PNABL 915

PUBLIC ADMINISTRATION AND DEVELOPMENT, Vol. 6, No. 1, 1-21 (1986)

Extending urban services in developing countries: policy options and organizational choices

DENNIS A. RONDINELLI

Research Triangle Institute

SUMMARY

Governments in developing countries will face serious problems in extending basic social services, public facilities and infrastructure for their rapidly growing urban populations during the next decade. The steadily increasing concentration of the poor in cities will exacerbate already severe strains on urban services. Innovative solutions will be needed to meet the growing demands for urban services. In addition to expanding national and municipal efforts, governments in developing countries must also explore alternative policies and organizational arrangements for meeting the basic needs of their urban population. Among the potential alternatives are: using market surrogates to improve service delivery; lowering the costs of service provision through changes in regulations and controls on urban development; actively supporting self-help and service upgrading schemes by the poor; promoting public-private co-operation and private sector participation in service delivery; increasing effective demand for services by promoting employment and higher incomes; and enacting and implementing policies that attempt to redistribute migration to small and intermediate-sized cities. Each alternative has advantages and limitations that planners and policy-makers must take into consideration in forging effective urban development strategies.

INTRODUCTION

One of the most crucial challenges facing developing countries over the next decade will be meeting the growing demand for basic social services, infrastructure and public facilities in cities. Recent census studies indicate that the urban population is growing rapidly in most of the developing world and that the demand for urban services—which are already severely overstrained in many countries—will continue to expand at a rapid rate. Moreover, demographic projections indicate a dramatic shift in the incidence of poverty. For much of this century the large majority of the poor have been found in rural areas; by the end of the 1990s, however, the majority of the poorest households will be concentrated in urban areas. Developing countries in South and Southeast Asia, much of Latin America and the Caribbean, and most of North Africa and the Middle East will experience continued high rates of migration from rural areas to urban slums and squatter settlements over the next two decades, making the extension of basic services and facilities to the growing number of poor households a complex and difficult task.

Most studies of the problem indicate that government capacity to meet this growing need for urban services is limited and that political commitment to coping with problems of inadequate distribution and inequitable access is still somewhat

Dennis A. Rondinelli is Senior Policy Analyst at the Research Triangle Institute, Research Triangle Park, N.C. 27709.

0271-2075/86/010001-21$10.50
© 1986 by John Wiley & Sons, Ltd.

weak. Municipal governments often have neither the financial resources nor the administrative capacity to extend services rapidly to the poorest neighbourhoods.

Growing evidence suggests that increasing the access of the poor to urban services is not only likely to become a crucial problem by the end of this century, but that its solution will require a combination of innovative approaches.

This paper examines the nature and magnitude of the urban services problem in developing countries. It will argue that among the most effective alternatives to expanding central and municipal government expenditures—a necessary but limited possibility in most developing countries—are policies that aim to change the conditions under which services can be provided through market surrogate arrangements, public-private sector co-operation, self-help, sites-and-services, and community upgrading schemes, voluntary and community groups, market mechanisms, and the private sector.

URBANIZATION, URBAN POVERTY AND DEFICIENCIES IN URBAN SERVICES

Nearly all recent demographic projections indicate that developing countries can expect to see a rapid growth in their urban population over the next two decades. These projections are based on well-established trends that have appeared in census studies since the late 1940s. Comparative analyses indicate that over the past quarter of a century urban population has been growing rapidly in developing countries, even when adjustments are made for the low levels of population size at which urban places are defined, and when the effects of boundary changes of cities are taken into consideration.

The projected pattern of rapid urbanization

Between 1950 and 1975 the urban population of all developing countries grew at an annual average rate of nearly 4.2 per cent, and is projected by United Nations (1980) studies to continue growing at more than 4 per cent a year until the 1990s. In Africa the urban population increased by more than 4.7 per cent a year between 1950 and 1975, and is likely to grow at more than 4.5 per cent annually until the year 2000. In Latin America and Asia the average annual growth rates are expected to decline slightly after 1980, but to remain at a still relatively high 3.5 per cent a year until the 1990s. Rural-to-urban migration will continue to account for up to half of the population growth of cities in the Third World, especially in Africa and Asia.

An enormous number of urban dwellers will be added to the populations of Third World cities by the end of this century. The United Nations (1980) estimates that more than 66 per cent—nearly 2.2 billion—of the world's urban population will be living in developing countries by the year 2000. This will be an increase of more than 265 million urban dwellers in African cities, more than 300 million in Latin and Central American cities, and 93 million in Asian urban centres (Todaro, 1980). By the end of the 1990s it is expected that about 42 per cent of the population in Africa will be living in cities, as will 75 per cent in Latin America and 40 per cent in Asia.

Moreover, the projections indicate that the largest cities in developing countries will continue to expand, and that developing nations will see an increase in the

numbers of very large metropolitan centres. Over the next two decades the number of people living in Third World cities of one million or more will nearly triple, from about 339 million in 1980 to 931 million. The number of cities with more than 1 million residents will nearly double from the 118 that existed in 1980 to about 284 (Bairoch, 1982).

With this rapid increase and continued concentration of population in Third World cities will come a dramatic shift in the incidence of poverty. World Bank (1980) studies indicate that although about two-thirds of those households now living in absolute poverty are in rural areas, *by the end of the 1990s more than half of the absolute poor will be concentrated in urban places*. In Latin America and the Caribbean over 90 per cent of the absolute poor will be urban dwellers, as will be about 40 per cent of the poorest in Africa and about 45 per cent of those in Asia. In Eastern and Western Africa the number of households living in absolute poverty is expected to increase from about 2.1 million to more than 7.9 million by the end of the 1990s. In East Asia and the Pacific there is likely to be a growth of 3 million poor households, as there will be in cities of the Middle East and North Africa. In South Asia the number of poor urban households is expected to triple, from a little more than 10 million in 1975 to about 32.5 million in the year 2000. In Latin America and the Caribbean the number of poor households will increase by more than 6 million. In brief, the number of urban households living in poverty is expected to more than double from the 1975 level of 33.5 million to about 74.3 million at the end of the 1990s. Assuming an average household size of six people, this would be an addition of nearly 245 million people living in poverty in Third World cities by the end of this century.

