MANAGEMENT OF PUBLIC INFRASTRUCTURE AND SERVICES IN NATIONAL CAPITAL CITIES

June 1990

Prepared for the Office of Housing and Urban Programs
U.S. Agency for International Development

Prepared by Dr. Anna Hardman

International City/County Management Association
A.I.D. Contract No. PDC-1008-C-00-9091-00
PIO/T # 034-2008
Buy-In # 5

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July 16, 1990

Mr. Jeffcry Boyer
Office of Housing and Urban Programs
Agency for International Development
Washington, DC 20523

Subject: Contract PDC-1008-C-00-9091-00
Management of Public Infrastructure and Services in Capital Cities

Dear Jeff:

We are pleased to submit copies of the English and French versions of the paper presented by Dr. Anna Hardman at the Second World Capital Cities Conference recently held in Dakar, Senegal.

It is our understanding that the portion of the assignment dealing with the research on the informal and formal sector demographic urbanization trends and related environmental concerns in Senegal and the West African Region was cancelled. This information was conveyed directly by the RHUDO to Dr. Hardman during the conference.

Please let us know if we can be of further assistance on this matter.

Sincerely,

Michael J. Murphy
Project Manager

Enclosures

MANAGEMENT OF PUBLIC INFRASTRUCTURE AND SERVICES IN NATIONAL CAPITAL CITIES

Prepared for:
Regional Housing and Urban Development Office for West and Central Africa
United States Agency for International Development

For presentation at the Second Conference of World Capital Cities
Dakar, Senegal
June 1990

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Washington, D.C.
May 1990

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I. INTRODUCTION

In managing their public infrastructure and services, capital cities face problems common to all the world's large or rapidly growing cities. But they also confront additional issues of public sector finance and management which are unique. Those issues are associated with the role of the capital city as the center of national government, the home of foreign missions and international organizations, magnet for national and foreign corporations, and site for national cultural and political events.

This report is intended to stimulate discussion of a wide range of problems faced by the world's capital cities in their efforts to provide, manage and finance urban services. That discussion will be worthwhile if its outcome is to generate an exchange of experience, ideas and information about the solutions which different cities have adopted.

The financing and management of public infrastructure and services present problems common to capital cities in both developed and developing countries. In most developing countries cities face urgent needs for new investments in public infrastructure, for water supply, waste disposal, and road building, as well as for investment in public services including health facilities, school construction, solid waste disposal and public transportation. At the same time, in the developed countries many urban areas are confronting the problems of maintaining and replacing as well as extending the aging existing public infrastructure networks. In both developed and developing countries, fiscal stringency has brought new awareness of the problems of financing those investments and of paying for the operating and maintenance costs of local public services.

This paper addresses problems which concern capital cities both in developed and in developing countries. Its focus, is on the urgent problems facing capital cities in the developing world and particularly in Africa south of the Sahara. Sub-Saharan Africa is less urbanized than other regions but it is facing higher rates of urban population growth in the next three decades than any other region in the world. Urban population in much of Southern Africa is concentrated in primate cities, most of them national capitals. Many national governments have policies intended to direct urban population growth away from the primate, capital cities, but those policies have so far have met with little success[1]. At the same time, structural readjustment in many countries has reduced the public resources available to finance investments in urban infrastructure and public services.

II. URBAN PUBLIC SERVICES: THE PROBLEMS OF CAPITAL CITIES

National capital cities are the seat of government and the symbol of a nation. Urban management continuously needs to balance local interests with national concerns. A national capital is a symbol for the nation as well as the home for its citizens and the site of the national government. It must produce goods and perform services for its residents just as any other city must. Thus capital cities confront the same problems as other cities, and other special ones in addition. In seeking to find solutions to the special problems of capital cities, this paper draws examples both from capital cities and from the experience of cities which are not capitals.

The providers of urban public services vary widely from country to country. In some nations, most or all are provided through an elected local government, while in others the majority are the responsibility of the central government operating either through agencies at a central or a local level. Some services are provided by public sector enterprises, while others are supplied by the private sector. Problems common to all suppliers are the need to match the resources available to supply services with the demand or need for them.

Capital cities face special problems because the role of capital implies different levels and mix of demand for individual public services, different resources for financing them, and sometimes also different costs in producing them. This section outlines the public service provision problems and constraints faced by capital cities. It identifies problems exclusive to national capitals, and sets out the most important of the broader public service provision issues which, although not unique to them, are faced by many or most capital cities.

A. PROBLEMS UNIQUE TO CAPITAL CITIES

1. Infrastructure standards:

Capital cities throughout the world face specific and distinct demands for urban infrastructure. Government offices and foreign missions demand denser and more reliable networks for telecommunications than most domestic users can afford. Capital cities require communication and transportation systems that link them both to the national territory and to the exterior world; construction and maintenance of these facilities poses special problems for capital cities. The businesses and households which demand similarly high communications network standards are likely to be disproportionately located in the capital city of most countries. Similarly, the standards of electric supply (reliability), water supply (pressure) and waste disposal demanded by luxury hotels and foreign residents imply costs the local population cannot afford in low income countries.

In the past, infrastructure investments in big cities were disproportionately located in areas occupied by those users, who paid the same as other consumers. Fiscal stringency has brought new awareness of the need to make services self financing and to target subsidies to the poorest groups in the population. Realistic (and lower) standards of infrastructure provision which can be afforded by the great majority of the local population will need to be adopted if those now unserved are to be reached. The water and sanitation requirements of a diplomatic community, or of luxury hotels, or the communications needs of government offices can then be met and financed through differential tariffs which make beneficiaries pay the full cost of higher standards.

2. Governmental autonomy

Decentralization of powers to local governments can entail greater efficiency and a better match between local demand and resources. But central governments virtually always retain a greater involvement in the urban management of their capital cities. That involvement is sometimes seen by city residents as excessive interference. Local authorities and central governments continuously need to balance neglect of local interests and lack of self government with national concerns.

3. Governmental finance

The local governments of capital cities in countries where taxing powers are decentralized face the burden of a large area occupied by activities which are tax exempt (government offices, universities and cultural institutions, foreign missions and international organizations, for example), and a significant foreign population which is not subject to a local income tax, and may escape or be only voluntarily subject to local regulations (building codes, or parking and traffic regulations, for example).

Central government typically contributes grant revenues to finance part of the public services provided by the capital city, but the capital city has little or no say in the magnitude or timing of such payments. Greater resources per capita than other cities of similar size are balanced by less autonomy.

Capital cities' local governments can generate significant revenues from the imposition of sales taxes on luxuries, or from taxes on hotels and restaurants. Reliance on user charges to finance urban infrastructure and public services deserves attention as a source of revenues directly related to services provided by the locality. The introduction of cost-based, unsubsidized tariffs can contribute to local autonomy if the central government agrees to pay for the utility services it uses.

