

CREATING AN A.I.D. URBAN RESEARCH STRATEGY
A REPORT OF THE A.I.D. RESEARCH ADVISORY COMMITTEE

Recommendations of the AID Research
Advisory Committee to A.I.D.

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This RAC report on Urban Research Programs is a response to a request for recommendations for expanded A.I.D. activity in the urban sector. This request reflects not only concerns of the Administrator and A.I.D. itself, but also concerns of appropriate Congressional committees and of other donor agencies. Any potential expansion in donor activity in the urban sector requires prior research to define the needs of the most effective means of addressing these needs.

The objectives of the discussion of this topic during the RAC meetings of October 23-24, 1988 and January 26-27, 1989 are to determine what urban research has been done, who did it, what priorities and research topics should A.I.D. emphasize, what institutional mechanisms might be used to carry out new research, and how can it best be disseminated to those responsible for urban programs in developing countries.

This report begins to set forth these issues.

Summary of Conclusions:

The RAC reached the following conclusions and recommendations:

1. Urbanization is emerging as a major development issue among donors and LDC governments and should receive a higher priority in A.I.D.'s research agenda in the future.
2. Well focused and structured urban research is likely to have a very high pay-off in reducing urban development costs, increasing urban management efficiency, and improving urban economic productivity.
3. A.I.D. has made significant contributions to rural and agricultural research in the past and should adopt a comparable commitment to urban research in the 1990's.

Summary of Recommendations:

1. Therefore, A.I.D. should form an urban research coordinating group, perhaps as part of an Urban Development Sector Council. Such a group should undertake, in addition to its other responsibilities, the following initial steps:
 - a. Conduct an assessment of recent urban research activities of international donors, academic and research institutions, foundations, and A.I.D.'s component offices.

- b. Upon completion of the assessment, hold an international seminar on urban research priorities to establish A.I.D.'s commitment and leadership position in the field.
 - c. Support early dissemination of selected, existing urban development research findings as initial steps in a publication series.
2. A.I.D. should commit long-term resources to building urban research capacity within existing "research centers of excellence" by utilizing the model of the Bureau for Science and Technology in other research sectors.
 3. While further detailed consideration to specific urban research priorities will be required, the RAC established an agenda of over 30 areas warranting research from which six were selected for priority consideration:
 - Urban environmental issues -- local, regional, and global;
 - Urban land dynamics;
 - Urban Economic Development and Productivity Improvement including micro enterprises, employment generation, non-formal sector and private and public sector cooperation;
 - Technologies for urban development and export growth. Macro-policies, finance and structural adjustment;
 - Municipal Management: Promoting Local Institutions, Capable Financial Administration and Public/Private Linkages

The Urban Research Context

The Administrator, A.I.D. and Congress have all recognized that the demographic dynamics of Less Developed Countries (LDCs) are thrusting the problems and the opportunities of urban areas to the forefront of development concerns. An ever increasing percentage of population growth is now concentrated in urban areas. In contrast, by the year 2010 LDC rural area population will begin a slow decline in absolute numbers.

More than half of the GDP of the LDCs is now generated in urban areas and this percentage will continue to increase throughout the 1990's.

It needs to be stressed that these urban population increases (without historic parallel in the developed countries) will come upon cities which are already deficient in housing and infrastructure, which have weak urban administration and financial resources, and which have serious challenges in providing productive job generation. Households in poverty represent the majority of urban populations and are rapidly increasing in absolute numbers.

The international indebtedness and the restraints it places on domestic economic policies further compound the difficulties in addressing urban problems.

Urbanization is an integral part of the development process. Urban areas have often been centers of innovation, modernization, and dynamism. Deterioration in urban areas and development inefficiencies can thus adversely affect the entire development process of a region and a country.

Many countries have been accused of having an "urban bias," particularly a big city bias. In many cases, such bias as existed has been drastically moderated by the major macro-economic reforms of the 80's. Furthermore, this supposed "urban bias" has had as its primary beneficiaries selected sectors and populations and not the generality of the population which constitutes the bulk of the urban poor. For all of these reasons, it is believed that a well focused and structured urban research program supported by A.I.D. is likely to have a high pay-off. The point being that since huge expenditures will be made in cities over the next 25 years by governments, businesses, and individual households, urban research which reduces costs of urban development, increases efficiency and productivity, and leads to improved opportunities for the urban poor will be highly cost effective.