The growing demand for urban services

The continued growth of urban population in developing countries over the past two decades has already brought about a high concentration of the poor in cities, and a corresponding increase in the need for basic urban services. UNICEF (1982) estimates that nearly 70 per cent of Addis Ababa's 1.2 million residents now live in that city's congested slums, for example, and that 64 per cent of these households live in absolute poverty. About one-quarter of Kuala Lumpur's population have incomes below the poverty level. More than 40 per cent of Lima's residents live in *pueblo jovenes*, where only 7 per cent have access to potable water and sewerage facilities, more than half have no stable employment and 60 per cent suffer from malnutrition. About 6000 tons of garbage are dumped in areas around these slums each month because of inadequate refuse disposal services in the city.

UNICEF's studies indicate that more than half of the population of Colombo, Sri Lanka, is living in congested 'shanty gardens', where sanitation, water, waste disposal, health and educational services are scarce. More than 60 per cent of the residents of Casablanca, Kinshasa, Bogota and Calcutta now live in slums, as do more than 40 per cent of the residents of Buenos Aires, Mexico City, Lima and Bombay. At least one-third of those living in Nairobi, Dakar, Rio de Janeiro, Delhi, Dacca and Manila are slum-dwellers who lack access to even basic urban services (Donohue, 1982).

Scattered but rapidly accumulating evidence indicates the degree to which the concentration of the poor in Third World cities is already straining urban services.

In Guayaquil, Ecuador, for example, the population of slum neighbourhoods has increased rapidly over the past 30 years—from about 30,000 in 1950 to nearly 480,000 in 1980. Now more than two-fifths of the city's population is concentrated in low-income *suburbios* where services are minimal and the survival rate for infants and children is very low. Only about one-third of all houses in Karachi, Pakistan are served by piped water—most squatter settlements have access only to standpipes or tankers and less than 30 per cent of the households are connected to the sewerage system. As one provincial government official (Farugui, 1982, p. 51) has observed, 'public transportation is woefully inadequate, resulting in long queues and frustration for public transport users'. In Manila, a city of over 5 million residents, only about 12 per cent is served by the sewerage system, part of which was built in 1909 for 450,000 users and another part was added in the early 1950s to serve 130,000 people.

In the Philippines, about 53 per cent of the families in chartered cities are poor and more than 40 per cent live in absolute poverty (USAID, 1977). The 'general condition of decrepitude in Indonesian towns and cities and lack of infrastructure and production of basic necessities' has been described by Osborn (1974, p. 50), who argues that all of the intermediate cities in Indonesia 'need upgrading of streets, port and airport facilities, more and rehabilitated schools, hospitals, water service, drainage and government buildings'. In Thailand only about one-quarter of the urban population is served by piped water (Temple *et al.*, 1980).

Clearly, the strain on basic urban services in Third World cities arises not only from limited financial resources and administrative capacity of central and municipal governments to provide greater coverage, but also from broader problems of rural-to-urban migration, inadequate employment opportunities both in rural areas and cities, and the continued concentration of the poor in the largest urban centres.

POLICY ALTERNATIVES AND ORGANIZATIONAL CHOICES

The growing need for services in Third World cities, especially among the poorest groups, is not likely to be met entirely through rapid and substantial increases in central or municipal government expenditures. Many services such as public housing, transportation networks, city-wide sanitation systems, and some forms of public safety, education and health care can best be provided by municipal or national governments because they are indivisible, require large-scale capital financing, are geographically self-contained or require a political base of protection (Montgomery, 1984). But their limited financial resources will make it difficult for municipal and national governments to extend needed services rapidly.

Attempts to restrict urban services to existing or long-term residents of large cities have not been effective in discouraging migration. The experiments with registering migrants in Jakarta during the 1970s and deporting them to their places of origin if they could not find employment and shelter after 6 months has been generally assessed a failure. Similarly, the attempts of Manila's city government during the 1960s to restrict free educational services to people who could prove that they were long-time residents were quickly undermined by the difficulties of enforcement, by widespread evasion, and by corruption in carrying them out (Simmons, 1981).

Clearly, innovative combinations of policy alternatives and organizational arrangements will be needed to reduce urban service deficiencies in the face of rapidly growing urban populations and the increasing concentration of the poor in cities. Among the major alternatives are policies that:

(1) expand direct government provision of urban services by building up municipal government capacity;
(2) use 'market surrogates' to increase the organizational efficiency and responsiveness of service-providing public agencies;
(3) lower the costs of providing services through changes in regulations and methods of delivery;
(4) actively support self-help and service upgrading by the poor;
(5) promote public-private co-operation and private sector participation in service delivery;
(6) increase effective demand among the poor for services by generating employment and higher incomes; and
(7) change the distribution of urban population and channel migration to small and intermediate-sized cities where per capita cost of providing many services is lower than in large metropolitan areas.

Each policy and organizational alternative, of course, has advantages and limitations. The appropriateness of each alternative differs from one service to another. An important task of policy analysts, therefore, is to begin to understand better the range of advantages and the degree of appropriateness of each policy for different services and to combine policies effectively to increase the access of the poor to urban services in the future.

In the remainder of this paper I identify and discuss each of the major policy options.

Policies that expand the direct provision of services by central and municipal governments

One of the most frequently prescribed solutions to the growing deficiencies in urban services is to expand central and municipal government expenditures for service provision. It has been assumed that governments in developing countries, like their Western counterparts, can and should be the primary sources of basic services and facilities in urban areas.

In recent years, however, it has become increasingly clear that the magnitude of the problem has grown well beyond the financial and administrative capacity—and the bounds of political commitment—of most governments in developing countries. Although there are few accurate data on the costs of meeting the public service needs of urban residents in developing nations (Unikel, 1977; Prakash, 1977) the few attempts that have been made to calculate costs of providing even minimal levels of service have yielded enormous estimates. Prakash (1982) concluded that even if the total savings of Asian countries were mobilized to provide housing and infrastructure for the additional migrants expected to come to Asian cities over the next 20 years, they would fall far short of the amount needed.

