

SUMMER IN THE CITY, DECENTRALIZATION PROVIDES NEW
OPPORTUNITIES FOR URBAN MANAGEMENT IN EMERGING ECONOMIES

By

Meine Pieter van Dijk

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Introduction

If one jogs regularly in a city in an emerging economy¹ as I do, one notices that the form of the city is mainly decided by the inhabitants, rather than by officials or urban managers.² I will argue in this inaugural address that the role of inhabitants and other actors should not be underestimated. Urban management in developing countries is often limited to indicating where the roads will be located, or checking on having a building permit and insisting on respect for minimum building standards. Local authorities can not do much more, fortunately so according to many slum inhabitants who can now build their own house and continue to develop their (informal) economic activities in the neighborhood. However, if a large number of these spontaneous initiatives have taken place an urban management problem has been created. The problem of a poor infrastructure and the environmental and health problems of the neighborhood need to be solved, even if these solutions conflict with the solutions put in place by the inhabitants themselves. Urban management will prove to be even more complicated at present, because urban managers are often also responsible for the economic development of their city.

In this inaugural address I raise three issues. In the first place whether decentralization offers new opportunities for urban management in many countries given a worldwide wave of decentralization efforts. Subsequently the trend that cities are increasingly becoming part of a global economy will be discussed. At that level they have to compete with other cities. A good urban manager can help to remain competitive. This leads to the third theme: what is good urban management? Opting for an integrated approach of urban issues based on a strategic plan which spells out what needs to be done to make the city more competitive is central to our concern.³

I would have liked to tell you a number of stories to persuade you of my arguments. Since 45 minutes would then be too short I have put these stories in boxes, which you can read later. First I shall briefly describe the problems of cities in emerging economies.

Problems for urban management in an emerging economy

The world population doubled between 1960 and the year 2000 to reach six billion inhabitants, of which almost half lived in cities already in 1995 (45%, UNFPA, 1999). In one generation there will be another 2 billion people living on earth and already the number of cities with more than one million inhabitants has increased from about 10 in 1900 to about 440 cities in the year 2000. In 1960 there were three cities with more than ten million inhabitants and all three were located in the Northern Hemisphere. Now there are 25, of which 18 are in developing countries.⁴

I have calculated that under certain assumptions in India there will be 700 million people more living in cities in a period of two generations (50 years) because of a combination of population growth and increased urbanization (box 1)!

Box 1 India: 700 million people more in cities in 50 years!
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At present many people in developing countries still live in the rural areas. Because of development ever more people migrate towards the cities. This has enormous consequences in a country like India, where about one billion people are living. Until recently the population grew at 3 percent per year. Population growth, among other factors because of better health care has decreased to 2 percent (1990-98) and will according to the Population fund of the United Nations decrease to zero in 2050 (UNFPA, 1999). The share of the population in the reproductive age is large and hence the absolute growth will continue for some time. The expectation is that the population in India will stabilize at 1,5 billion in 2050. At the moment there are already some 300 million people living in cities, or about 30 percent. In Latin America about 75 percent of the population lives in the cities. That is also possible in India in 50 years in particular if the present reasonable economic growth (about 6 percent per year) continues. That can mean in a land like India 700 million people more living in the cities!

More examples could be given of the consequences of rapid population growth and urbanization, but my colleague Lammerts van Bueren (1999) did this recently at the same place. Cheema (ed., 1993) mentions that two approaches are possible in the case of rapid urbanization: "to reduce the population pressure (or) to improve urban management". This inaugural address focuses on the second approach.

It is not difficult to identify urban issues when one jogs on an irregular sidewalk or steps into water where one does not expect it. It is more important to identify in a systematic way what are the most important ones and how they can be tackled in an integrated way. My colleagues at IHS use action and strategic planning techniques, which may result in a different list of priorities (Davidson, 1999).

What are the most important issues? Local governments traditionally are supposed to plan and coordinate activities in the city. They supply services and regulate the behavior of the major actors and urban markets and deal with municipal finance. However, the essence seems to be missing, namely that the local authorities should focus on the major issues identified by the population and pay attention to the most important problem: the further development of the urban economy. Urban managers can help to create a dynamic urban economy, which can help to tackle a number of social problems. Jane Jacobs (1970) three decades ago already pointed to the importance of a good economic basis for the development of cities. The issue should be phrased presently as how a city can compete at the global level?

The attitude of many donors has become more positive with respect to urban areas. In the past most attention went to rural development. However, some of the bigger donors (such as the United States and the United Kingdom) and international development banks (in particular the Asian Development Bank and the World Bank) are willing to invest on a large scale in cities in emerging economies. The World Bank, the Development Program of the United Nations (UNDP) and the Netherlands finance for example the Urban Management Program (UMP), which started in the 80s (McAuslan, 1997). Urbanization is a one way process and cities are a source of economic

growth.⁵ Maybe part of the growth of very big cities can be directed to secondary cities, which seems to be the case in India for example. Fortunately a more positive view on urban development is gaining force and decentralization offers urban managers more opportunities to create the conditions for growth. Comparative research as undertaken by my colleagues of the Department of Regional, Port and Transport economics, has shed more light on the factors which contribute the dynamics of cities and have helped to identify the keys to success of urban development (also table 1, based Widner, 1992).

Table 1 Keys to urban success according to State-of-the-cities report

1. The national safety net and human strategies in the cities
2. Reform of education and training
3. Accommodating diversity
4. Rebuilding the sense of community
5. Regional alliances
6. Strategic economic vision
7. Innovative partnerships

If urban management has to focus on the most important urban issues the question is who determines what these issues are? The Urban and city management course of the World Bank defines as the key issues urban managers have to deal with: governance⁶ and municipal finance, competitiveness of cities and enhanced capacity to attract private sector investment and promote employment, capacity to deliver public services in an efficient manner, including environmental managerial capacity.⁷ An integrated approach of urban management indeed needs to deal with all these issues in relation to each other.

