difficult to address effectively, are recommended for elimination or, at least, low priority on the list of eligible activities.

3. Finally, it appears essential in programs of this nature, that state and local authorities become deeply committed to their development programs through involvement in the entire process, for state and local political support is indispensable to successful implementation.

Looking toward a second generation program for medium size cities development, Brazil's efforts can be expected to take on a different cast from this first project. A second phase, negotiated in 1984, aims to create a line of credit that will permit expanding the program to 70 additional cities. A second generation program that includes several times more cities than the first phase cannot possibly be administered with the same degree of detailed federal scrutiny and supervision as the first group has had. The basic program will very likely be substantially simplified, so it can be administered more systematically at the federal level and managed more independently by

subproject personnel at the local level. Local initiative will have to take the place of coaxing and coaching from outside.

In view of Brazil's current economic straits, it can be expected also that federal assistance will become more selective, placing investments strategically in high-return, cost-effective activities. More comprehensive concerns, and the responsibility for integrating separate program elements will lie more squarely with the municipalities themselves, and the states' already-major roles in water and housing finance and municipal lending will be even more important.

Participating cities will bear the burden of justifying program elements on the basis of their direct connection with regional economic development strategies. Increasing demands on local personnel point to the need for intensified institution-building efforts and training to upgrade local staff capabilities.

There will be a premium on the ability of cities to marshal local resources for development investment, and on the ingenuity, skill and efficiency with which they program and manage the resources that become available to them.