Even in the countries where growing demand has given national and municipal

governments the requisite political motivation to try to reduce deficiencies, often neither central ministries nor municipal agencies are organized to provide public services efficiently and effectively. A large number of studies indicate that municipal governments in developing countries lack adequate administrative and technical capacity to plan, finance and carry out greatly expanded service delivery programmes (Rondinelli, 1983a). In many countries municipal and local governments depend on the centre for funds both to construct and to maintain local facilities, have weak administrative capacity and poorly trained officials, lack adequate legal authority to raise revenue from new sources or to spend their budget resources without strict central controls and constraints, and lack control over many types of urban services and facilities that are under the jurisdiction of provincial, state or central agencies.

If government capacity for service delivery is to be expanded, national governments will have to pursue two sets of policies in the future:

(1) Strengthen the authority of municipal governments to raise adequate revenues to meet rising urban service needs

Among the actions that need to be taken to improve and strengthen municipal governments' financial capacity are (Rondinelli, 1983a): expanding taxing and revenue-raising authority for the larger cities; creating special funds for urban development that can be used to finance costly capital and infrastructure investment and that can be replenished from national revenue sources such as customs, excise or import taxes that are set aside from line agency budgets; and providing statutory payments to local governments from fixed percentages of recurrent revenues of central government agencies for state or provincial government budgets as grants, thus giving city administrations more flexibility to meet local needs and demands. Central government must also provide technical assistance and training to local officials in improving tax administration and collection procedures and increasing revenues from existing sources; allow city governments to draw loans from national development banks or credit authorities to provide services and facilities for which users can be charged and which generate revenue that can be used to repay the loans; and give local governments more flexibility to spend their revenues to meet local needs and demands, without overly constraining rules and regulations that prevent or inhibit them from using the resources available to them. In some countries property-taxing powers of city governments must be strengthened and their capacity to do tax-mapping, keep and maintain records, assess property values more accurately and fairly, and collect revenues more effectively must be improved.

(2) Help municipal governments to strengthen their technical, administrative and organizational capacity to deliver urban services

Although inadequate revenues remain a major constraint on extending services, other resources are also needed to improve governments' service delivery capacity. City governments in many developing countries lack the skilled personnel to plan and manage service delivery—especially to poorer sections of the city. The shortage of trained technical and administrative staff is often at least as serious a problem for

city governments as inadequate revenue. It inhibits them from extending services, and delays or obstructs new development projects.

Policies that encourage the use of market surrogates for increasing organizational efficiency

Another important approach to increasing the efficiency and effectiveness of central and municipal governments' capacity to deliver services is the use of market surrogates. Lamb (1982, p. 1) defines a market surrogate approach as one which seeks to 'improve performance in public sector institutions by institutional reforms (or design), which offer some important efficiency elements of markets—which increases incentives by enhancing competition, choice and accountability—in a nonmarket setting'. He notes that a market surrogate society can have two components—one that alters the competitive environment in which an organization must operate so that pressures are greater for it to improve its service delivery in order to survive, and one that rearranges conditions within the organization so that internal incentives reinforce the competitive pressures from the external environment.

Three market surrogates seem appropriate for increasing the effectiveness of institutions that provide urban services:

(1) Encourage direct competition among public service institutions

The pressure on public institutions to perform more effectively can be increased by breaking up bureaucratic monopolies and, either through deregulation or planned duplication and redundancy, allowing a number of public agencies to provide the same or similar services in a city and determining their budgets in large part on the scope, coverage and quality of the services they provide.

(2) Encourage the active marketing of government services

This approach makes 'the preferences of actual or potential consumers of institutional services more influential in service provision' (Lamb, 1982). Instead of merely extending standardized services in conventional ways throughout the city, public agencies would attempt to 'target' different combinations of services at different levels of capital-intensity to different groups of people and communities within the city, perhaps offering new market 'baskets' of services as incomes within a community increase or as needs change.

(3) Use performance agreements for public services delivery

This would allow central ministries and municipal governments to contract with private or public enterprises to provide some services—under careful supervision—that meet the quantity and quality specifications of the government. Often such services as garbage collection, basic health care, fire protection and even non-formal education and training can best be provided by specialized private organizations or, as will be seen later, through contracts with neighbourhood groups themselves.

Policies that lower the cost of providing services through changes in regulations and methods of delivery

An increasing amount of evidence suggests that inappropriate government regulations, controls, incentives and methods of service delivery often increase the costs of providing urban services and reduce the access of the poor to them. At the same time, other forms of control or regulation—such as on land speculation—could reduce costs of providing urban services. Moreover, there are innovative ways of developing cities or of delivering services that could substantially lower the costs and increase poorer residents' access to new and existing services. Three major sets of policies could have a substantial impact on increasing the access of the poor to urban services:

(1) Adopt urban development and service delivery regulations that are tailored to the conditions of developing economies and that are more appropriate to the needs of the poor

Ironically, municipal and central governments in many developing countries often adopt building codes and land-use standards from Western industrial countries that are not only inappropriate to local conditions but that may create unnecessary problems and costs. In Nigeria, for example, overly restrictive housing construction standards constrain housing production and increase housing costs, placing home ownership beyond the means of low- and middle-income families (Mabogunje, 1977). By lowering density controls, lot coverage, room floor area requirements, and height controls, municipal officials could increase housing production, make units less expensive, make land-use more efficient, lower the costs of public services and restrain sprawl.

(2) Control urban land uses, land prices and speculation practices that tend to have a strong impact on service delivery costs and on the success of the poor to services

A number of recent studies have underscored the impact of rapidly rising land prices and land speculation practices in cities on driving up the costs of urban services and in pricing poor and middle-income families out of the market for housing and related social and physical services. In many countries the explosive increase in the cost of land has not only made it more difficult for lower income families to obtain decent housing in the city's centre, where many have jobs or are engaged in informal sector activities, but has driven away long-time low-income residents from the city's core to the periphery. The separation of living and work areas has not only placed an increased strain on transportation services and raised the costs of commuting, but substantially increased the costs of extending services to the peripheral neighbourhoods and communities where the poor now live. Similarly, Rothenberg (1982, p. 116) notes in her study of Cali, Colombia, that 'because costs of land, urban services and housing increase faster than the incomes of the homeless, each year more and more people are priced out of even minimal housing and therefore are unable to make demands' for either shelter or attendant public services.

