



Cities as Economic Development Tools

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Increasing globalization – the economic integration of national economies – and the resulting governmental decentralization have obliged cities in many countries to take seriously the economy of the city. On the other hand, unless cities can be made to work, national economic growth is seriously impeded. Hence, city managers become increasingly important in economic management. The old fatalism – that economic growth is a matter exclusively for national governments – comes under threat.

This is especially true in terms of poverty in developing countries. Some cities have done much better than others in expanding the demand for workers, in expanding incomes and reducing poverty. However, most city managers traditionally know nothing of the economy of the city they administer, nothing of its strengths or its weaknesses. It is often true in the city as a whole – many people know their own corner very well, but none know the whole picture. As a result, the “economic policy” of a city tends to be reduced to trying to woo outside investors with whatever bribes are currently fashionable – tax breaks, free land in industrial parks, etc. – without much attention to whether the costs of these “incentives” are greater than any benefits.

Many people have tried to break down this basic ignorance. One of the most famous of these attempts was the splendid benchmark study by Hoover and Vernon of the New York region in the late 1950s.¹ The Indian

Planning Commission, conscious of the great ignorance of the role of cities after the coming of independence, sponsored a whole series of studies – of which Sovani’s survey of what was then Poona,² and Lakdawala’s of then-Bombay³ were among the better known. But whatever the quality of the studies, they had almost no effect on the formulation of the Master Plans (for all cities of 100,000 or more population) that were drawn up in the 1960s and 1970s. Only in Calcutta – with the sustained efforts of the Ford Foundation and its Calcutta Metropolitan Planning Organization – was there a plan for a city that included both its economy and its physical layout.⁴ Even so, the plan had little effect on practice – when the World Bank funded the Calcutta Metropolitan Development Authority from 1972, it concentrated exclusively on the provision of infrastructure.

In the first phase of independence, there was little room for city governments except as instruments of national power. The World Bank might have sponsored larger or smaller city economic studies,⁵ but they had little or no effect on policy or public action. Bank urban lending concentrated on the provision of infrastructure, service provision and various modes of shelter: the city as consumer rather than producer.

However, what began to knock this agenda off course were the severe economic recessions (1973–4 and 1979–81) that ended the twenty-five years of post-war economic



growth. In the cities of Europe and North America, the traditional planning preoccupation with the management of land seemed positively obscene with high and rising levels of unemployment, especially among the young, and the awful dereliction of inner city areas and, later, industrial localities. Planners were obliged to focus on the regeneration of the city economy, often reinforced with new and growing powers at the local level. They were also obliged to bring into the supposedly expert area of planning outsiders, business, universities and other “stakeholders.” Consensual and changing scenarios replaced the statutory Master Plan.

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Something comparable happened in Latin America in the late 1980s and 1990s. With governmental decentralization, a new and powerful stratum of political actors emerged, including big city mayors, with an eager interest in the competitiveness of their cities in an international context.

At the end of the 1980s, the World Bank tried to sum up these trends in a new policy statement.⁶ This identified the central task of city management in developing countries as the enhancement of urban productivity, along with the priorities of reducing urban poverty and enhancing the city environment. The Bank tried to detach these policy aims from any question of lending, any hint of conditionality; these three aims were to be the tasks regardless of the subsidiary question of lending projects. Only one example of the new approach was undertaken – a study of Ciudad Juarez on the US–Mexican border.⁷ But the central idea died, whether because of changes in Bank personnel or the sluggish progress of administrative decentralization in Asia and Africa. The concept of city productivity lingered on in Bank circles but few mayors could say what it might mean for their daily practice.

Other agencies pursued the same idea but on a piecemeal basis. Hence, the United States Agency for International Development (USAID)

published an excellent study of Kingston, Jamaica⁸ and another, of Warsaw,⁹ both attempts to increase the level of economic sophistication among city managers. In India, Britain’s aid agency, then–ODA, pursuing a set of major slum improvement programs, tried to use one case study to sketch in a strategy for the expansion of the local labour market and thus the reduction of urban poverty.¹⁰ Unfortunately, the effects on policy were limited.