A.I.D.'s Urban Research Experience

A.I.D. has had a rural bias in that much of its development activity has been focused in rural development, particularly agriculture. A.I.D. is a major contributor to those international agricultural research centers that have contributed so mightily to the world's increasingly successful efforts to feed itself. A.I.D.'s task in the future will be to readjust priorities to reflect the emerging significance of urban problems and opportunities without undermining the rural progress which A.I.D. has facilitated. The rural bias was a response to Congressional Mandate to concentrate on poverty. Now that poverty is increasingly urban, shift in focus is consistent with both past and current Congressional Mandates.

In the 1970's, A.I.D. supported a small Urban Development Research Program through its Office of Urban Development (S&T Bureau). When this was abolished, the responsibility was shifted to the Office of Housing and Urban Programs. The recent emphasis of the Office of Housing and Urban Programs has been on developing tools for use in making shelter assessments and more recently to conduct general analyses of urban areas. The Office of Rural Development (S&T Bureau) has continued support for research activities in urban/rural interactions, and in income generating activities involved in urban/rural exchange. In the latter, farmers have been shown to be very significant investors in urban areas.

A.I.D. is recognized as a leader in research on micro-enterprises. On other topics, A.I.D. has done limited research on the impact on development of secondary cities and market towns. PPC and S&T are co-funding some research on women in development that includes some urban objectives. The WASH project has done some work on urban water and sanitation. Two projects were noted as attempts to address questions of the environment -- one to consider how to integrate city waste streams to produce useful products and another on how to manage resource efficient cities.

The Framework for an A.I.D. Urban Research Program

The RAC recognized that many sectoral offices will need to be encouraged to develop the research base concerning their sectoral interest as it relates to urban development. For example, the health, education, population, and energy sectors and the environment all have a potential urban locational focus which will generate important research requirements. However, this aspect of the urban research agenda should be made a part of the basic sectoral research agenda and not a separate urban research topic.

The complex topic of rural-urban linkages is likely to require joint collaboration between rural and urban development offices. Similarly, specialized regional or country based urban research is likely to require collaboration between the central staff office and the respective Bureau and/or Mission. The following framework was suggested by the RAC to add structure and organization to A.I.D.'s urban research efforts:

Establish an Urban Development Sector Council - The RAC recommends that an urban research coordinating body be formed. This might best be done by duplicating the model used successfully in other sectoral areas by establishing an Urban Development Sector Council.

The Council would seek to coordinate research activities and stimulate the exchange of relevant urban development information.

The RAC recommends as part of the process of defining A.I.D.'s urban research program that an overall assessment be made of recent urban research activities and priorities of the international donors, academic and research institutions, and development foundations.

Upon completion of the assesment, A.I.D. should consider hosting an international seminar on urban research priorities and make a long-term commitment for supporting established centers of excellence in urban research.

Dissemination of Urban Research - The RAC felt that the issue of how urban research should be disseminated needs to be addressed concurrently with setting the research priorities and establishing the institutional format.

The RAC recognized that the main audience for A.I.D. generated urban research is internal A.I.D. offices, bureaus, and missions which will be undertaking expanded urban programming activities in the years ahead. The audience also includes the urban professional community, other international donors, and the professional and government communities in the developing countries.

The most obvious first step is to insure that adequate copies of urban research documents are prepared. However, printed documents are only one method of dissemination. Computer disks with statistical data and video cassettes should be a vital part of the dissemination process.

It was noted that A.I.D. need not wait to generate its own urban research findings to provide a useful dissemination service. There is a body of urban research now in existence which has not been disseminated. The RAC recommends that research findings subsumed in other A.I.D. technical work used for other purposes could be developed for publication and distribution as a contracted service.