In most developing countries land speculation is often the best hedge against inflation, monetary devaluation and economic fluctuations for the wealthy, and

thus they generally resist attempts to limit or constrain it. But rapidly rising land values increase costs for small enterprises in cities, push people from the urban centre to the fringes, accelerate the conversion of agricultural land to other uses, promote sprawl, and increase the costs of acquiring rights-of-way for public utilities and property for schools and other social services and facilities.

Rivkin (1978) and others have outlined a number of actions that national and municipal governments can take to control land costs and guide land uses in ways that will lower the costs of extending services. They include:

(a) the location of public facilities in such a way as to encourage or discourage private activities dependent on them in various parts of the city;
(b) government purchase of land in advance of need to guarantee its availability for the construction of public facilities, parks, offices, or recreational areas;
(c) acquisition and reservation of property through 'land banking' for later use or to control the density of development in various parts of the city and to reduce the costs of public services and facilities in areas where congestion might occur;
(d) adoption and enforcement of appropriate zoning, subdivision, and building ordinances that guide or restrict the use of private land;
(e) control or regulation of building types and locations, land coverage and structural standards through appropriate building permission requirements;
(f) 'value freezing' of land designated for future construction of public facilities, utilities or infrastructure to discourage speculation; and
(g) adoption of special levies on land held out of development for speculative purposes, and on 'windfall profits' from increases in land values due to the installation of public services and facilities on nearby tracts.

Some combination of appropriate controls, together with relevant land-use planning, can assist municipal governments to reduce the costs of providing services and increase the access of the poor to them.

(3) Design service extension and delivery programmes for multiple purposes and to local standards

The costs of extending services can be reduced if they are designed for multiple purposes—including employment generation—and modified in ways that are tailored to local needs and the ability of poorer communities to support them. For example, basic health services can be provided at much lower cost in Third World cities by converting from delivery systems that are exclusively or primarily curative to those that place greater emphasis on disease prevention and health maintenance. Substantial savings could be realized by giving greater emphasis to community and neighbourhood clinics with modest equipment and staff, mobile service delivery units, regular health surveillance within communities through the schools, programmes for innoculation and vaccination, assistance in improving nutrition, family planning, and maternal and child care. Many of these services can be provided by para-professionals rather than by physicians and nurses at much lower costs than through conventional health programmes, while also creating new job opportunities for non-professional health workers.

Similarly, improvements in piped-water systems, sewerage and drainage facilities and waste disposal can be made simultaneously with the creation of preventive health care services. Inadequacies in these public services are a common cause of urban health problems. Improvements are required as well in the maintenance of existing systems, especially in older areas of the city. Economic benefits can be obtained from the extension of water systems by helping small-scale manufacturers in cities to produce construction equipment and water system components such as pipes, valves, faucets and meters (PADCO, 1976).

By designing service systems for multiple purposes and tailoring them specifically to local needs, the costs of services can be reduced and larger numbers of people can have access to them.

Policies that actively support self-help and service improvements by the poor

Opportunities also exist to provide basic housing and shelter and related public services in ways that are less costly and more effective than through conventional public housing. As noted earlier, housing shortages are acute in the slum and squatter settlements that abound in nearly all Third World cities. Experience has shown that public housing construction simply cannot meet the demand for basic shelter, and few financing organizations exist to provide the poor with capital needed to buy or build their homes. Mabogunje (1977) notes that in Nigeria government housing policies have had little positive impact on the worsening housing problem. Despite public investment programmes the size of the initial deposit and monthly mortgage payment for houses has meant that 'a large part of government action has resolved the housing problems of only a minority of the population in the higher income groups'. As a result, Nigeria's cities are overcrowded, squatting has proliferated and the conditions in the neighbourhoods have worsened. Appropriate financial and administrative arrangements for dealing with housing problems simply do not exist for the vast majority of people in most developing countries. Among the policies that can be considered to deal with the problems are the following:

(1) Support programmes that assist community and neighbourhood groups to improve their own housing conditions through sites-and-services, core housing and shelter upgrading projects

Much more attention must be given to sites-and-services projects that allow poor families to improve their homes, add to and build upon basic dwelling units, and expand their structures slowly as their incomes increase. Sites-and-services projects can help low-income households through community improvement programmes, the extension of water and sewerage facilities, electrification and street lighting, health clinics and preventive health services, and construction training programmes. Housing finance policies should provide low-cost loans to families for upgrading basic dwellings and for purchasing the land on which they are built. Moreover, public housing programmes must begin with simple core dwellings that can be expanded and improved incrementally (Laquian, 1983).

Some observers estimate that sites-and-services projects can provide appropriate housing for a cost of about 3 to 5 times less than public housing. In addition they are

often more beneficial for the poor because they allow low-income households to keep monthly payments to a level that they can afford, or to improve their housing only when they have accumulated enough savings. Sites-and-services projects allow the poor to pursue their own priorities, to contribute to the construction of their dwelling and to use locally available building materials (Merrill, 1977).

The destruction of slums and squatter settlements through urban renewal or clearance for public housing projects is often dangerous and short-sighted, for in addition to offering affordable housing to low- and even middle-income families, slum and squatter areas are often conveniently located near the bazaars and markets, on which the poor depend for food and basic necessities, and close to their places of work.

(2) Provide minimal services or essential preconditions to allow self-help programmes to operate effectively

Evaluations of self-help projects indicate that to operate effectively they require central and municipal governments to provide essential preconditions. They are less likely to be successful as isolated or unsupported activities undertaken only by neighbourhood groups. Among the most important conditions are basic infrastructure and utilities that must be extended from an existing network, land tenure, and low-cost credit.

Reviews of World Bank-assisted sites-and-services and slum upgrading projects in Asia, Africa and Latin America indicate that after basic services are provided in an area, nearly all the poor families eligible for building material loans took out the full amount to which they were entitled. They tended to build more quickly when they were allowed to arrange for construction of their own dwellings and many used small-scale contractors and hired help in addition to contributing their own labour. Moreover, in nearly all projects the improvements in housing were substantial and the amount of savings mobilized by dwellers was much higher than analyses of their monthly incomes indicated would be possible (Strassman, 1982; Keare and Parris, 1982).