4. The capital city as symbol

Capital cities' governments often face implicit demand from the central government that as showcase of a nation, the areas visible to foreign visitors and public officials conform to an image of the "city beautiful". The capital city is expected to present an orderly, clean facade even if the great majority of the local population sets a low priority to those attributes. Presenting that facade is costly. We still lack an appropriate third world model of the capital city: our concept of a capital city as symbol still reflects first world norms and factor availability. Yet the resources to pay for maintaining those high standards are not always forthcoming from the central government. Two papers from a symposium on city management in Asia illustrate the problem:

> The main question.. is which objective is backed by the government: creating a beautiful city or providing basic needs for the populace?...The traditional conflict between visual aesthetics and economic realities is particularly noticeable in Metro Manila...There is no apparent recognition of the fact that only a small proportion of the population has the interest and an even smaller group the means to create a visually pleasing urban environment. Most people must worry about the more essential necessities of life. While public money is used to build structures such as international conference centers, cultural centers, international hotels, film palaces, and elaborate specialized hospitals, private funds are diverted toward office buildings, sports clubs, and expensive condominiums. Most residents meanwhile are hard pressed to generate enough money to put roofs over their heads and wonder whether they will have water and electricity tomorrow and drainage after the next heavy rain. Visual aesthetics are justified as tourist attractions, but programs as opposed to individual projects to provide basic needs seem to receive the most attention before elections.[2]

> Since Jakarta is the national capital, there is great pressure from central government agencies to realize the "city beautiful" concept. This objective often appears to take priority over the more parochial and basic needs of the population[3]

Conventional concepts of the city beautiful can pose an obstacle for local administrations wishing to adopt innovative solutions, lower and more appropriate standards, or to work with the informal private sector:

> "Deliberate efforts must be made to ensure the highest level of environmental sanitation in Abuja" the Secretary to the Nigerian Federal Government proclaimed when the new capital was opened in 1982: "Mechanics workshops must not be allowed to mushroom everywhere...trading activities must be strictly restricted within the locations provided for the purpose and street trading must be absolutely prohibited. The growth of shanty towns must not be allowed" [4]

Squatter settlements and unserviced housing areas are in fact visible to outside visitors. An alternative interpretation of the role of capital cities as national symbols would give priority to the adoption of realistic standards and self-financing solutions to meet the basic needs of the poorest residents of the capital city, serving as a symbol of national commitment to those policies. Jakarta's Kampung Improvement Program is an example of small scale improvements at an affordable standard undertaken in the capital city of Indonesia.[5]

The great visibility of national capital cities to national politicians and to foreign observers can put pressures on the city government which make it more difficult to solve the problems they face in servicing their informal settlements. The need to provide results fast and to show them to outside observers impedes efforts to implement low-cost solutions which rely on alternative technologies, appropriate standards, and community participation or the establishment of a private sector: each demands more time than conventional solutions.

B PROBLEMS SHARED WITH OTHER CITIES

Capital cities face many problems which are associated with their national role but not unique to it. Examples are the problems of rapid population growth, problems of historic cities, and problems of new, planned settlements.

1. Large, rapidly growing cities

Some of the most acute public service problems facing capital cities in the developing countries are those associated with rapid population growth, a concern which they share with other large, rapidly growing cities. It is not coincidental that in many countries the national capital is both the largest and the most rapidly growing city. National urban population is most concentrated in countries with a unitary form of state and a highly centralized form of government. Federal countries and countries with less centralized forms of government have the national urban population less concentrated in the largest (capital) city.

Two factors explain the concentration of urban population in countries with more centralized forms of government. First, in the centralized case, levels of public service provision are higher or their provision more subsidized. Expenditure decisions are made by central authorities and the competition for resources is sociopolitical rather than economic. Authorities in a national capital are likely to favor the city they live in (for personal reasons) through subsidies or direct investments, relative to other cities. On the other hand, in federal and relatively decentralized systems of government, "where autonomous local governments compete with each other in capital markets for resources, urban concentration will be less than in highly centralized systems of government." Second, "In highly centralized systems of government... firms may feel a strong need to locate near the national capital to be able to lobby effectively and cut through the red tape of bureaucratic decision making"[6].

2. Historic cities

Capital cities frequently have an important historic core and special standing in their national history. They, like other cities with historic buildings and neighborhoods, face problems associated with their conservation, and must resolve conflicts between preservation of the past and the needs of the city's present population. Historic cities can earn revenues from tourism, but face significantly increased operating and maintenance costs as well. The city center may be endowed with aging and deteriorating infrastructure networks which demand maintenance and upgrading. Building new infrastructure involves special problems in dense, historic central city areas. Rome, Cairo and Athens, for example, have faced the problem of conserving archaeological remains uncovered when building subways or excavating foundations for new buildings. Historic conservation of buildings and neighborhoods raises the cost of providing public services. Public subventions may be needed if privately owned structures are to be preserved.

3. New cities

A number of nations have established or announced plans to establish a new national capital, including the U.S.A., Turkey, Brazil, Australia, and more recently Botswana, Nigeria, Cote d'Ivoire, Tanzania, and Malawi. New locations for the capital city have been proposed for Argentina and more recently in Japan. Infrastructure provision and urban public services in these cities raise concerns which apply equally to non-capital new towns or cities like Ciudad Guyana in Venezuela and Sadat City, New Obour and other new towns in Egypt. Such moves involve high costs and major urban management problems. The decision to move is usually made on political and not economic grounds. The costs of building a new city are always high; they are typically greatly underestimated when the political decision to move is made.

One reason for the high costs is that both planners and politicians are tempted to endow new capital cities with state-of-the-art infrastructure and public services, which imply costs far above those which the great majority of the national population are willing or able to pay for. The new capital's infrastructure must then be subsidized at the expense of the rest of the country. If, on the other hand the decision can be made that the new capital city will set an example of a different sort, and that infrastructure is to be financed by urban residents, then standards will of necessity kept to levels which the population can afford. Botswana is an example of a country which has been relatively successful in avoiding urban bias in spite of the construction of a new capital city:

> The government saved money and skilled manpower by postponing for long periods some major projects [including] a fully fledged national university,...teaching and referral hospital...new airport...and a conference center...[I]t was the government's policy to make urban people pay, as much as possible for the cost of urban infrastructure...this principle was followed very closely in the case of water supply and electricity...urban residents contributed to the cost of local services such as street lighting and sewage, through local taxation...the urban councils avoided deficits until the 1980's.[7]

The move to a new capital city also implies costs associated with the abandonment or under-utilization of public resources (government buildings, communications infrastructure, foreign missions) in the [former] capital. The local government of the former capital faces the loss of much or all of its former subvention from the central government, yet it is still required to offer services the same metropolitan area.