Hence, urban management becomes more and more complicated also because it becomes more and more a multi-actor event. Inhabitants, entrepreneurs, organizations of inhabitants or entrepreneurs, environmental activists and project developers (or organizations of these actors) all want to play a role. To be able to deal with this situation the urban manager needs clear responsibilities. This leads to my first theme: decentralization.

Excursus 1: Urban management in Andhra Pradesh, an example

How should the Indian government react to rapid urbanization? Probably not by investing more in the big cities. Already over ten million inhabitants live in Bombay and cities like Calcutta, Madras and New Delhi will soon reach the same figure. These state capitals are presently relatively better off than other cities, because the State government is stationed in these cities. The challenge is to try to direct growth to smaller cities.

The British development cooperation (DFID) has recently decided to contribute to a program in

the Indian State Andhra Pradesh and has asked IHS to provide technical assistance in the design stage. The program intends to reach the urban poor by improving their environmental infrastructure. This seems to be possible if the program is properly implemented. The program will invest 100 million guilders in 32 cities with more than 100,000 inhabitants during the next five year. It can be used for water supply, drainage (including protection from floods) and sewerage, roads, waste collection and street lighting. In Andhra Pradesh with 60 million people this would mean some 5.5 million people would be reached.

This initiative is only the beginning of a different approach to urban development. India wants to stimulate the private sector to invest in infrastructure. That will mean that poor people will have to pay more for their water, electricity and waste collection. However, if cities want to be centers of economic development they need this infrastructure. Hence American electricity companies build power plants in Bombay and shortly French water corporations will help to supply drinking water to Indian cities, like they are doing already in Argentina (Lindfield, 1998). With a billion inhabitants India is a huge potential market.

Box 2 Reforms at the municipal level to qualify for support

- a. Improved financial systems, such as the budgeting and accounting system. In particular the introduction of double accounting (going from cash based to an accrual-based system) and of cost centers at the municipal level.
- b. Improvement of the planning capacity at the municipal level, resulting in the preparation of a Municipal Action Plan for Poverty alleviation (MAPP). The population needs to be consulted and involved in the formulation and execution stage of the project (participatory planning and execution).
- c. Improvement of the project preparation and appraisal capacity at the municipal level.
- d. Reform the municipal finance system to generate suitable indicators allowing a comparative assessment of the financial capabilities of the municipality.
- e. Setting up a monitoring and evaluation system, which generates information on the extent to which the activities undertaken are actually benefiting the urban poor.
- f. Improved personnel management and human resource development Co-operation with the program to achieve human resource development at the municipal level is required.
- g. A clear delineation of tasks and responsibilities at the municipal level of the executives and elected bodies.
- h. A plan for the operation and maintenance of the urban infrastructure, resulting in improved maintenance of assets.
- i. Improved cost recovery for the services provided.
- j. Improved management of service delivery is necessary.
- k. Restructuring of Andhra Pradesh Urban Finance and Infrastructure Development Corporation

This program supports the decentralization process in India because the money goes to cities, although the state formulated clear conditions concerning the required reforms at the municipal level. Cities wanting to benefit have to reform their urban management (see Box 2). These cities will have to prove to be willing to do something for their poor, to be ready to put order in their financial situation and they have to put all these intentions on paper. The program supported by DFID, and similar programs supported by the Asian Development Bank and the World Bank in Karnataka, show that development co-operation, which until now was often used to help people not benefiting from the development of the economy, can also be used to stimulate private initiative to invest in infrastructure.

End excursus

Decentralization creates space for urban management

According to Lee and Gilbert (1999) in 63 of the 75 developing countries with more than five million inhabitants an active decentralization policy is carried out. Decentralization is defined broadly as transferring functions and responsibilities to lower levels of government or as leaving tasks to the market (Helmsing, 2000). This process often creates the momentum for urban management. It creates the space necessary for autonomous policies at lower levels of government. Box 3 shows what kinds of functions are devolved to local government in India.

Box 3 Potential devolved functions to local government (India)

1. Urban planning including town planning
2. Regulation of land use and construction of buildings
3. Planning for economic and social development
4. Roads and bridges
5. Water supply for domestic, industrial and commercial purposes
6. Public health and sanitation, conservancy and solid waste management
7. Fire services
8. Urban forestry, protection of the environment and promotion of ecological aspects
9. Safeguarding the interests of the weaker sections of the society, including the handicapped and the mentally retarded
10. Slum improvement and up gradation
11. Urban poverty alleviation
12. Provision of urban amenities and facilities such as parks, gardens, playgrounds
13. Promotion of cultural, educational aspects
14. Burials and burial grounds, cremations, cremation grounds
15. Cattle pounds, animal welfare
16. Vital Statistics including registration of births and deaths;
17. Public amenities including street lighting , parking lots, bus stops and public conveniences;
18. Regulation of slaughter houses and tanneries

To be able as an urban manager to deal with the major problems of the city an urban manager should have ideas and the guts to implement them, but in the framework of decentralization the following tasks and responsibilities should be put at his/her level:

a. Formulate and implement economic policies at the urban level to stimulate economic activities.