However, many illegal squatters are hesitant to improve their dwellings and neighbourhoods—even when they have the resources to do so—for fear of losing their land or because they may not be able to keep up payments on their debts. Policies that encourage greater financial and legal security are essential to making self-help programmes work more effectively (Blair, 1983).

Policies that promote public-private co-operation and private sector participation in service delivery

In some cases the access of the poor to urban services can be extended most effectively by public policies that promote co-operation through voluntary and private organizations. Voluntary and community groups, as noted earlier, can play a major role in organizing the poor to obtain some municipal services and to provide others through self-help. To be most effective, however, self-help must be supported by central, municipal and local government agencies and the proper conditions must be established for community groups to work with government agencies in finding the most appropriate solutions to their service needs. In some situations services can

be extended to poor neighbourhoods or to newly developing areas of the city through co-operative efforts between municipal governments and the private sector. Therefore, national and municipal governments should

(1) Encourage administrative practices and organizational arrangements that allow voluntary and community groups to participate effectively in improving services in poor neighbourhoods

Organized community development projects in which voluntary and resident organizations play the primary role in extending or improving services in slum and squatter neighbourhoods have been found by UNICEF to be one of the most important channels for increasing access of the poor to basic services quickly. The approach now being widely used in developing nations by UNICEF is the *basic services strategy*, which as Hollnsteiner (1982, p. 57) points out, gives emphasis to:

> (a) active community participation by men and women; (b) the use of suitably trained men and women, part or full time, chosen by the community to work there; (c) the use of a substantially higher number of auxiliary staff with enlarged responsibilities who will contribute to the release of professionally qualified personnel from routine tasks for more productive roles as trainers, supervisors and program directors; (d) the application of technology appropriate to local social, cultural and economic conditions; and (e) contributions from the community to help finance basic services in the form of cash, kind, labor and other services.

Success with this approach has been reported in Rio de Janeiro (Brasiliero *et al.*, 1982), Lima (Salinas and Jimenez, 1982), Kuala Lumpur (Diaz, 1982), Colombo (Cassim *et al.*, 1982), Calcutta (Sivaramakrishnan, 1977), Guayaquil (UNICEF, 1982), Addis Ababa (UNICEF, 1982), Mexico City (UNICEF, 1982) and several cities in Indonesia (UNICEF, 1981).

A crucial element in the success of these self-help activities has been active support from the municipal government or other public agencies and the willingness of government officials to allow greater participation and control by voluntary and community groups in service improvement activities.

Evaluations (UNICEF, 1982) of these programmes indicate that they must be properly managed by government agencies and project organizers in order to be successful. Moreover, semi-autonomous activities initiated within the community or through voluntary organizations should be integrated with community development agencies and with mainstream municipal government services soon after they are established in order to create the linkages needed to sustain service improvements.

Evaluations also indicate that, to be successful, contacts by the municipal government should be made with community and voluntary groups only when it can make firm commitments of resources to support self-help service improvements in the community. Proposals to community groups for self-help projects should be based on clearly understood agreements about roles, resources and intended results, and community participation should be formalized quickly and should provide for representation of members of all relevant community interests.

In the initial stages of new self-help or service improvement projects emphasis should be given to only a few activities for which adequate resources can be mobilized and the commitment and participation of the community can be obtained, so that the projects can be implemented successfully. These can serve as demonstration projects to create stronger motivation to expand other services later. If the desired results are to be achieved, monetary and other incentives must be provided to municipal and central government employees to work with community groups in service improvement schemes during the evenings and after regular working hours when most community participation occurs. Provision must be made for adequate and continued maintenance of services and facilities that are created or extended by community and voluntary groups if they are to have a real impact on improving conditions in poor neighbourhoods.

Rarely will completely spontaneous and autonomous activities lead to real service improvements in poor neighbourhoods of large cities; they must be adequately supported through government agencies that have the resources and capability to augment local efforts and maintain services after they are extended or improved.

(2) Design service extension programmes so that they create opportunities for private sector participation, or so that market mechanisms can be used to provide services and facilities where appropriate

The access of the poor can often be increased and the cost of extending services for municipal governments can be reduced if service delivery programmes are designed to create opportunities for participation by the private sector. Market mechanisms are sometimes most appropriate when user costs can be assigned to individuals or households. Some types of services—such as utilities—can best be provided through the private sector and extended to poor neighbourhoods with public subsidies.

One form of public-private co-operation that is becoming more popular in developing countries is *land readjustment*. This is a means of extending services to new areas of a city at no cost to the government, but allows private owners to profit from the provision of services needed for development. When land readjustment is used to provide low-income housing it can directly benefit the poor. In other cases it may benefit them indirectly by allowing funds that would have gone for services extension in those areas to be reallocated to poorer neighbourhoods.

Land readjustment has been applied successfully in Japan, Taiwan and South Korea as well as in some Western European countries. The process, according to Doebele (1982), involves a municipal government or other public agency declaring privately owned land that is about to be developed a land readjustment project. The municipality—often in co-operation with the owner—prepares the site plan; calculates the percentage of land required for physical services, such as roads, infrastructure, water, sewage and other utilities; calculates the cost of providing the services in terms of a percentage of total land value; installs the services; and deducts from the total parcel a percentage of land with sufficient improvement value to recover the costs of the services. The public agency then returns the remainder of the land to the original owner. Thus, the owner's land has increased in value because the services needed for development have already been provided and the municipality can sell its share of the improved land to recover the costs of the services.

Policies that increase the effective demand of the poor for services: employment and income generation programmes

Perhaps one of the most important ways that government can increase the access of the poor to urban services is to promote employment-generation projects that allow the poor to raise their incomes sufficiently to create greater effective demand for public services and to obtain them through a variety of channels.

Although many studies indicate the inadequate supply of basic services for the poor, the solution may not be entirely on the supply side, but in raising low levels of effective demand among the poor. As noted earlier, it is primarily the poor who are excluded from basic services in Third World cities and they are often the last groups to receive services and facilities when governments do extend them. The high levels of unemployment and low levels of income among the large majority of urban dwellers mean that no matter how much they want or need services, their inability to pay for them—either directly through user charges or indirectly through taxes—creates low levels of effective demand (Rothenberg, 1982; Strassman, 1982).