Urban Research For The 1990's

1. Urban Environmental Issues--Local, Regional and Global

The environment was identified for research interest not only because it is a major LDC urban problem but also because it is of concern in all urban areas and because there is a growing international awareness of environmental problems of which the urban is but one component. As such then, cooperative research and funding from other sources

are real possibilities for this research endeavor. The LDC urban environment is another issue in which A.I.D. can get "out front" of both other developmental agencies and of any imposed mandate for action. A.I.D. can therefore set the urban environmental research agenda as a development effort.

The local pollution is by definition an LDC urban problem. Air, water, toxic substances and other wastes are part of the many components of this problem. (Some of these problems can be reduced by more efficient technology such as many A.I.D. is working on in energy). It was stressed in the Committee that we should recognize that urban areas can be resource creating as well as resource using. The city can also be a source of innovative technologies that facilitate resource creation and regional development. Issues such as air and water pollution or deforestation can no longer be understood as purely local or regional phenomenon. These local and regional problems are coalescing into global problems, some of which are potentially severe. It is necessary for LDC urban research to incorporate the global dimension so that interventions are consistent with other international objectives. Government response to environmental problems was divided into procedural responses (i.e. regulations) and technological responses (i.e. looking into resource creating possibilities) such as firewood grown in cities, solid waste retrieval and urban agriculture.

2. Urban Dynamics:

Urban and peri-urban areas are not static entities. They are characterized by a vast array of transactions from land and structure exchanges to employment creation and production. Too often, we try to understand these phenomena in terms of a static set of rules. Students of LDC urbanization are just beginning to grasp some of the complex dynamics of what used to be considered basic exchanges such as land acquisition for roads and other infrastructure development.

Certainly, market forces as traditionally understood are a vital part of this complex dynamics, but in addition, there is an array of other factors that govern these relationships. If either local or donor actors are to be effective change agents, then a greater understanding of the complex operative dynamics is essential and one of the highest priorities for research.

Much of the discussion on urban growth focuses on demographic phenomena at the expense of more detailed analysis of the economic processes underlying this trend.

Though there are many instances of urban growth that result from failed agriculture policies and misguided urban food subsidies, it should be recognized that urban growth also reflects favorable economic changes and opens further opportunities for continued economic advances. The role of rural-urban linkages, including agriculture, in development strategies is a vital aspect of any understanding of urban dynamics. It is essential to understand the continuing connection between urbanization and rural development.

Internal urban dynamics relate to the growth of the city itself and the interactions of sectors within it. A basic element is the functioning of the land market and the structure, frequency and character of land transactions for residential and non-residential uses. The availability and efficiency of essential urban services--water and sanitation, transportation, and power supply-- and the allocation of public and private sector responsibilities for providing them have a profound impact on the economic productivity of the city and its ability to meet basic human needs. Urban-focused, sectoral research on health, education, and population is required to assure that we consider all of the aspects and implications of urban growth. Capital flows to urban areas from the informal sector are priority areas for study.

3. Urban Economic Development and Productivity Improvement

This includes industrial promotion, employment generation, micro-enterprise, non-formal sector initiatives, and private/public sector cooperation. It includes attracting productive investment to cities that can provide them efficient environments, while not permitting them to be exploitative. It means creating small-scale, job-creating activities that facilitate savings and attract resources that otherwise would not appear.

Macro-economic policies profoundly affect the availability of credit and the efficiency (and very existence) of capital markets. Government policies that favor credit in one sector over others create distortions in the return to capital and therefore in economic efficiency and growth. The availability of financing to private entrepreneurs is central to improving productivity and creating jobs. Unless the price of capital is correct, cities will not be able to raise debt capital to build the physical infrastructure that is required to support employment generating activities and basic shelter services.

Some members of the RAC suggested that case studies be made of successes in local economic development (meaning locally guided economic development), from which could be extracted innovative experiences and an understanding of how public and private sectors cooperate at the policy level in a developing country. In almost every area, the fundamental question is which innovations and which policy initiatives can make a difference. The international donors, for example, are now recognizing that unfocused projects to enhance city management efficiency have had disappointing results.