Also:

b. Social policies to be able to deal with problems such as poverty and educational under performance.

c. Policy with respect to the urban environment and

d. Policies to increase the income of the city

After studying the decentralization process in India (Van Dijk and Shivanand, 1999), Indonesia (Van Dijk, 1999a) and Thailand (Van Dijk, 2000c) I conclude that the impression of the Indonesian case is not yet clear.⁸ India, however, provides a lot of opportunities to urban managers, while urban management in Thailand has to work with very limited responsibilities. The effects of decentralization for urban management depend on a number of factors, which will now be discussed briefly. Much depends on the form that decentralization takes and in particular on:

1. The history of the decentralization process

2. Which responsibilities have been transferred?

3. To what level of government these responsibilities have been transferred?

4. Does implementing legislation follow at the State level (India) or are workable detailed regulations prepared (Indonesia)?

5. Are financial means available to make decentralization a success?

The history of the decentralization process in Indonesia (summarized in box 4) shows that it is a long process, which resulted in a new law on regional governance accepted by parliament at the end of 1999. The economic and political crisis of 1997 has fueled the decentralization debate. Typically one of the first statements of the newly elected president Wahid was that he wanted to promote decentralization. The new law envisages elections at the local level. From the urban management point of view the questions is whether these elected councilors will have the opportunity to formulate their own economic and social development policies and whether they will have the means to finance them. Unfortunately the instruction as to how the new law will be implemented is not yet available, while the formula for the division of money is already contested before being published.

The draft version of the law with respect to regional administration dates from 1998 and defines three types of regions: Provincial regions with a governor, District regions (a Kabupaten with a regent or Bupati leading them) and 'the Municipal region' with an elected mayor (the Wali Kota). Below these regions there are sub-districts or Kecamatan. In the case of Surabaya there are for example more than ten.

Article 8 states that: "The competencies of the Province as an autonomous region cover the competencies in the administration sector of a cross District and or City character, along with competencies in certain other administration sectors". Section two adds: "The competencies of the

Province as an administrative region cover competencies in the administration sector delegated to the Governor as the representative of the government in the scope of de-concentration". Article 10 specifies as the "competencies of a district region and a Municipality region all competencies of the administration". The 'mandatory' sectors for the regions in Indonesia are listed in table 2.

Table 2 Mandatory sectors for regions in Indonesia

Public works
Health cares
Education and culture
Agriculture
Transportation
Trade and industry
Investment
Environmental management
Cooperatives
Manpower development
Land management

Box 4 Indonesia, a history of decentralization⁹

A new situation came into existence in Indonesia when the Law on regional administration and the law regarding the fiscal ratio between the Central government and the regional governments were accepted by the Indonesian Parliament in 1999. The Indonesian government consists of 27 provincial governments and 298 local governments with 819 cities and towns. With the Decentralization law of 1903 the Netherlands Indies government laid the foundation for urban administrations in a number of cities on Java. Further regulation of the urban areas was enacted with the Municipality Administration Ordinance of 1926. In 1948 the Dutch colonial government issued a Municipal establishment Ordinance. Until recently the local government structure was based on the local government law of 1974. The new law on local governments in Indonesia gives the districts and municipalities a much larger degree of autonomy.

What will replace the present financial redistribution system? The centralization versus decentralization debate in Indonesia not only has a long history it is also very closely linked to the issue of financial transfers. The system of Central government transfers consisted of Subsidi Daerah Otonomi (SDO) and development grants (Instruksi Presiden or Inpres). Only some ten percent of the SDO financed non-staff operational expenses. Hence the importance in the recent past of grants for development expenditures through various development grants. The so-called Inpres system has been very important for financing activities at lower levels of government. Inpres provided block grants subject to general guidelines from central government and specific grants for expenditures on specific services that are subject to more central government control in their use. It was estimated that Central Inpres grants financed a little over one-third of local government expenditures but contributed over two-thirds of local government revenues.

These are far reaching responsibilities. This makes Indonesia potentially very interesting for urban

management. However, the detailed instruction requires the harmonization of a large number of laws concerning the responsibilities of local government enacted in the past.

In Thailand very few responsibilities have been transferred as can be seen in table 3. Not enough for example to carry out economic policies at the city level. Dillinger and Fay (1999) state concerning the devolution of authority that the central government is often: "more concerned with avoiding political instability than with encouraging greater openness".

To which level will tasks and responsibilities be transferred? The question regarding what would be the right level for certain tasks and responsibilities is raised in many countries and depends on the scale of the country, the type of problems and the experience in the past.

Table 3 Statutory and discretionary functions of local government in Thailand

Statutory functions of local government	Discretionary functions of local government
Maintenance of law and order	Provision of:
Provision of:	market places, ports and ferry services
Public transport	crematoriums
sanitary services	(and maintenance) of parks, zoos and recreation areas as well as sport facilities
fire engines	vocational training
slaughterhouses	Promotion of citizen's occupation
public health services	Improvement of slum dwellings
welfare for mothers and children	Maintaining government enterprises
(and maintenance of) public recreation space and facilities	
primary education	
Prevention and control of communicable diseases	

Note: Functions specified by other legislation are: the voice advertisement act of 1950, the civil registration act of 1956, the national order and cleanliness act of 1960, the car park act of 1960, the city planning act of 1975, the building control act of 1979 and the civil defense act of 1979.

The fourth factor is the implementing legislation (India), or detailed regulation (Indonesia). Does it provide space to local governments? In India implementing legislation is necessary at the state level. That leads to big differences from state to state. In Indonesia local governments are eagerly awaiting the 'regulation on autonomy' which is considered very important (Jakarta Pos, 8-5-2000).

Excursus 2: Decentralization and urban management in India

India is an emerging economy.¹⁰ It is a federal state where responsibilities with respect to urban affairs are divided between the national, the state and the local government level. A state is divided in a number of districts, which tend to have a rural focus, and are not very much interested in the fate of the cities in their area.