High standards imposed by planned development in a new capital have often led to a dual urban economy: a modern quarter planned and developed to very high standards and with high levels of urban public services and infrastructure.[8] Adjacent to it there arise poor quarters inhabited by workers brought to build the new city and other in-migrants who build their own housing. The informal development of the poor sector subsequently proves impossible to eliminate. The subsequent provision of infrastructure and public services superimposed on an unserviced squatter settlement of a new city is as costly and inefficient as the servicing of informal sectors of older cities. The only way such problems might be prevented in both new and existing cities is through adoption of realistic standards, reflecting the ability and willingness to pay of the poorest in-migrants from the start. Land costs can be kept low only if an ample supply of serviced land can be made available with realistic standards of infrastructure provision. Colombia, for example has experimented with some success with "normas minimas", areas where private developers are permitted to adopt smaller lot sizes and lower infrastructure standards (more closely approximating those adopted in pirate urbanizations) within planned, legal subdivisions.

III URBAN PUBLIC SERVICES: WHO PROVIDES THEM AND WHO PAYS FOR THEM?

The goods and services produced by local or central government in urban areas include roads and transportation, parks, education, health and other social services, street cleaning and garbage collection. In principle, local, intermediate, and national governments in urban areas "produce goods and services that would not, or not adequately, be provided by private markets."[9] In practice, local public services are characterized by the wide diversity of means used to produce and distribute them. The magnitude of the state and local public sector of the economy varies from country to country, from 2.5 percent in the Gambia to 75 percent in Yugoslavia.[10]

We find a similar diversity of means used to produce public services in capital cities: it is not uncommon for a capital city to have a unique institutional structure. While diversity makes it difficult to draw general conclusions, it allows us to learn from the experience of countries which have different institutional structures for delivering the same services. For example, primary and secondary education, provided by the central government in France and many other countries, is a local government responsibility (and the largest item of local government expenditures) in the United States. Private sector elementary and secondary education is regulated and tolerated in some countries; in others private schools are heavily subsidized. Water is supplied by local, regional and central governments, by semi-public bodies, by ad hoc metropolitan authorities, and by private utility firms which are strictly or not-so-strictly regulated by governments. In areas not served by piped water there is often an active private informal sector supply from water vendors.

This section examines some of the methods and innovative solutions adopted by capital cities to deliver urban public services. The first section focuses on criteria for determining what institutional arrangement is most appropriate for delivering specific services, focussing on privatization and decentralization of production and delivery. Sections B and C look at the demand for and supply of urban public services in capital cities. Section D reviews pricing alternatives: when is dependence on user charges appropriate, and how can the property tax be made a more useful source of funding for programs of local governments?

A PROVISION OF SERVICES

1. Administration

a.Privatization of urban services and facilities

The privatization we are concerned with here is the transfer of responsibility for production or distribution of public services to the private sector. "Advocates of privatization argue that public enterprise is inherently less efficient because voters represented by politicians have a smaller stake in efficient production than private owners and therefore monitor public production less closely. Public office holders are seen as self-interested budget-mazimizers who allow inefficiency to flourish".[11] The variety of institutional mechanisms which we can observe for most urban public services strengthens the case that many can in the right circumstances be privately produced or distributed. It is, however, essential to identify the circumstances which apply in each city and for each service individually.

There is evidence that the costs of privately produced services can be significantly lower. A study of the impacts of privatization in the United States, compared the costs and quality of eight local government services in twenty southern California cities. It found no differences in quality but municipal service delivery was found to be 37 percent to 96 percent more costly than the private alternative. Greater involvement of the private sector can take multiple forms, and the form of privatization needs to be

appropriate for the specific service and city.

i. Competitive production: The model of private production which underlies the case for privatization assumes that there are many buyers and many sellers, all well informed about the product. Conventional markets can be organized to enable customers to seek the best values from competing suppliers.

Public transport has been successfully operated by competing private firms in many third world cities, including Bogota, Colombia. In many, perhaps most third world cities with public sector bus companies, private firms operate para-transit vehicles offering a higher level of service and service to areas not served by the public companies.

The continuing profitability of paratransit-transit minibus or similar vehicles in many third world cities offers a lesson to developed countries as well: there is a real market offer a premium service that guarantees a seat, a comfortable seat. The public is prepared to pay for such a service. Taxis offer a form of para-transit service which is virtually universally run by the private sector. Four factors associated with the success of private bus companies seem to be: ownership is private, vehicles are small, operating units are small, and route associations provide effective organizational frameworks. A number of developed countries are attempting to apply those lessons. Britain is gradually privatizing its bus systems[12]. Montgomery County,MD, a suburb of Washington D.C. operates a transit system which is much like a publicly owned transit system in a smaller city "except that the heavy hand of the federal government is not involved." The County has recently instituted limited competition among providers.[13]

When public services are provided by the public sector, they are usually subject to some regulation. Regulation which limits entry of new firms can raise the profits of current producers at the expense of the consumer. Taxis are an important component of public transport especially in capital cities where there is a relatively large population of short term visitors or residents wanting a high level of service. All U.S. cities regulate taxis. Washington D.C. has among the lowest taxi fares in the country and has more cabs per resident than any other city in the country. An important reason is that Washington D.C. regulates safety but not entry into the market. In cities where entry is restricted (the fixed number of medallions or franchises change hands for $65,000 or more in New York City) fares are much higher ($4.75 for a ride which would cost $2.75 in Washington.

Studies have found that travelers are more sensitive to the ready availability of taxis than to speed, comfort or virtually any other service feature. Cities with open entry to the taxi industry have more than three times more cabs per capita, and services are often more closely integrated with local bus and rail services as well. Deregulation of taxis has led to more firms, more cab service hours, improved service quality, and fares have remained unchanged. The taxis which are permitted to do so charge different, higher fares in peak periods.[14] Shared ride services can offer services to more passengers, and since 1974, Washington has again adopted a type of ride sharing. Ride sharing can coexist with individual exclusive-ride taxis (as they have always done in Ankara, Turkey, for example, where dolmus coexist with buses and exclusive ride taxis).[15] In many cities authorities have relaxed their regulations or look the other way as taxis get more intensive use through ride sharing - Athens Greece is another example.

ii. Contracts from public agencies: urban (and national) public services can be produced by private firms operating under contract to public agencies. In Botswana, for example, telephone service is managed by Cable and Wireless PLC, under contract to the government. One form of contract production by the private sector is the monopoly franchises used for water supply in France and in Francophone West Africa. Electricity is supplied in this way in much of the USA.