The urban service problems in most Third World cities cannot really be solved until their high levels of poverty are substantially reduced. Central and municipal governments thus must address the root causes of poverty as well as the immediate manifestations of it. The most direct approach to ameliorating poverty is to provide services in ways that also promote employment among beneficiaries, and to offer assistance in generating employment in the areas where the poor live so that they can obtain services more effectively on their own. Three types of policies may be appropriate:

(1) Design service improvement programmes to generate as much employment as possible for the beneficiaries of those services

UNICEF's basic services strategy, for example, attempts to promote service improvements in ways that will build the skills and raise the incomes of people—especially women—living in the neighbourhoods where the projects are carried out. In the Rocinha community development project in Rio de Janeiro, for instance, residents of the *favela* are employed in publicly supported 'urban service field groups' to analyse the slum community's needs and to work with local organizations to improve service delivery. Similarly, UNICEF projects in Mexico City train slum residents with at least 6 years of education to be para-professional teachers in the nursery and day-care centres that the community is building through self-help. In slum areas of Colombo, Sri Lanka, residents are hired as 'health wardens' to work under the supervision of professional preventive and curative health personnel to establish a low-cost programme and disseminate information about health and sanitation practices among shanty residents (UNICEF, 1982).

(2) Develop programmes that increase the capacity of the informal sector to provide appropriate services and to strengthen the sector as a source of employment

Although in many countries hawkers, vendors and other 'informal sector' workers are considered undesirables, the informal sector provides an important source of income—albeit meagre—for many of the urban poor, and could with proper

support provide many types of basic public services for those living in slum and squatter settlements. Montgomery (1984) points out that a number of public services—some forms of housing improvement, small-scale transport, water supply and public safety—could be provided through informal sector activities at low cost. The promotion of—or at least the elimination of regulations and restrictions against—informal sector activities in Third World cities can provide a source of income by which poor households can obtain the resources needed to engage in self-help and service improvement projects in their own neighbourhoods.

(3) Provide services and assistance to encourage small-scale enterprises in and near slum and squatter communities as a source of employment and income

Employment can be generated for the poor by developing service extension projects that include provisions for the participation of local small-scale industries and by offering assistance that will expand small-scale enterprises in and near poor neighbourhoods. Low-cost public housing projects, for example, should be planned so that they can use indigenous building materials and components—such as pipes, electrical accessories, cement blocks, bricks and lumber materials—that can easily be produced by small-scale enterprises in the area where the housing will be constructed, and that uses local contractors and labour whenever possible.

A number of actions can be taken by governments to stimulate small-scale enterprises in cities. They include assisting small-scale business operators with identifying investment opportunities; providing technical assistance to small-scale entrepreneurs in organizing businesses; helping them to obtain adequate support services, infrastructure and facilities; increasing small-scale entrepreneurs' access to financial resources and credit; providing operating assistance and training in management and production; and helping them to expand demand and overcome the limitations of small size (Rondinelli, 1983a).

Policies that change urban population distribution: channelling migration to intermediate and small cities

Finally, the access of the poor to basic urban services could be substantially increased by policies that encourage rural migrants to settle in intermediate- and small-sized cities rather than continuing to concentrate in the largest metropolitan areas. A growing amount of evidence indicates that urban services, facilities and infrastructure can be provided economically and efficiently in cities as small as 100,000 in population, and that the per capita costs of providing many municipal services are lower in intermediate-sized cities than in the largest metropolitan areas (Hirsch, 1968; Clark, 1967).

Although a great deal more research needs to be done on the costs of providing services in cities of different sizes in developing countries, scattered evidence seems to indicate that many can be offered at lower per capita costs in small- to intermediate-sized cities than in large metropolitan areas. Studies conducted in India, for example, conclude that the costs of infrastructure needed for industrialization in urban places decline as a fraction of output in the 20,000 to 1 million population size range, and that economies of scale for most services are reached in cities of about 130,000 residents (Stanford Research Institute, 1969).

Research on the costs of providing urban services in South Korea shows that they decline with population size to about ½ million, and then begin to rise again along a U-shaped curve. However, the costs of providing services seem to be consistently lower throughout the intermediate-size class of city than in Seoul. Kwon (1981) found, for example, that during the late 1970s the average per capita expenditure on municipal services in Seoul was about 75 per cent higher than in other cities of a million or more residents, and 145 per cent higher than in cities from 1 million to ½ million. They began to rise again slightly in cities from 500,000 to 200,000 and became higher in cities of from 100,000 to 50,000 residents. But average per capita costs remained less than half of those in Seoul for all cities with more than 50,000 residents.

The key to promoting a more balanced distribution of population among small and intermediate cities is a national policy promoting employment in agriculturally related small- and medium-sized industries, strengthening the commercial, personal services and marketing base of secondary city economies, and providing adequate investment in infrastructure, utilities and services to support small- and medium-scale manufacturing, processing and commercial enterprises in intermediate urban centres (Rondinelli, 1983).

CONCLUSIONS

In sum, the problem of providing services for the growing numbers of the urban poor in developing countries is likely to become more crucial over the next two decades. Urban population will continue to grow, and the shifting incidence of poverty will increase the needs of poor households concentrated in large Third World cities at a rate that will far outpace the capacity of governments to extend the coverage of basic services.

Seven major policy alternatives, their managerial implications and their organizational focus have been discussed here and are summarized in Table 1. Each of the alternatives has advantages and limitations. While the capacity of municipal governments to improve service delivery must be greatly expanded, that alone is unlikely to be adequate. In nearly all developing countries the administrative capacity of municipal governments remains low and their revenue-raising authority is constrained. Their ability to formulate and enforce appropriate land-use and urban development regulations is usually weak. National governments often pre-empt both resources and authority, yet are often reluctant or unable to provide needed urban services. Even when they seek to cope with urban service problems, central government agencies are often ill-suited to the task. Where needs must be met through services from multiple ministries and agencies, problems of co-ordination and co-operative action often undermine effective delivery. The hierarchical structure and control-oriented approach to administration used by central government agencies reduces their flexibility and responsiveness to the needs of the poor (Rondinelli, 1983b). Reviewing urban service policies of governments in developing countries, Cheema (1984) contends that they have usually followed one of three alternatives: (1) 'laissez-faire' policies that have simply ignored slums and squatter residents, assuming that economic growth and market mechanisms would solve the problem of access to services; (2) restrictive policies aimed at removing or

clearing slum areas without dealing with the underlying social and economic problems that create them; and (3) supportive policies that seek, through co-operative efforts, to upgrade or improve services, shelter and facilities in poor communities. Supportive policies have only recently emerged as a serious option. They recognize explicitly the need for self-help and public-private co-operation.