Only in the early nineties when Rajiv Gandhi was Prime Minister was the idea of decentralization taken seriously. He drew the conclusion that a big country like India can only be governed when the responsibilities are put at the right level. For that reason the constitution was changed. The 73th and 74th Constitutional amendment delegates certain functions to a lower level of government (box 3). In practice many state governments have not bothered to put the so-called implementing legislation through the Local assemblies, or they do not implement these laws. Some politicians seem to be more interested in maintaining the present centralized system. They do not want to transfer power to the district or cities and also the implementation may differ considerably from one state to another.

Most Indian cities face enormous economic and social problems but do not have the instruments to fight unemployment or to boost the local economy. The formulation and implementation of economic policies is a state function. Similarly health care and education are state functions. Recently Anil Sharma concluded that the actual decentralization process in India has only started recently and only 'after an initial learning curve through trial and error, it will embark on the firmer road to effective development' (India Today, 6-2-2000).

End excursus

Also, the financial means need to be available at lower levels of government to carry out the tasks assigned to them. In box 6 the necessary actions to increase revenues at the local level in Andhra Pradesh (India) are listed. It requires the authority to raise and increase taxes and often necessitates a reform of municipal finances: 'to be able to pay for the activities which a city now has to undertake'. We suggested to use to the maximum different 'user charges', local taxes, inter-governmental income transfers and possible contributions of the private sector.

Decentralization also requires a good distribution of the tasks between the different government institutions and preferably some coordinating institution, for example a metropolitan authority in the case of large cities.¹¹ Development projects can give a contribution to the successful implementation of decentralization policies, for example if they force cities to develop an action plan for poverty reduction (see box 8).

Excursus 3 Decentralization and metropolitan governance in India and Indonesia

In India and Indonesia a large number of cities have several elected 'local governments' each focusing on the narrow area they represent. These 'local governments' have limited control over what happens in the rest of the city: "They all tend to concentrate on their part of the city. Hence the relations between the different local governments which make up the metropolitan area are critical. Eventually an integrated policy needs to be developed for the whole city." For some issues concerning metropolitan governance in the Netherlands see Box 5.

Box 5 Issues concerning metropolitan government

The question of metropolitan government is also in Indonesia an important issue and one on which the Capacity group Regional, Port and Transport economics of the Erasmus University has worked before (Van den Berg et al., 1993). Different solutions have also been tried in the Netherlands to achieve co-operation and co-ordination between the large number of municipalities involved in the case of important decisions concerning for example the harbor of Rotterdam. An effort to create a city-province has failed. Elsewhere single metropolitan authorities have been created in the 1990s and attempts have been made to put in place the policies and institutions to become effective (Roberts et al., eds., 1993). It would be extremely interesting to compare these experiences in Europe with what is actually happening in Indonesia, where the need for a metropolitan authority is recognized, but no uniform provisions have been taken. Only Jakarta benefits from the provincial status with its own governor, to allow smooth co-operation between the different local governments.

End excursus

Box 6 Decentralization requires more local revenues

In Andhra Pradesh the assessment of the financial capabilities of the municipalities led to the

following conclusions (APUSP, 1998):

- a. The current accounting system does not provide a sound basis for assessing their financial capabilities. Implied reform: Improve the current single accounting system.
- b. Revenue Improvement Action Plans (RIAPs) need to be prepared, indicating which revenues can be increased.
- c. Expenditure priorities improvement plans (ECAPs) need to be prepared, based on agreed priorities.
- d. Municipalities need to be helped to access other sources of finance. Implied reform: local governments need to develop their own expertise in evaluating, appraising and prioritizing their capital investment needs. Training to be provided for this purpose.
- e. Municipalities should create separate cost centers for project activities to record and accumulate items of receipts and payments.
- f. Municipalities should give more emphasis to cost recovery for services provided and introduce double accounting.
- g. They should enforce financial discipline in project preparation and execution and in repayment by monitoring reforms and progress.
- h. There is a need to improve the budgeting system.
- i. Municipalities should prepare an adequate loan administration.
- j. They should register and value all municipal assets with a view to eventually use them as guarantees or assured cash flows.

The most important conclusion for a successful decentralization policy, from the point of view of an urban manager is that central government when preparing the plans for decentralization should adopt the perspective of the urban manager. What does an urban manager need to tackle the most important issues in his/her city? Responsibilities in economic and financial matters seem to be very important. Also the relation between the city and its hinterland needs to be taken into account (Van Dijk, 2000a and box 7). Legislation is very important in the case of decentralization. It prescribes a planning procedure and specifies the level where the responsibilities are put. Laws determine where industries can be located and which environmental norms apply.¹²

Box 7 Rural-urban linkages in an African country

In the framework of decentralization, the issue of the relation between a city and its hinterland

has become more important. Much depends on how the decentralization is given shape. Does it mean a transfer of power to cities (which seems to be the case in Indonesia) or to regions (or districts which is very much the case in Ghana and India).

Kaya is a medium size town in Burkina Faso, which in the framework of the decentralization process now has an elected mayor and a municipal council. It is the ninth city of Burkina Faso and counted about 30.000 inhabitants in 1997. According to a prospective study of the Club du Sahel it could reach 106.000 inhabitants by 2020 (Snerch, 1994). The city is located 105 km north of the capital Ouagadougou, on the road to Dori. It is the capital of the Sanmmetenga province and located in the Sahel. The road to Ouagadougou is tarred and the railroad connecting the two cities has been privatized and is mainly used for the transport of mangane. The city is part of the telecommunication network of the country and has electricity. There is no real bus station in the city, but it does have a big central market (4 hectares). Although largely an agricultural town its potential for rural development is limited, given the rainfall in the Sahel. From an urban management side I suggest to start at the other side if one wishes to develop the town's economy. Develop a strategic plan what the role of Kaya could be in the future. Strategically, the major role of Kaya could be one of the following three:

1. A regional trade center for agricultural products bought from and industrial products sold to the rural population
2. A link on an international transport axis (to Mali) with opportunities to add value to the products transported along this road.
3. Become a distant sub-urb of the capital Ouagadougou, where it is convenient to live at relatively low cost (and hence lower wages), but which is well connected to the capital.