Several conditions need to be fulfilled if contracting out to the private sector is to be successful. We can ask, is the activity sufficiently similar to an existing private sector operation for privatization to generate effective competition in the provision of management skills? Is it possible to define the service to be provided in a clear enough way that performance can be monitored objectively? Street cleaning for example meets both criteria. Private firms already do similar things and it is easy to tell if the streets are clean.[16] Not all privatization programs are new: some jurisdictions have long experience with private contracting. For example:

> The District of Columbia contracts for approximately 61 percent of the maintenance and repairs done on its roads. It has reduced the labor force directly employed to 115, compared with 350 in 1967... Until about [1984] joint sealing was done by public employees, but an informal cost comparison convinced officials to begin contracting for the work. DC officials are equally satisfied with the work of its contractors and its public employees...They find contracting...to 4 contractors a satisfactory way to get the work done. [17]

Contracting out in Denmark has a long history: the Falck corporation began its role in providing services under contract to municipalities in 1906 with a rescue station in Copenhagen designed to help local fire fighters. It subsequently set up ambulance stations, private fire brigades and private road repair services by subscription. Falck ambulance service now covers 98 percent of Denmark and 62 percent of all municipalities are served by its fire services. The corporation is profitable (it made a profit in 1980 of $1.3 million on $117 million gross revenues; its employees are union members and its wages are no lower than other employers.[18]

iii. Vouchers: public services produced by the private sector can be allocated by pricing, or vouchers or other rationing devices can be used. In Chile, vouchers used to provide children with government funded education at privately operated primary schools chosen by their parents.

iv. Intergovernmental contracting is a service delivery choice in which one governmental unit agrees to provide services to a contracting unit. For example a county agrees to collect refuse for a city or cities within the county, normally billing the citizens directly. The county may in turn subcontract refuse collection, use property tax levies to recover taxes or receive direct payments.

b. Community operated services and facilities

The nonprofit sector plays an important role in the delivery of human services in the United States. In many localities the expenditures of the private nonprofit sector exceed those of local governments by a factor of two or three to one. The revenues of the nonprofits providing human services comes mainly from government grants and from service fees.[19]

Local fire protection in much of the United States, including some urban areas, is provided by volunteer fire departments, manned by volunteers with at most one or two professionals, and financed through resources raised voluntarily in the locality. Emergency medical services (ambulances) are often provided similar volunteer groups.

In London, Lewisham council sponsored a group of families wanting to build their own homes - 14 families in phase I and 12 in phase II.. "Almost all the self-builders were employed,...they had low or moderate incomes. Some worked in factories, others in shops and various services. One was retired. The Lewisham council devised a scheme which allowed them to build their houses without capital for the down

payment. The council held a portion of the equity - but the families were able to purchase it and at present nearly all the families own their nomes.[20]

Transportation management associations are voluntary coalitions of developers and employers, organized to deal with common transportation issues, especially in suburban centers poorly served by public transit. For example, one of the first in the U.S.A. was at Tyson's Corner, Virginia, a suburb of Washington D.C., which has been influential in lobbying at the county level for local transportation improvements, has focussed attention on the problems of access, organized car pooling, van pooling and minibus services.Robert Cervero in

John C. Weicher Ed.Private Innovations in Transit American Enterprise Institute for Public Policy Research, Washington, D.C. 1988.

c. Parastatals

Infrastructure services (water supply, sanitation, electricity, telephones) in capital and other cities are frequently provided by parastatals - public autonomous organizations which report to the local or central government. They are not subject to civil service regulations and government salary restrictions, and thus have been selected to operate utilities which require technical, or managerial skills which cannot be recruited in government service. Parastatal organizations are usually intended to be self-financing, with tariffs which fully cover their capital and operating costs.

d. Decentralization

We noted above that local public goods and services can sometimes be produced more efficiently by the private sector. But not all local public services can or should be privately produced. Decentralizing both spending and revenue authority can lead to improved allocation of resources in the public sector, because the costs and benefits of the services can be linked more closely.[21] When both spending powers and revenue sources or taxing power are given to local government, the level of services that is provided is more likely to reflect both the preferences and the resources of the local population.

In metropolitan areas where there are numerous local governments, each free to determine the tax rate and level of services provided with tax revenues, efficiency is helped by competition between localities for residents. But that model is of limited validity of such a model in developing contexts and in those capital cities in which one government sets taxes and standards for the entire metropolitan area.

In capital cities decentralization faces two obstacles: first, the city faces demand for services from the central government of the kind discussed in the section above on the city as symbol; those services are usually paid for in whole or in part by transfers from the central government. The relatively ready availability of central government grants often makes it more difficult for a local government to exercise its taxing powers to raise revenues from the local population for services to them. Second, the local government of a capital city has only limited autonomy to decide how it will allocate its resources and is usually granted only limited powers to tax, both because the central government wants to retain control of the capital city, and because many activities located in the capital city are usually exempt from property taxes, such as foreign missions and diplomatic residences, international organizations, and government offices. Many national capitals, like Washington D.C. are run under the direct aegis of the central government and local officials often feel that central government constraints impede the efficient management of the city. The capital city's property tax base is further eroded by the concentration of institutions which are exempt from tax (such as universities and other educational institutions, museums, foundations).

e. Metropolitan Government

Problems of metropolitan government face third world as well as developed country capital cities. "The only truly metropolitan agency is the Metropolitan Water and Sewerage system, which plans and implements water supply and sewerage projects and levies rates throughout the metropolitan region."[22] Where the capital city is part of a larger metropolitan area made up of many independent local governments, the interests of other local governments may well conflict with the interests of the central government and the central city.

In Washington D.C. for example, suburban towns have used sewer moratoria and charges to limit population growth. As a result, metropolitan area housing prices are among the highest in the nation, raising the cost of operating the central government significantly.

The problems of coordination which arise in any metropolitan area which includes many independent government units are exacerbated by rapid population growth and the need to coordinate activities of central city (in federations often a federal district subject to the central government) with the surrounding areas. The solution adopted in Ontario, Canada in 1968 was a reorganization of local government in Ottawa. Provincial legislation created a second tier or regional level of government with a council made up of representatives from the city and sixteen surrounding municipalities.[23]

Such bodies do not always succeed. In Tokyo the Capital Region Development Commission was established by the 1956 Capital Region Development law as an external organ to the prime minister's office, in which the governors and the assembly chairmen of the region's prefectures would sit together to coordinate their policy programs. The law's definition of the region included eight prefectures within 100 km of downtown Tokyo - the body was invested with the power to approve or to veto region wide development schemes. In reality, however, the new body could do no more than act as a clearing house for the enormous variety of regional plans produced by the central ministries and by the area's localities, and after 1973 it was absorbed as a bureau into the new National Land Agency.[24]

f. The Role of Central Government in Capital Cities

Just as a central city provides services (parks, cultural facilities, public transport and roads are some examples) for the population of the suburbs, capital cities serve a national population. They host demonstrations, celebrations, inaugurations or coronations, Regional or Olympic games, political demonstrations and mass meetings. The national capital typically houses more than its share of museums and historic monuments; it hosts domestic and foreign tourists, school visits, and foreign VIP's. Providing public services to serve those activities is an important function of the government of the national capital.

Some at least of the costs of national services are (or should be) borne by the national government. Police and security services are often provided by the national government in the capital, even when they are locally administered in the rest of the country. In Washington D.C., for example, District police exercise joint responsibility with the Capitol Police, the Secret Service, the Federal Bureau of investigation and at least four other federal law enforcement agencies.[25] Cultural facilities serving the nation are typically a central government function. Other functions can be performed efficiently by local government, which will need federal grants to finance them. Computerized management systems should eventually facilitate the allocation of costs of providing urban services to specific local or federal functions.

Federal transfer payments are also needed if local governments are to engage in redistributive activities. There is general agreement that local governments have very limited capability for taxing their

rich to benefit their poor populations, because of population mobility. Urban services provided below cost to the poor,will require subsidies from the federal government.