Table 1. Policy alternatives, management implications and organizational focus for increasing access of the poor to urban services

Policy alternatives	Management implications	Organizational focus
Policies that expand direct government provision of urban services	—Strengthen authority of municipal governments to raise adequate revenues —Increase transfer payments to municipal and local governments —Expand revenue base of city and local governments —Assist municipal governments to strengthen their technical, administrative and organizational capability for service delivery	International assistance agencies, central government ministries, municipal and local governments
Policies that use market surrogates for increasing institutional efficiency and responsiveness	—Encourage direct competition among service agencies —Encourage active marketing of government services —Use performance agreements and subcontracting for public service delivery	Central agencies and ministries, public enterprises and corporations, municipal governments and authorities, private organizations
Policies that lower the costs of providing services through changes in regulations and methods of delivery	—Eliminate or modify building, zoning and land development regulations that inappropriately increase the costs of service delivery —Adopt urban development and service delivery regulations that are tailored to local conditions and appropriate to needs of poor —Control land uses, prices and speculation practices that drive out low-income families from city core and that drive up the prices of service extension —Design service extension programmes for multiple purposes and to local standards	—Municipal governments, public service agencies, private organizations
Policies that actively support self-help and service improvements by the poor	—Provide support for neighbourhood groups to engage in service improvement, sites-and-services and housing upgrading programmes and projects —Provide minimal services and physical preconditions to allow self-help programmes to operate effectively —Provide tenure, access to credit and technical assistance	International agencies, central government ministries, municipal governments, neighbourhood and community groups, voluntary organizations

Policy alternatives	Management implications	Organizational focus
Policies that promote public-private co-operation and private sector participation in service delivery	—Encourage administrative practices and organizational arrangements that allow community groups and voluntary organizations to participate in improving services in poor neighbourhoods —Design service extension programmes to create opportunities for private sector participation and to use market mechanisms to deliver services	Central government ministries, municipal governments, community groups, voluntary organizations, private businesses
Policies that increase the effective demand among the poor for services	—Design service extension and improvement programmes to generate employment for beneficiaries —Develop programmes that increase the capacity of the 'informal sector' to deliver appropriate services —Strengthen informal sector as a source of employment and income for poor households —Provide assistance to small-scale enterprises in and near low-income communities —Give preference in procurement and contracting to small and medium-sized industries that employ the poor	Central government ministries, Municipal governments, private businesses, co-operative organizations, informal sector participants
Policies that change urban population distribution	—Channel migration to small- and intermediate-sized cities —Promote employment-generating activities in cities outside of largest metropolitan areas —Distribute investments in services, facilities and infrastructure more widely among cities in middle and lower levels of urban hierarchy	Central government ministries, local governments, private organizations and businesses

Self-help programmes offer a greater hope of providing basic services for low-income families, but they too have limitations. Assessments of 38 World Bank (1983) supported self-help housing and slum upgrading projects indicate that even the successful ones served only a small portion of poor in the cities where they were implemented. Expanding and replicating such projects is a task that international assistance agencies have yet to learn how to carry out effectively. Cohen (1983) has identified the major obstacles to expanding self-help programmes: inadequate numbers of trained professionals who can design, facilitate and manage sites-and-services and slum-upgrading projects in a collaborative manner; difficulties of developing and providing inexpensive building materials and technology that the poor can afford; reluctance on the part of public bureaucracies to elicit community participation in the design and implementation of projects; ineffective information dissemination among developing countries about those methods and techniques of self-help that seem to work best; and weak financial institutions to provide low-interest loans needed by the poor to improve their homes and communities.

Nearly all studies of urban services problems conclude that ways must be found to increase private sector participation in service delivery, either through privatization or the use of market surrogates. Thus far, private voluntary organizations and 'informal sector' arrangements have been used most frequently in attempting to meet the needs of the poor; but their resources are also limited. Tendler's (1983) studies of private sector participation in urban service provision in Latin America raise a fundamental issue. Although private voluntary organizations can be quite effective in providing small groups of the poor with specific services, their effectiveness is constrained by their apparent reluctance to deal with problems on a large scale. Many of the most effective voluntary groups survive by remaining small and independent, but in so doing produce limited and costly results. If private organizations are to make a more meaningful impact, Tendler concluded, they will have to organize differently, be willing to work more closely with public agencies and adopt managerial techniques that allow them to deal with larger numbers of clients at lower costs.

Clearly, the solution to the urban services problems in developing countries will be neither simple nor universally applicable. In the long run, a variety of policy alternatives and organizational arrangements must be tested. The task of policy analysts and development planners is to begin testing new combinations of policies and organizational responses, and refining them to allow governments and private organizations to cope with their serious, and inevitable, urban service problems in more responsive and effective ways.

REFERENCES

Bairoch, P. (1982). 'Employment and large cities: problems and outlook'. *International Labour Review*, **121** (5), 519–533.

Blair, T. L. (1983). 'Third World urban innovation: managing growth and development'. *Cities*, **1** (1), 71–84.

Brasiliero, A. M., Giffin, K., Shluger, E. and Ungretti, M. A. (1982). 'Extending municipal services by building on local initiatives—a project in the favelas of Rio de Janeiro'. *Assignment Children*, **57–58** (1), 67–100.

Cassim, J. R., Peries, T. H. R., Jaysinghe, V. and Fonseka, L. (1982). 'Development councils for participatory urban planning—Colombo, Sri Lanka'. *Assignment Children*, **57–58** (1), 157–190.

Cheema, G. S. (1984). 'Services for the urban poor: government policy responses in developing countries', in Cheema, G. (ed.) *Managing Urban Development: Services for the Poor* (Nagoya, Japan: United Nations Centre for Regional Development), pp. 141–168.

Clark, C. (1967). *Population Growth and Land Use*. Macmillan, London.