A theoretical framework for the urban manager

Lets assume the urban manager has received enough responsibilities in the framework of the decentralization process. The first advise to such an urban manager, wanting to make his city more competitive in the global economy would be that there is nothing as practical as a good theory. Different theoretical approaches are possible, in particular concerning theories focusing on one aspect of the urban economy.¹³ My colleagues in the Capacity group Regional Port and Transport economy have made important contributions to urban theory formation, originally inspired by Prof. dr. Leo Klaassen (for example Klaassen, et al, 1979) and now directed by Prof. dr. Leo van den Berg (for example Van den Berg, 1987).

The urban manager can be eclectic because there are many different paradigms in urban economics.¹⁴ They range from a neo-classical approach of subjects like the functioning of the land and house markets (Richardson, 1976) to an institutional approach to financing urban infrastructure (in Lindfield, 1998). The theoretical approach chosen depends very much on the topic and the level of aggregation. Demand and supply of industrial land will be analyzed differently from the problem of higher unemployment rates of different social groups in the city.

Box 8 A Municipal Action Plan for Poverty reduction

To qualify for financial support municipalities should draw up a Municipal Action Plan for Poverty reduction (MAPP), which is an action plan for poverty reduction activities in the municipality linked with institutional and financial reforms.¹⁵ The nature of the MAPP is a rolling plan with fixed activities for the first year and indications for the second and third year. Preparation of second year rolling MAPP, reporting on implemented reforms and increased performance will be undertaken after one year. The MAPP may graduate into a citywide plan. During the initial stage of contacts with the municipal authorities, the training and technical assistance concentrates on improving the capacity to prepare a MAPP, to prepare and undertake reforms and to prepare project proposals. Eventually more money will go into financing approved projects, eventually also by other organizations than DFID.

The program intends to link support to efforts to undertake reform at the municipal level. Municipalities or municipal corporations will have to indicate in the MAPP the kind of reforms they intend to undertake. The progress made with the implementation of these reforms will be one of the criteria when the projects submitted are appraised.

Municipalities can be ranked by their per capita revenue, the growth rate of their revenue and their ability to finance capital expenditure from their own/assigned revenue. This would give an impression of their capacity to contribute to the projects submitted. The efforts already undertaken would be summarized in the MAPP to show the willingness of the municipality or municipal corporation concerned to undertake such reforms.

It would be good to create a separate cost center or to open a separate account for each project undertaken in the APUSP framework. In the present accounting system this boils down to giving a new code in the town's accounts to expenditures related to the project. Preparation costs, the own contributions, cost during the implementation stage and money for operation and maintenance could be booked on this account. The State Government is presently reviewing the accounting procedures at the municipal level, just like in other Indian states where they want to make the transition to double accounting.

Which theory is the most relevant for the urban manager? I suggest using a theoretical framework that can be used to link different levels of analysis in the urban economy. What counts in the global economy is being competitive. The competitiveness measure can be used as well at the national, the regional, city, or cluster as at the enterprise level.¹⁶ I will indicate that competitiveness has a different meaning at these different levels and that other factors may contribute to its explanation. The difference with the classical theory of comparative advantages and of the traditional productivity concept is summarized in box 9. The implication is that competitiveness needs to be stimulated in very different ways at the different levels.

Box 9 Competitiveness, productivity and comparative advantage

Competitiveness is the term used to indicate the performance of enterprises, clusters of enterprises, cities, regions and even whole countries. Previously the discussion focused on productivity, efficiency and comparative advantage. Productivity is an indicator of efficiency.

Originally the concepts used were labor and capital productivity. More recently the term total factor productivity is used more often (for example World Bank, 1993). Comparative advantage used to be the basis for evaluating competitiveness between countries until the end of the 1970s. The comparative advantage of a country is based on differences in factor costs of production, such as taxation, labor, energy, land, construction or raw materials. Comparative advantage is static and given, while competitive advantage is dynamic and man-made. Comparative advantage is what you have, while competitive advantage is what you could achieve. The change from comparative to competitive advantage is one from an essential static approach (a certain given level of production factors) to a more dynamic term. The competitive advantage is not inherited but can be acquired through competitive innovation. The source of the competitive advantage is innovation and not just factor endowments. Technological progress becomes important, just like organizational and managerial innovations, which are considered sources of growth.

Competitive advantage at the enterprise level is 'the capacity of a firm to gain, maintain and expand its share in markets for final products' (Visser, 1996). At the cluster level enterprises in the cluster together do better than those who are not part of the cluster (an example is described in box 10 and for the European situation the reader is referred to Van den Berg et al, 1999).

Kresl and Gappert (1996) distinguish at the urban level economic and strategic determinants of competitiveness, such as institutional flexibility, an effective local government and the ability to conclude public-private partnerships (see table 4). These are also important matters for the population, who should participate in the strategic planning exercise.