2. Demand For Urban Public Services

We can distinguish two sources of demand for special or differentiated services, individual and institutional. Individual demand is associated with the makeup of the city's population of public agencies, firms, and households. Institutional demand for public infrastructure and services is associated directly with the national capital's role in providing services to an entire country.

Individuals, firms, and public (domestic, diplomatic or foreign) agencies may require special services associated with their preferences or with the performance of their functions. The presence of large numbers of relatively well-educated and well-paid workers (who are typically concentrated in capital cities) creates increase demand for high quality public services (schools, hospitals, cultural services) as well as for high standard infrastructure and facilities (roads, water, sanitation, solid waste collection).

It is appropriate for such demand to be met but the would-be users should be expected to pay for the full cost of providing the higher level of services to them. That requires that the supplying firm or agency keep a careful account of the cost of serving different user categories and have the capability of billing for and collecting payments for those services which are provided. There are numerous examples of cities where moves are being made in this direction. In London, for example, water was traditionally billed to users on the basis of property valuation. Few domestic users had their consumption metered. Water meters are now being introduced, to permit billing on the basis of use, which will provide incentives for more economical use of water supplied.

In Saudi Arabia, a country which is not typical because the country faces much less stringent resource constraints than virtually all others the need to provide special services for the diplomatic community in Riyadh was met by the creation of an entirely new diplomatic quarter, with very high levels of infrastructure, communications facilities, public services and amenities. However, even though missions are not required to bear the full costs of the new quarter, which has been developed by the Saudi Arabian government, a number of countries have chosen to locate their diplomatic representatives in less costly locations outside the diplomatic quarter of the city.

Capital cities are more often the site of events that may pose demands on local infrastructure and services. They bring additional people temporarily into the city and strain the capacity of local facilities and services. The events are national or international in scope, but the costs for providing the services and much of the infrastructure are often borne by the local government. Public services provided to serve the needs of the central government, whether by local, private or central authorities, are appropriately paid for by the central government. For example, foreign embassies and international organizations pose special security considerations; the cost of providing the necessary services is most appropriately borne by the national government as part of its international representation budget. Another example is the security and traffic management costs incurred because of visits of foreign leaders. The national government may also bear some of the cost of directing traffic and providing services for national cultural and political events, parades, demonstrations, national and international conferences, sporting events and festivals.

In capital cities distinct areas of the city may be devoted to government offices and other institutional uses. A large share of the labor force is employed by one employer - the central government. If administrative areas are segregated from other urban activities, or if the city has little or no other economic

base, then the road and public transport networks will face severe problems of peak demand at the hours when government offices open and close. However conscious efforts can be made to locate government offices in ways that make efficient use of existing transport networks. Adoption of "flex-time" work hours[26] or staggering of starting times for government offices are low-cost solutions to the problem. This solution is more easily implemented for government offices in a capital city than in an urban area with a multiplicity of employers.

Public employees can be given incentives to use transit or other environmentally less costly modes for the journey to work. In Ottawa, 70% of all journeys to work use public transit. To discourage use of private autos for commuting, for example, the unpalatable solution is to adopt economic road pricing policies. That would imply charging for use of congested urban roads at peak hours, and the elimination of concealed subsidies to auto users, such as free downtown commuter parking for officials who work in the city center (in ministries, international organizations, and diplomatic missions). When most commuters rely on private automobiles costly and inefficient congestion on urban roads results (as any commuter in Washington D.C. can attest). On transit systems using tracks or with their own roadways, the higher levels of demand at peak hours can more easily be met with more frequent service.

3. Supply: Costs and Choice of Technology

a. Costs

Governments of capital cities often face higher costs than other local governments in the same country. The cost of living is higher in the capital city. Institutional forces which drive public worker compensation (salaries, pensions, and fringe benefits) above market levels can influence local as well as central government labor costs. Public policies which guarantee jobs to university graduates or other privileged groups can increase localities' labor costs without increasing output. Legally established pay scales for public employees which set the same pay scale for the capital city as for the rest of the country can put the capital's government at a disadvantage in hiring personnel. Clearly, policy reforms designed to increase the efficiency of the local public sector are unlikely to be effective in an environment where central government employees are permitted to retain privileges withdrawn from local government.

b. Technology Adaptation: The Case of Solid Waste Management. The choice of technology is an important consideration in providing local services. One area in which relative factor costs favor the developing countries is the emerging area of waste recycling methods. This is an area where the developed countries can learn from the developing countries, many of whom have been practicing it - but not calling it that - for decades.

Frequently as much as 30 to 50 percent of municipal operating budgets in developing countries is spent on solid waste management.[27] Nevertheless, in many large cities only parts of the city are served. There is strong evidence that costs can be reduced, and service extended to unserviced neighborhoods. That requires choosing the appropriate technology for collection equipment, setting appropriate service routes, and monitoring performance. The technology adopted needs to fit the unique characteristics of each city. Labor intensive methods such as sweepers or manual or animal powered pushcarts, baskets on donkeys, or specially designed small carts may be appropriate ways to collect garbage from households and bring it to collection points for recycling and shipment to collection trucks. In developing countries, garbage is typically much more compact than in industrialized countries, with a high organic and moisture content. Thus different technologies are appropriate[28].

Solid waste management is a function of virtually all municipal authorities. The first priority is to get the waste collected. Most of the costs of solid waste management are incurred for collection and transport - often 90 to 95 percent of the costs. In many third world cities such activities are carried out informally by loosely organized networks in the private sector - a source of subsistence income to scavengers; a means of obtaining cheaper or scarce inputs for industry. But private recycling has generally been ignored or in some cases discouraged. In the city of Cairo, Egypt, solid waste is collected from middle and upper income neighborhoods by the Zabbaleen, a community of Copts living on the outskirts of the city who operate a contract waste collection service for domestic solid waste. They sort and recycle much of the waste collected. A solid waste management project for Cairo developed for financing by the World Bank in 1978 incorporated improvements in the working conditions for the Zabbaleen, improved carts and veterinary care for their donkeys, as well as a component for composting of waste. Reliance on private sector collectors is less effective in poor neighborhoods where the value of the household waste collected is lower.

Recycling can be an important contribution in both developed and developing countries. In developed countries the high costs of disposing of waste in conventional landfills and growing public awareness of the environmental problems associated with pollution have led to growing interest in resource recovery and its inclusion in cities' official waste management policies. Recycling can reduce the costs of municipal solid waste management. Materials recovered for reuse reduce the volume that must be collected and transported to the dump. Resource recovery can eliminate or reduce the hazardous components of wastes. In Mexico City[29], it is estimated that 25 percent of mixed municipal refuse and 70 percent of industrial waste are recycled.

The Integrated Resource Recovery Project sponsored by the United Nations Development Program, the World Bank and several bilateral aid agencies has sponsored case studies of technologies and practices for recycling in Abidjan, Cairo, Dakar, Douala, Colombo, Mexico City, Sao Paulo and Shanghai[30]. Technologies for resource recovery include physical sorting and recovery of materials, composting, biogas and using waste as fill material to reclaim low lying swamp land.