Cohen, M. A. (1983). 'The challenge of replicability: towards a new paradigm for urban shelter in developing countries'. *Regional Development Dialogue*, **4** (1), 90–99.

Diaz, R. (1982). 'Restructuring services to reach the urban poor in Kuala Lumpur'. *Assignment Children*, **57–58** (1), 135–156.

Doebele, W. A. (ed.) (1982). *Land Readjustment: A Different Approach to Financing Urbanization*, Lexington Books, Lexington, Mass.

Donohue, J. (1982). 'Some facts and figures on urbanization in the developing world'. *Assignment Children*, **57–58** (1), 21–42.

Faruqui, M. S. (1982). 'Karachi: physical situation of human settlements', paper presented at Regional Congress of Local Authorities for Development of Human Settlements in Asia and the Pacific, Yokohama, Japan.

Hirsch, W. Z. (1968). 'The supply of urban public services', in Perloff, H. S. and Wingo, L., Jr (eds), *Issues in Urban Economics*, Johns Hopkins University Press, Baltimore, pp. 477–526.

Hollnsteiner, M. R. (1982). 'Government strategies for urban areas and community participation', *Assignment Children*, **57–58** (1), 43–64.

Keare, D. H. and Parris, S. (1982). 'Evaluation of shelter programs for the urban poor: principal findings', *World Bank Staff Working Papers*, No. 547, World Bank, Washington.

Kwon, Wong-Yong (1981). 'A study of the economic impact of industrial location: the case of Seoul', *Urban Studies*, **18**, 73–90.

Lamb, G. (1982). 'Market surrogate approaches to institutional development', Discussion Paper, World Bank, Washington.

Laquian, A. A. (1983). *Basic Housing: Policies for Urban Sites Services, and Shelter in Developing Countries*, International Development Research Center, Ottawa.

Mabogunje, A. L. (1977). 'The urban situation in Nigeria', in Goldstein, S. and Sly, D. F. (eds), *Patterns of Urbanization: Comparative Country Studies*, International Union for Statistical Study of Population, Liège, Belgium, pp. 569–641.

Merrill, R. N. (1977). 'Projects and objectives for sites and services', in Pama, R. P., Angel, S. and DeGoode, J. H. (eds), *Low Income Housing—Technology and Policy*, vol. III, Asian Institute of Technology, Bangkok, pp. 1167–1172.

Montgomery, J. D. (1984). 'Improving administrative capacity to serve the urban poor', paper prepared for Expert Group Meeting on Managing Urban Development: Focus on Services for the Poor, United Nations Center for Regional Development, Nagoya.

PADCO, Inc. (19xx). *Guidelines for Formulating Projects to Benefit the Urban Poor in Developing Countries*, vol. II, US Agency for International Development, Washington, DC.

Prakash, V. (1977). *Fiscal Policy and Resource Mobilization for Urban Development in Asia*, The Asian Development Bank, Manila.

Prakash, V. (1982). 'Financing urban development in developing countries', *UNCRD Working Papers*, Nos. 82–86, United Nations Center for Regional Development, Nagoya.

Rivkin, M. D. (1978). 'Some perspectives on urban land use regulation and control', in World Bank, *Urban Land Policy Issues and Opportunities*, World Bank Staff Working Paper, No. 283, World Bank, Washington, DC.

Rondinelli, D. A. (1983a). *Secondary Cities in Developing Countries: Policies for Diffusing Urbanization*, Sage Publications, Beverly Hills.

Rondinelli, D. A. (1983b). *Development Projects as Policy Experiments: An Adaptive Approach to Development Administration*, Methuen, New York.

Rothenberg, I. F. (1982). 'National intervention and urban development in Colombia and Mexico', *Publius—The Journal of Federalism*, **21**, 111–134.

Salinas, W. B. and Jimenez, F. M. (1982). 'Integrated basic services for Lima's "young towns"', *Assignment Children*, **57–58**, (1), 101–134.

Simmons, A. B. (1981). 'A review and evaluation of attempts to constrain migration to selected urban centres and regions', in United Nations, *Population Distribution Policies in Development Planning*, United Nations Department of International Economic and Social Affairs, New York: ST/ESA/SER. A/75.

Sivaramakrishnan, K. C. (1977). 'Slum improvement in Calcutta', *Assignment Children*, **40**, 87–115.

Stanford Research Institute (1969). 'Costs of urban infrastructure for industry as related to city size: India case study', *Ekistics*, **20**, 316–320.

Strassman, W. P. (1982). *The Transformation of Urban Housing: The Experience of Upgrading in Cartagena*, Johns Hopkins University Press, Baltimore.

Temple, F. *et al.* (1980). *The Development of Regional Cities in Thailand*, World Bank, Washington, DC.

Tendler, J. (1983). *Ventures in the Informal Sector and How They Worked Out in Brazil*, AID Evaluation Special Study No. 12, US Agency for International Development, Washington, DC.

Todaro, M. P. (1980). 'Urbanization in developing nations: trends, prospects and policies', *Journal of Geography*, **79** (5), 164–174.

UNICEF (1982). *UNICEF Urban Basic Services: Reaching Children and Women of the Urban Poor*, United Nations, New York; E/ICEF/L.1440, Add. 1.

UNICEF—Government of Indonesia (1981). 'Urban case study Indonesia—Cirebon, Yogyakarta, Surabaya, Ujung Pandang', Government of Indonesia—UNICEF Cooperation, Jakarta.

Unikel, L. (1977). 'Urbanization in Mexico: process, implications, policies and prospects' in Goldstein, S. and Sly, D. F. (eds), *Patterns and Urbanization: Comparative Country Studies*, vol. 2, international union for the scientific study of population, Liege, Belgium.

United Nations (1980). *Patterns of Urban and Rural Population Growth*, Population Studies No. 68, UN Department of International Economic and Social Affairs, New York.

US Agency for International Development (1977). *Rural Service Center Project Paper*, Manila: USAID Philippines.

World Bank (1980). 'Poverty', Poverty, Shelter and Basic Needs Series, World Bank, Washington, DC.

World Bank (1983). *Learning By Doing: World Bank Lending for Urban Development, 1972-1982*, World Bank, Washington, DC.