Table 4 Factors influencing competitiveness of the urban economy

Economic determinants	Strategic determinants
Factors of production	Governmental effectiveness
Infrastructure	Urban strategy
Location	Public-private partnerships
Economic structure	Institutional flexibility
Urban amenities	

At the regional level we talk about 'how well regions perform in terms of applying skills, resources, technology and information to production, distribution and trade' (Van Dijk, 1999d).¹⁷ At the country level we talk about 'the strategy is to ensure the economy's high growth by improving its competitiveness, expanding its export base and tackling the (remaining) reform agenda' (IMF Survey 27-9-99).¹⁸

Box 10 Dynamics of an African urban cluster

We have learned that urban small scale enterprises can compete through clustering, networks, interfirm relations and flexible specialization (Van Dijk and Rabellotti, eds, 1997). New technologies have become available which are profitable at a small scale. Inter-firm relations in the cluster help these firms to meet the challenges of the new international competitive environment. Modern and traditional forms of clustering and networks exist in Ouagadougou. Entrepreneurs take advantage of what is beneficial to them. Different forms of networks distinguished are large, formal groups; small informal groups such as the Rotating Savings and Credit Associations (RoSCA's or tontines in Burkina Faso) and small groups of mutual supporting entrepreneurs, based on family, tribe or regional relations. Traditional clusters can be clusters of entrepreneurs belonging to one tribal group or clusters of enterprises closely located on their own initiative and benefiting from being together. Industrial estates, handicraft zones and municipal markets functioned as modern clusters. Clusters and networks can be considered steps towards enterprise co-operation. Statistically the entrepreneurs in these clusters were doing significantly better on a number of variables than their dispersed colleagues. The development of clusters, networks and different forms of co-operation should be stimulated to bring in new ideas in the sector. Innovation, interfirm co-operation and subcontracting are key words for this kind of development. Providing space for economic activities, preferable at the same time for enterprises of different size can stimulate the creation of clusters of innovative entrepreneurs. Female entrepreneurs may need special attention. The development of clusters of economic activities should be stimulated, including the physical grouping of enterprises of different sizes. Subcontracting and other relations between micro, small, medium and large enterprises need to be developed.

Box 11 gives some examples of the competitiveness between cities in India, namely Hyderabad versus Bangalore and the port of Mumbai (Bombay) versus the ports of Gujarat. For the European situation I refer to Bramezza (1996).

Table 5 Indicators of competitiveness measurable at different levels

Percentage growth of the production (at the enterprise, cluster, city, regional or country level)

Development market share (idem)

Growth of exports (idem)

Firms outside the cluster are lagging behind compared with firms inside the cluster (for the cluster)

Box 11 Mumbai versus Gujarat and Hyderabad vs Bangalore

India changes rapidly. A few years ago the Chief minister of a state would not travel abroad to sell his state and attract foreign investment. Now there is rivalry between states and cities as will be illustrated below:

- Mumbai-port versus the port of Gujarat

The state Gujarat has a tradition of liberal economic policies with respect to the private sector. It stimulated industry when this was not yet done in India. One of the reasons was that the state had been created as a separate state in the sixties. Before it was part of Maharashtra and many Gujarati businessmen had contributed to the development of Bombay (the capital of Maharashtra) but considered it was now time to do something in their own state. The competition with the Maharashtra can be illustrated with a text from a special supplement on Gujarat in the Financial Times in 1996. The advertisement said: if you have had enough of congestion in the port of Mumbai, try the 173 ports of Gujarat! Gujarat consciously wants to compete. Ten ports were privatized and in a number of other ports the state government invested itself.

- Hyderabad vs Bangalore

At present Chief ministers can offer cheap land and tax and investment facilities to investors, or promise to provide the necessary permissions without any red tape. Andhra Pradesh is a good example of this new approach. The capital Hyderabad competes with the city of Bangalore of the neighboring Karnataka. Near Bangalore there is a concentration of computer and software industries, which is exporting to all over the world. Andhra Pradesh has now managed to convince Bill Gates to invest in Hyderabad. Chief Minister Naidu uses the internet to get information from the district capitals in his state and to provide them with instructions.

What are the advantages of this theory? In the first place competitiveness is measurable (see table 5) and provides the urban manager the opportunity to rank his/her city. With which cities do you want to compete? Secondly the theory helps to identify the factors explaining competitiveness, measured for example as a higher growth or market share of a region, city, of enterprise. The factors mentioned in table 4 help for example to explain the competitiveness of a city. Much research concerning location factors can be interpreted as identifying the competitiveness of a region or city. In my own research concerning factors influencing the competitiveness of a cluster (Van Dijk, 1999c) entrepreneurship, the existence of a business support system and of an innovative environment are important. At the city level one can add the importance of policies to create the conditions for this kind of economic development. For local governments this can range from providing land and infrastructure to local government developing an innovation policy.¹⁹

In the third place this theoretical framework has the advantage that different levels of aggregation, which are normally covered by different disciplines are now linked. Urban management is by definition multi-disciplinary, but very little multi-disciplinary research is actually taking place. That is a challenge for the future. Management science and business economics normally study the lowest level of the enterprise. Geographers, regional and development economists have worked on clusters and urban and regional economists are occupied with the urban and regional level. Finally macro economists and international economists work on the other two levels: the country and world region level.

Finally, this theoretical model helps to emphasize that different actors are active at the different levels and often have different instruments and only partially realize the importance of the higher levels for what they are doing. Linking these interests and policies could be one of the roles of the urban manager.

What is urban management?

The urban manager now has the responsibilities and can use a theoretical framework. But what is he/she now going to do? What is urban management exactly? Davidson and Nientied (1991) call the essence of urban management: "taking an active role in developing, managing and coordinating resources to achieve a town's urban development objectives". This definition is satisfactory, but rather short and general. The same applies for the definition of Tribillon (1985): 'putting planning into practice'. This definition is too limited. He rightly emphasizes the important role donors have played in stimulating urban management in developing countries.²⁰ Finally the task of the urban managers can be defined as being responsible for the necessary infrastructure (Lindsey, 1998). Although an important aspect I consider this definition as too limited.