There is a tendency to glamorize the informal sector as a source of high-labor, low-capital economic activity that takes advantage of the entrepreneurial spirit of the populace. But there is a vast difference between an informal sector that grows because the formal private sector cannot generate jobs or earnings and an informal sector that continually graduates its entrepreneurs and enterprises into the national economy.

In particular, it appears that excessive governmental regulations can both create the informal sector (by making entry into "regular" business so difficult) and close off growth opportunities for firms that are most successful in the informal sector. Under this theme we would want to identify countries and urban areas where the growth of informal-sector firms is least constrained and where much of the national entrepreneurial energy has been drawn from the informal sector.

4. Macro-Policies, Finance and Structural Adjustment:

The RAC members thought macro-policy research must be looked at comparatively across regions. Within current interests in the urban sector, the concept of decentralization needs clarification. The effects of macro-policy reforms on urban development have not been well documented. Finally, A.I.D. needs to know more about how macro policies affect the urbanization process, particularly with regard to the building of smaller urban centers.

The question of local finance is always an issue in any donor assistance, but it is particularly true for urban infrastructure projects where recurrent costs tend to be large.

It is not only whether the finance is potentially there, but also whether there is the political will to generate the income necessary for essential maintenance. Financial

effort is needed from the beginning to make the recipient contribution and to pay back loans. Finance is also important to understand if ever there is the political will. The benefits of a project can be constrained if the supporting tax effort undermines the economic activity that the project is seeking to promote.

Structural adjustment is a term much in use in the development community for the simple reason that it is a vital concept and practice. Two types of structural adjustments were recommended for study. First, as part of agreements with IMF or the World Bank, or as a result of a policy dialogue with USAID, many countries have made numerous structural adjustments that have had a predominantly urban impact. Studies need to be made of these past structural adjustments if continued effective intervention is to be possible. Second, factors such as international indebtedness are requiring more structural adjustment. Attempts to soften the impact of these adjustments on the poorest population has led to discussions of structural adjustment with a human face. Clearly A.I.D. needs to be part of the inquiry on the implications of current requirements for structural adjustments and possible ways of modifying these adjustments to make them politically attainable and to minimize their adverse consequences. Frequently, in regard to urban-rural dynamics in Africa, the long-term goal of "getting prices right" is widely accepted. But accepting that goal does not define a feasible pathway to reach it. The definition of such pathway is a necessary focus of urban macro-policy research.

5. Municipal Management: Promoting Local Institutions, Capable Financial Administration and Public/Private Linkages

One of the greatest obstacles to improving urban performance is the poor condition of local administration in most developing countries--scant revenues, poorly qualified staff, inadequate equipment, damaging impositions by higher governments and local opportunists. The problems require deriving new rules for local public authority, inputs of new resources, technical aid and training. Many municipal authorities are justifiably afraid to make partnerships with private groups because they know their own weakness leaves them vulnerable to private opportunities.

We need to examine cases where local institutions are strong now and consider what has made them better able to do their jobs. We need to discover how to maximize the

opportunity for local governments to be responsible in creating and guiding the local economic development process. Part of the answer is technical training and hardware. We need to examine what effect the introduction of microcomputers has had toward streamlining the local government role in cities where these skills and technologies have been introduced.

6. Technology for Urban Development:

New and improved technologies are necessary for increased productivity and for the achievement of the other goals of urban research. Truly appropriate technologies are those that solve problems. These technologies can be modification and adaptation of existing or the development of empirically new technologies. Research in technologies need not be prohibitively expensive in order to be effective.

Traditionally, urban technological research has focused on (1) productivity and (2) welfare. There is a need to examine possible use of the capital-intensive technologies for urban infrastructure as an examination of possible small-scale technologies to perform complementary functions.

Technological innovations are necessary for competitive export growth. Studies need to be made of selected countries and sectors where urban producers have experienced impressive export growth. Then changes in city functions and technologies required to support this growth, and the way in which these changes were accomplished, need to be researched to provide an information base for use by other urban areas. Marketing strategies to developed and other developing countries need to be studied so that specific possible linkages can be exploited by less successful urban areas.

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on Urban Development Research

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