However, new trends developed in the later 1990s. The Urban Management Program of UN Habitat (UNCHS) began to develop city consultations in developing countries as a mechanism for the reorientation and reform of local government. And in 1997, a new World Bank strategy proposed that cities should develop “City Development Strategies” (CDS) to cover, in the first instance, poverty, economic development, the environment, city management, and finance – summed up in the tags, livability, competitiveness, sustainability and bankability.

From these two beginnings, the CDS spread with extraordinary speed, particularly in Asia, much enhanced by the financial and intellectual underpinnings provided by Japanese aid programs. When UN Habitat and the World Bank created the Cities Alliance – drawing in many other partners (donor governments, other multilateral agencies, regional banks, local government associations) – the drive to develop CDS increased. By now, well over 100 CDSs must have been undertaken, both with City Alliance support and without.

However, with all good ideas (if such it was), there were many different definitions. Some CDSs have been major analytical undertakings – for example, the studies of Haiphong, three Chinese city-regions, Johannesburg, Sofia, Cali,¹¹ Recife – and some, not much more than mayoral wish lists. Some have been major exercises in consulting the citizens, others more perfunctory. Some have been innovative in quantifying the position of the city’s poor, some have done no more than go through the motions. In many, the aspiration for an economic development strategy for the city has been lost, so that the policy of helping the poor can mean little more than assessing what benefits the



city can deliver to the poor, the passive recipients of municipal largesse, not how to lift the whole labour market and so the incomes of the poor, to empower them through work.

However, formulating such strategies has been an important exercise from which lessons need now be drawn. What has been useful and sustainable, and what useless? The task of reducing urban poverty is so important that no means by which the city economy can be stretched to its limits should be neglected. Simultaneously, decentralization – *de facto* or *de jure* – is forcing city managers, local business and the other elements of urban governance to take seriously both the positioning of the city in a global economic context, and to find out what people do for a living in this city and how what they do can be enhanced. The city sells its goods and services to the world at large – providing the basis for the income of its inhabitants in general and for the poverty of the poor. An increasingly conscious and sophisticated urban governance is one vital component in attacking urban poverty.

Notes

1. See the summary volume by Raymond Vernon, *Metropolis 1985*, Harvard University Press, Cambridge Mass, 1960.
2. N. V. Sovani, D. P. Apte and R. G. Pendse, *Poona: a Resurvey – the changing patterns of employment and earnings*, Gokhale Institute of Politics and Economics, Poona, 1956.
3. D.T. Lakdawala, J.C. Sandera, V.N. Kothari and P.A. Nair, *Work, Wages and Well-being in an Indian Metropolis: Economic Survey of Bombay City*, University of Bombay, Bombay, 1963.
4. Calcutta Metropolitan Planning Organisation, *Basic Development Plan: Calcutta Metropolitan District, 1966-1986*, CMPO and Department of Development and Planning (Government of West Bengal, 1966).
5. For the smaller, see as an example, IBRD, *Report on Bombay*, 4 volumes, mimeo, Washington DC, March 31, 1971; for the larger, Rakesh Mohan, *Understanding the developing metropolis: lessons from the city study of Bogotá and Cali, Colombia*, World Bank, Oxford University Press, 1994.
6. *Urban Policy and Economic Development: An Agenda for the 1990s*, World Bank, Washington DC, 1991.
7. W. Dillinger et al., *Juarez: Urban Issues Survey*, Urban Development Division, World Bank, Washington DC, 1992.
8. George E. Peterson, G. Thomas Kingsley, Jeffrey P. Telgarsky, *Urban Economies and National Development*, Office of Housing and Urban Programs, US Agency for International Development, Washington DC, Feb. 1991.
9. Later published as David E. Dowall, Marta Sadowy, Alojzy Zalewskim *The Warsaw Economy in Transition*, Avebury, Aldershot (UK), 1996.
10. See the report, Nigel Harris, Colin Rosser and Sunil Kumar, *Jobs for the Poor: a case study of Cuttack*, Research Press (and UCL Press, London), New Delhi, 1996.
11. Now published as *Cali, Colombia: Towards a City Development Strategy*, World Bank Country Study, World Bank, Washington DC, 2002.

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