Stren (1993) calls urban management an 'elusive concept which escapes definition'. More importantly Stren stresses that urban management is an integrating concept. This requires an understanding of the transition from 'physical planning' to urban management. Urban management implies an integrated approach of the major problems of cities in emerging economies. In many of these countries local government's intervention is limited to 'zoning policies' and tries to impose some minimal standards. This limited role is satisfying for a slum inhabitant, who can then do his/her own thing. At a later stage an urban manager is still required, because some problems (sewerage, pollution and health hazard for example) can not be solved individually. Urban development also requires some planning. World Bank (2000) summarizes it as: "successful urban development also requires strategic city wide or regional planning to guide trunk investments and identify the most appropriate locations for jobs, residences, and transportation."

The urban management approach should take the most important issues in the city as the point of departure: poverty, crime, and congestion. The literature rightly stresses the importance of participation and the role of different actors, the commercial and non-commercial sector. This is certainly a challenge for urban managers, who should forge private public partnerships (PPP), or what is known in Indonesia as private public community partnerships (PPCP). These institutions and civil society need to be involved. There also exist new opportunities to attract private finance.

As an example of the integrated approach one can think of building houses, which not only solve a housing problem, but can also create employment if small contractors are involved and influence the direction in which the city develops and the traffic flows which will be generated.

Excursus 4 Urban management in an Indian city

In the big Indian cities the relations between the Municipal Corporation, the Urban Development Authority, the district and 'the metropolitan planning committee' are usually underdeveloped.²¹ 'Municipal Corporations' (MC) are responsible for drinking water supply and services such as waste collection and they collect local taxes. In Ahmedabad the economic capital of the state Gujarat the 'urban development authority' is responsible for planning a larger area than covered by the Municipal Corporation.²² Other parts of the city are not covered by the AMC or the Ahmedabad Urban Development Authority (AUDA) but are under the responsibility of the district in which Ahmedabad is located. In the bigger cities a 'metropolitan planning committee' can be created in which all different institutions should cooperate. The committee has only planning responsibilities and can only get political clout if a State level minister takes the presidency as has happened in the case of Hyderabad, capital of the state of Andhra Pradesh. In Ahmedabad there is not yet a metropolitan planning committee, which means that a lot of decision power remains at the State level, which once again undermines the idea of decentralization.

Ahmedabad is a dynamic city. It developed from an industrial to a service-based economy (box 12). The economic dynamics of the city makes it very attractive to do research in this city (box 13). In the nineties India changed a lot in general, but this state in particular underwent rapid development and social transformation. The transformation of Ahmedabad is largely the result of environmental legislation. The old textile industries were no longer competitive and new industries were not allowed in the city center.

Box 12 Ahmedabad: from an industrial to a service economy
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The development of Ahmedabad is strongly related to the rise of the indigenous industrial sector. At the beginning of the 19th century the textile industry resulted in the city gaining the name 'the Manchester of India'. The factories were built on large estates in or around the center of the city. Ahmedabad became a city of 5.5 million inhabitants and the factories became islands of noise and pollution in a city which because of its narrow streets suffered from congestion and a large number of slums. Hence a law was announced in the eighties that polluting industries were not allowed in a radius of some 20 km around the city center. Subsequently industries chose a location in other parts of the state (in particular to the south on the axis to Bombay), or just outside the city. When the textile industry was no longer competitive a recession started from which it took ten years to recover. By then the character had changed to a service economy with financial institutions, trading companies and transportation firms.

Box 13 Dynamics of research into the urban economy in India

With the local School of Planning a project was launched to study the consequences of decentralization and liberalization for slum inhabitants, as well all kinds of informal, small and medium size enterprises.²³ A former collaborator of the School had written ten years ago a Ph.D. with income and employment data. To understand the changes in informal, small and medium enterprises a number of questions were added in the questionnaire concerning the present situation and the situation three years ago. Did your turnover increase, how many people worked with you three years ago and are you earning more? The situation of the slum inhabitants as well of the small entrepreneurs has improved.

In 1995 the State High court ordered the closure of some 1000 enterprises because they were too polluting. In particular the chemical industry developed outside Ahmedabad during the eighties was strongly polluting (Gorter, 1998). In general people were satisfied that the High court corrected the executive branch of government, which is considered corrupt in the case of environmental inspections. The industries were rarely sentenced. Four years later I learned from a MA thesis of a student at the School of Planning in Ahmedabad, which I read as the external jury member, that many cases were dropped because the High court could not show exactly how much pollution the units produced before closure. According to the law that would have been necessary. The lawyers of the industrialists have become better in escaping judgement. The only positive result is that the public awareness of the pollution problems has tremendously increased.

A researcher from the Netherlands will need some time before he/she understands the relation between the Federal and State level in India. Wrongly this subcontinent is sometimes considered to be homogeneous, instead of pointing to the big differences that exist between states and cities. Often something turns out to be different somewhere else.

A key problem is that in the present system one finds political leadership at the national and state levels. There is no clear leader at the city level, who could be responsible for the management of

the city. In the bigger cities the nominated Municipal Commissioner, the head of the Municipal Corporation, is all-powerful, although often only in office for a few years. The elected mayor often belongs to a minority or has to belong to the opposite sex and changes every two years. For these reasons the officials never get the time to formulate and implement policies. As mentioned the Municipal Corporation usually only covers part of the city and is not interested in taking the responsibility for the other (poorer) parts of the city. There is little tax that can be collected in those parts of the city while a lot of investment is required. The conclusion must be that decentralization requires a good division of responsibilities and a coordinating mechanism.