B FINANCING URBAN SERVICES

Urban public services are financed through user charges, taxes on land and property, other local taxes, and through grants or transfers from the central government. This section discusses financing mechanisms which have been used and the circumstances under which they are appropriate.

Collecting revenues is perhaps the most important step in financing urban services. Current demand studies indicate that urban households and businesses are often willing to pay much more for water and power than is assumed by the managers of public utilities. When public services break down or are not available, people often do pay considerable sums for substitutes to water carriers, or to purchase pumps, or (in Lagos, for example) to generate power as well as to pump water privately when public systems are unavailable. Africa's cities and towns are growing much more quickly than sites can be prepared and serviced. Squatter settlement dominate many cities, accommodating as much as 70 percent of the total population. But evaluations have demonstrated that squatter upgrading projects involving improved access to water, better sanitation and better roads... have very high economic rates of return.[31]

In cities where taxes have not been rigorously collected in the past, taxpayers need to see a clear relationship between taxes paid and services provided. People who perceive that no services are provided

are reluctant to pay taxes. Revenue collection could be enhanced if taxpayers were informed of the objectives of taxation and if some revenue were earmarked for vital and visible projects.

1. User charges

Fiscal stringency has brought new awareness of the need to make some services self financing and to target subsidies to the poorest groups in the population. Tightening financial constraints make it impossible to maintain large subsidies across a wide range of public services and still provide adequately for priority needs and target groups. Nevertheless, central government as one of the largest consumers of local public services, may also limit the locality's power to raise prices of local public services, or set limits on which services can be charged for.

User charges are the prices charged by local governments (or private suppliers) for specific services or privileges. They may cover all or part of a service's costs. Services financed by user charges commonly include water supply, parking, toll roads, airports, hospital charges and fees for use of municipal markets, slaughterhouses, and cemeteries. If users are charged the full cost of an urban public service (and if charges are collected as well as imposed) the accusation of urban bias can be avoided: the city's population is paying for the services it receives. If public services are provided at higher levels than elsewhere in the country and the cost is subsidized by national tax revenues, then the higher standards of public services in the capital will attract additional in-migrants who need housing, jobs, and subsidized public services and whom the local government must serve.

We can identify three goals of pricing of public services:

a. break even. Public service provision needs to be as much as possible self financing. The only way to extend infrastructure networks and to serve more users is to make services to most consumers self-financing, so the very limited resources for subsidies can be targeted to the neediest.

b. efficiency. If users are charged a price which reflects the resources used to produce the additional amount of a service they consume (marginal cost) then the price gives them useful signals about the resource cost to the economy of the resources they use.

c. equity. User charges are not necessarily inconsistent with equity. Distributive goals need not suffer and may benefit if charges are levied on services used primarily by the rich and are differentiated by income.

The existing situation is often one in which services are provided at charges well below the cost of provision. The difference is covered by a public subsidy. Resources are not available to extend service to all those who would like the service -water, sewers, hospital services, education - at the price charged for it. It is allocated by rationing (queues, or long waits for servicing of neighborhoods). The provided subsidized services are heavily used by the middle and upper classes, and poorer neighborhoods often remain unserved. Efficiency requires that tariffs reflect the marginal economic cost of providing services. Subsidies are sometimes implicit and not explicit - an example is uniform tariffs which put the capital city at a disadvantage. The cost of serving dense neighborhoods in the capital city is lower than for the cost of serving low density suburban areas and remote settlements. Yet in some countries water supply agencies charge the same to all consumers. Appropriate pricing policies require that consumers face the true cost of providing services to them. If that cost is lower in the capital city, tariffs should reflect that cost differential.

Nevertheless, not all services can be financed through user charges. In some cases it is not feasible to charge a price to users - for example, for use of city sidewalks. In others, it is not appropriate to charge a price which would exclude users, when the additional costs associated with their use of the service are low or zero.

Both public and private providers of urban public services are experimenting with pricing techniques, like the New Jersey municipality which gives each resident a limited supply of the city's plastic garbage bags. Citizens must pay for an additional supply if it is needed, and solid waste is collected only if it is in a municipal garbage bag or has a municipal sticker (also sold) on it. The result has been a — percent reduction in the volume of waste collected in the first year of operation of the scheme.[32]

Raising prices of existing services has repeatedly proved politically sensitive. One way to raise revenues and serve more users is to offer a variety of levels of service at different fare levels. The Cairo Transit Authority, for example, used newly acquired buses in 1980 to add a new level of express service at higher fares, established to supplement its heavily subsidized and very crowded, existing bus services. The objective was to attract users who might otherwise use autos or taxis (thereby adding to road congestion), and to add to the CTA's revenues. More recently, Cairo has introduced minibus services which have grown rapidly, with official encouragement[33].

Airports, which provide services to businesses and to high and middle income consumers are often financed by user charges. Another example of a user charge-financed facility is Washington D.C.'s Dulles Toll Road, which is financed by private toll collection. The road was built to give access to Dulles Airport but is also used by suburban commuters. Traffic on the road has been consistently above the expectations, and the road has more than paid for itself. The road "required considerable cooperation among federal, state and local government agencies, including the provision of the right of way" [34]

Embassies and foreign missions enjoy diplomatic immunity and the right of extraterritoriality. They typically do not pay taxes of any kind, but they are expected to pay appropriate user charges for services provided by the municipality, by local, regional or national organizations. Thus, these foreign missions can be expected to pay for urban public services through user charges. Examples of services which should be financed through user charges include: potable water, (and gray water for irrigation, garden watering, etc. if there is a separate system), natural gas, electrical systems, communications systems (telephone, telex, cable television), stormwater and liquid waste disposal systems, and solid waste recycling and disposal. As we noted above, foreign missions often need and get higher levels of service (e.g. telephones) and it is appropriate that the charges they pay should reflect that.

At present, in many countries these services are subsidized by the government and the full costs are not covered by user charges. In many cases, even operating costs are not covered by user charges. High income city residents, foreign missions, as well as corporations and other foreign residents who are present in high concentrations in capital cities should be expected to pay the full cost of the services they consume. The provision of telecommunications services is often in the hands of a national government agency or parastatal which may charge the same rates to all consumers. Services are rationed (e.g. by long waits for new connections). Higher standards (more lines, more rapid connections, and fewer service interruptions) are often provided to government and diplomatic facilities but the higher cost has often not been reflected in higher tariffs.

There is an urgent need for more widespread metering of water consumption, and for the introduction of pricing structures which recover the full costs from these users. Indeed consideration needs to be given to pricing structures which involve a certain amount of cross subsidization: the organizations providing e.g. water can subsidize the poorest users (e.g. of standpipe water) by imposing higher lump sum charges on wealthier users with high levels of consumption or multiple faucets within the building, and using the excess of revenues over costs for the wealthy users to subsidize poor consumers.

2. Local taxes

a. Property taxes

Some services need to be financed out of local tax revenues. They include services which cannot appropriately be financed out of user charges because users cannot be excluded so no price can be charged (the urban sidewalk example) and services or facilities for which the marginal cost associated with an extra user is zero or trivial, and so charging a price would lead to greater inefficiency.

Local governments are responsible for providing a range of public services, but they often have inadequate resources to make those activities possible. Capital cities in particular rely heavily or entirely on sharing central government revenues. But to be responsible to the local electorate implies financing services provided locally with a local source of revenues. The one most widely used - the source of 74 percent of the tax revenues of U.S. local governments and 58 percent of municipal revenues in Senegal - is the property tax. At present, property taxes represent under 2 percent of all taxes raised by the public sector in the world. Central governments usually rely on taxes on income and on firms. But for local government the property tax can be an important revenue source. Its great advantage is the immobility of the tax base. High income residents can move if an income tax is imposed, but land, and to some extent urban property, is immovable.

Property taxes receipts are sometimes low because they are based on outdated valuation (1960 values were still used in Kumasi, Ghana in 1986).[35] Collection rates are low. The first stage in increasing reliance on a local property tax is up-to-date information about land holdings and land values. Bangkok, Thailand, has started a project to upgrade existing fiscal and legal cadastral maps in urban areas. Absence of up to date maps has handicapped the city's ability to tax real property effectively. Exemptions like government and royal lands, educational religious and charitable institutions, owner-occupied land and parcels under 400 sq. m. reduce the tax base - and can only be changed by national legislation. New technology is being used for surveying and courses at local universities in surveying are being strengthened.[36]The Urban Edge May 1987. Computerized management systems may be needed to store and access data on property holdings, values and tax assessments.

Local governments of capital cities in countries where taxing powers are decentralized face the burden of a large area occupied by activities which are tax exempt (government offices, universities and cultural institutions, foreign missions and international organizations, for example), and a significant foreign population which is not subject to a local income tax, and may escape or be only voluntarily subject to local regulations (building codes, or parking and traffic regulations, for example). The presence of these activities will, however, raise property values, and hence be reflected in the tax base for the property tax.

Capital cities have been relatively successful at raising property taxes. Dakar accounts for 80 percent of the "ordinary revenues" generated by Senegal's regional capitals, because Dakar has highly valued taxable property and a good collection system. Nevertheless, municipal finances have been deteriorating in the largest cities: Dakar's revenue fell by 50 percent in constant francs between 1980/1 and 1983/4. Ouagadougou's income per inhabitant fell from CFA 1,862 to CFA 976 between 1980 and 1985.

b. Property tax case study.

In Maseru, the capital of Lesotho, a major program to generate revenues from the property tax has been established.

The capital city's numbers soared [over the last ten years] growing at 10 percent a year... Until now the city was run entirely by the central government through a town office it created within the Ministry of Interior....all decisions about the type and level of services to be provided were made at the national level; and this, say some of those providing the services, was less than satisfactory - because the government had competing interests. Moreover, it occasionally failed to transfer the funds promised. the town office lacked a rigorous system of tax collection, follow-up and record keeping....Because the city services were paid for out of the national budget, there was no link between the amount of revenues collected locally and the services delivered. Thus, the town office felt no pressure to collect what was owed; and because the level of services was poor, the public felt no compulsion to pay....As the city spread there was little attempt to guide its physical or economic growth. Thus the newer areas on the outskirts - where about two thirds of the people live - lack most basic amenities. While almost all the older parts of the city have piped water, good roads and streetlights, only a fifth of the households in the newer areas have water; and other services, like water-borne sewerage, sanitation, electricity, street drains, roads, schools and recreation halls are scanty if they exist at all.

To resolve the increasingly unmanageable situation, the government, with encouragement from the World Bank decided that Maseru would become an autonomous local authority with its own political and administrative structures...It passed the Valuation and Rating Act under which the city created a new valuation roll (an inventory of all properties in Maseru)....the city now had the information it needed to reassess properties and levy rates. Staff are being recruited and trained, and new units, which will take on new functions, are being created...

The more important question is if there is an economic base that can support the costs of a new administration and elected officials.The greatest obstacle is the degree to which the public will accept the whole concept of local government...a common fear is that the new town council will aggressively go after..property taxes, which until now were rarely paid, except by some of the large commercial enterprises. "It is true that rates will be levied [said Mr. Nkhale, the town clerk] but we will begin providing services that until now were largely lacking. [A World Bank loan] will enable us to begin offering services for roads, drainage, some electricity, street lights on main roads, clinics and schools. So people will see they are getting something for their money."He went on ".There is debate about whether to go after taxes immediately or wait until some existing services are improved and new ones introduced....we really can't wait, because we need the taxes to begin offering services...the controller's office is concentrating on first collecting arrears from the large commercial and industrial properties, which, in general, account for the greatest share of total taxes. Where necessary the office will take legal action...Interest on arrears is set at 10 percent and will have to be raised...The office is recommending that payment on the first 4,000M of value be eliminated and that taxes only apply to the value over this amount. "The amount of the tax on properties under this amount would be so low that it would cost more to collect. Second, if we forgive this amount, even on the more expensive properties, thse owners won't resent their neighbors whose homes are valued under 4,000M...

In the past, the central government had little incentive to collect taxes because the deficit could be hidden and the money found elsewhere. Now, it can't be hidden, as the Town Council will have its own budget to balance. At present the public pays for services like trash removed; but the fee of 1M a month per trash can does not cover the real costs and the difference is paid out of property taxes. Most of the poor can't afford trash cans and for health reasons it might make sense to remove user charges altogether.

The new system has also stimulated innovative techniques: We want to introduce the concept of length man who work in the neighborhoods where they live and are responsible for the roads there. They keep and care for their tools at home and each day smooth out loose gravel manually. After a rain they know where the problems are, and if these are major the men will report them...[37]

c. Valorisation and impact fees. A special form of property tax has been used extensively in Colombia to finance provision of urban infrastructure. Valorisation is a tax imposed only on beneficiaries of projects installing water lines or upgrading roads in previously unserved areas. The tax is assessed on adjacent property owners whose holdings' value increases as a result of the project. In the United States, impact fees have received "a lot of publicity in the Washington D.C. metropolitan area and in others with

rapid suburban growth."[38] Impact foes are charges imposed on private developers as a condition of giving planning approval. The fees are intended to cover the cost of providing services to new developments, specially large new developments.

d. other local taxes

Other revenue taxes include taxes on individuals, business licenses, and liquor and automobile licenses. Capital cities' local governments can generate significant revenues from the imposition of sales taxes on luxuries, or from taxes on hotels and restaurants. Targeted local taxes on first class and luxury hotels, car rentals, and restaurants are one way to raise revenues. Some countries impose a special airport tax to finance the airport. Some countries (Greece, for example) have chosen to charge more to foreign tourists than to local citizens at museums and national monuments.

3. Grants from central government

Local government may depend for much of its funding on grants from the central government. Dependence on grants makes it harder for the local government to influence and even to predict its own level of income. When localities are constrained from changing user charges, raising or imposing property taxes... by the central government, then they are likely to be very dependent on central government transfers.

In Jakarta, for example:"at the national level, the lack of urban investment planning and of systematic allocation in situations with limited resources, together with pressure for urban services, causes urban investment to be highly concentrated in the capital city. This results in a great dependence on funds from central government and ineffective local support for cost recovery mechanisms.[39]

Grants to the capital city may be seen as having two economic roles. First, as funding for subsidies used as a redistributional device, to provide services to the poorest households which cannot otherwise afford them. Second, as a payment for services provided by the capital city to the nation. For example, as a payment in lieu of taxes for the untaxable government property in the central city. The federal government, for example, makes grants to local governments in the Metropolitan Washington area (and elsewhere) to finance services to federal establishments and employees.

4. Borrowing

The capital cost of large investments is often paid by grants or loans to the capital city from central government or from foreign donors. Because financing capital outlays for smaller projects is often more difficult. Municipalities are aware of the kinds of infrastructure they need but do not have the funds reequired, and depend on state of central governments for financing. In a few cases municipalities have borrowed from capital markets but they have little collateral, are often already in debt, and find it hard to borrow.Thus investments in small projects costing $10,000 to $200,000) are ad hoc and sporadic because no institutional mechanisms exist to plan and execute them. The problem is often as severe for capital cities as it is for smaller municipalities. One way for donor agencie sto invest in numerous small projects at the local level is the creation of semi-autonomous institutions called municipal infrastructure funds (MIF's) that obtain funds from central or state governments, and in turn lend to municipalities. Municipal infrastructure development funds can be administered by local merchant banks, as in a recently established fund in Nigeria[40] .

C INFRASTRUCTURE AS A PLANNING AND POLICY TOOL

Many countries have explicit policies concerning the spatial allocation of their population and the size distribution of their cities and urban areas, reflecting a concern that the largest metropolitan areas are

too large or growing too fast. Governments have thus adopted spatial policies designed to divert people from large metropolitan areas to smaller urban centers. Critics of those policies have argued that they have often been costly impediments to national economic growth and that their effects have been slight, at best.

Management of urban growth is closely tied with problems of urban public service and infrastructure provision. First, providing infrastructure to areas of unplanned growth is typically much more costly than in planned areas. Second, infrastructure provision can be used as a tool of urban management to control and direct urban expansion. Physical infrastructure planning, management, and pricing is a neglected but potentially important tool for planning in capital cities. When prices for urban services are based on economic costs and subsidies are eliminated or targeted carefully, one source of urban bias is eliminated. Distortions in the prices of urban services (when beneficiaries pay much less than the true economic costs) can accelerate the rate of migration to large cities. The price of infrastructure connections and service as well as the availability of connections determine who has access to serviced land. New housing, formal or informal, will locate first in areas where the water lines and sewers are, or where groundwater is available to provide privately supplied substitute for public water supply.[41]

Two approaches to traffic management in capital cities have been adopted to help solve the problem of congested central city roads. Rome and more recently Athens have limited access to all or part of the central city. In Athens both private autos and taxis can enter the area within the "daktylios" only on alternate days (odd number license plates one day and even number license plates the next). Singapore's Area License Scheme uses pricing to limit access, selling permits for entry on either a one day or a monthly basis.[42] Now that both schemes have been in effect for a number of years, it would be useful to have available an evaluation and comparison of their impacts and the modifications made to them as experience has grown.

Other capital cities have experimented with subways and other forms of public transportation. Among the most potentially cost effective is Ottawa's. The city has been building a system of 22 miles of two-lane busways, substantially less costly than a subway system, which are scheduled for completion by 1992, with 26 stations where the roadway widens to 4 lanes to allow passing. [43]

IV CONCLUSION

It is useful to think of the task of urban management as an ongoing search not for solutions but for tools, strategies and tactics. A goal of this meeting is to seek ways to improve the quality of management of public services in the world's capitals. We are not going to find a single solution: there is none to be found. The national urbanization policies adopted by many countries, including most in Sub-Saharan Africa explicitly set the goal of moving resources away from the largest cities. The establishment of new capital cities has been one policy adopted to that end. However, such policies are costly and take effect only slowly.

Training has an important part to play. The governments of capital cities, like other town governments, often lack skills and benefit from training to transfer skills such as those needed to administer new taxes, carry out surveys for a land register, and set prices for public services.

Redirecting population growth away from the largest cities (most of which are national capitals) is not a panacea. At most we can hope to slow the growth of cities which would otherwise reach tens of millions of population in the next twenty-five to thirty-five years. But it remains necessary to accept and plan for continuing growth of the world's capitals, many of them its largest cities.

This paper has emphasized the importance of relying wherever possible on user charges and local taxes to finance both construction and maintenance of infrastructure and public services for national capital cities. Realistic service standards can be defined as service standards which can be financed from local resources. If national government and diplomatic premises require higher service standards, then the economic logic of structural reform implies that municipalities or agencies providing those services should charge for them at rates which cover the full (marginal) cost. It is difficult to justify eliminating subsidies for urban public services to middle and low income households if either national public offices or foreign missions and the offices of international organizations pay charges which fail to reflect the full cost of serving them.

Privatization and decentralization have both received a great deal of attention as strategies to improve provision of urban public services in developing countries. Privatization can work only if entrepreneurs are available who are capable of supplying the service. Capital cities, which already attract entrepreneurial in-migrants, may find privatization easier to implement than it is for other cities. Privatization also facilitates a policy of offering higher standards at higher prices, to serve the needs of those residents who are able and willing to pay for them. Decentralization of resources and management to city governments may be more difficult for capital cities than for other cities: national governments have often been reluctant to grant their capital cities full autonomy either with respect to management of the national capital or full taxing powers.

In looking at the methods which have been adopted by capital cities to overcome these problems of urban public service management we need to seek out the scope for mutual learning between the developed and developing world in confronting the issues addressed here. For example, recent reforms in the transport system in London may be partly attributable to greater understanding of the potential for private sector involvement in transit derived from studies of paratransit in the third world. Ideas need to be exchanged within countries as well as between capital cities of different countries. That is one of the reasons for this meeting, and a primary objective for this workshop is to facilitate that kind of exchange, in the search for tools and strategies for dealing with common problems.

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26 Each employee chooses when to arrive within a 1 to 2 hour window, though all work the same number of hours per day.

27 The Urban Edge July 1987.

28 See The Urban Edge, July 1987 for an extensive discussion of alternative technologies. See also The Urban Edge December 1987 for a description of a small low cost truck used for solid waste collection and as a base for a low cost vacuum tanker.

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31 Harry Garnett, Sally Merrill and John D. Miller "Urbanization in African Development: Issues and Opportunities" Abt Associates, Washington D.C. 1988. Paper prepared for the Office of Housing and Urban Programs, U.S. Agency for International Development.

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