End excursus

A definition of urban management

What is urban management? Urban management started at the end of the eighties in developing countries (cf. Devas and Rakodi, eds, 1993 and Cheema, ed., 1993). It meant the end of at least three accepted ideas. In the first that officials at the urban level would only be responsible for water supply and sewerage systems. Economic development, the environment and poverty are also responsibilities of an urban manager. Secondly urban managers could no longer just blame higher levels of government and ask money from them. Finally, the master plan is no longer the most important planning instrument (below).

Before giving my definition of urban management I would like to point to three things. In the first place one needs to take into account in emerging economies the interest of a large number of actors.²⁴ I find in particular the private (commercial and non-commercial) sector important. In the urban context they all play a role: more outspoken inhabitants, but also NGOs, CBOs, project developers, other cities, public-private partnerships (PPPs), saving associations and financial organizations for infrastructure. To be able to involve for example private financing institutions in an urban project the urban manager needs to have a good network.

In box 14 the example of creating a government organizations for financing infrastructure is elaborated to show what this means for urban managers. Such a financing institution is an important actor but I have learned in India and in a similar project in Ho Chi Minh City (Vietnam) that one creates structures which receive responsibilities which the government no longer has. These institutions can pursue their own objectives and go their own way, which may not exactly be what the government had in mind when they created these institutions. This makes urban management again more complicated if only because the government has to negotiate for the conditions for financing infrastructure, which may be a tough game as we learned in the Netherlands (Van Bommel and Van Dijk, 1999).

Secondly we can not neglect environmental problems created by cities, but often influencing a much larger area. Urban environmental problems have become more and more serious and research focusing on rural-urban linkages (as the one mentioned in box 6) can help to identify the 'foot prints' of the city, the much larger area affected by the pollution produced in the city. In a positive vein this leads to welcome initiatives such as the UNHCS sustainable cities program and the slogan launched by the World Bank: 'making cities livable' (World Bank, 2000). These initiatives need a prominent place on the agenda of the urban manager.²⁵

Box 14 Infrastructure financing corporations: another actor

Since economic development in India is taking up there is an enormous demand for infrastructure. A number of states have created urban infrastructure financing corporations or trust funds. In Tamil Nadu is this fund has been created with support from the World Bank and functions at 'armlength' of the state government. In other states this is not yet the case. Recently IHS has been asked by the Asian Development Bank to help to restructure these institutions in three Indian states. This is institutional development, a long term process and the question is whether each Indian state should try to create in the government sector the infrastructure project preparation, project management and financing capacity. The government sector remains bureaucratic and often does not think in financial terms. Often politicians influence the decisions and the government cannot afford to hire the necessary financial experts, because it cannot pay the salaries necessary to attract specialists. For that reason the private sector should be used more. The government also creates institutions, which will eventually compete with the private sector, unless privatization is envisaged as we have recommended. In many states the lack of project preparation capacity is the real issue. If enough good urban infrastructure projects would be prepared, and real 'cost recovery' would be introduced, financing through the private sector, and through international capital flows would come forward, in particular in the present situation where the rate of interest is 13 percent and state governments often provide guarantees for repayment of the loans or bonds. A situation that should not be continued once real commercial infrastructure projects are prepared as is happening in Rajasthan for example.

The importance of environmental problems is summarized in box 15. Environmental problems are typical urban management problems. No single department can solve them alone. Air pollution because of a more intensive use of private cars requires legislation concerning the use of cars and of unleaded fuel, but also requires the development of alternative means of transportation and an information campaign to influence the general public.

Box 15 Environmental problems as an urban management problem

In general one finds in cities: the dirtier the poorer! In every Indonesian city one notes that the sky is colored because of pollution. Air pollution is the result of factories, but also old, poorly tuned engines, which do not get the best quality fuel. In New Delhi, the capital of India, there are days one knows the sun is shining but does not notice it because the dirt in the air functions as a filter. According to an American expert on the spot breathing the air in New Delhi equals inhaling two packages of cigarettes on a day. In Jakarta people often put a special filter before their mouth. In Surabaya the water can not be drained quickly enough during the rainy season and complete neighborhoods are flooded. Third world cities were known for their sun and nice atmosphere. After some scouting a visitor could find a slum and open drainage systems. At present traffic congestion and pollution seem to be the most visible problems of these cities.

Finally urban management requires more than the traditional master plan (the critique on the master plan approach is summarized in box 16). It is necessary to develop a broader vision where one wants to go with the city in the future. What are the opportunities of this city, given its competitive advantages.

Box 16 Critique on the traditional urban master plan approach

In the past 'master plans' were considered the solution. The planning system in many emerging economies is the system of the former colonial power. Often this happens to be England where in 1947 a new 'Town and country planning act' was enacted, which makes a distinction between 'structure plans' and local (development) plans'. Structure plans were intended to provide a broader, strategic framework for subsequent local plans, and were to take account of the regional context, and of transportation, housing and environmental issues (Devas and Rakodi (eds, 1993: 84). In the eighties the emphasis was put on 'strategic planning' and 'planning control'. Counties and regions make a strategic plan and districts a 'local development plan'. These recent developments have not been copied. They still work with master plans, which are usually approved too late and then applied rigidly. They focus on land use and pay hardly any attention to economic developments, nor do they indicate the financial implications of the plan. These plans are top down very physical.

For several reasons urban management in emerging economies is not yet as common as one would expect. In the first place necessary institutions are sometimes not sufficiently developed. This turned out to be a problem in Indonesia and India. In India the chosen mayor as well as the appointed chairperson or the Municipal Corporation of council could be the urban manager. The latter is usually a central government official and tends to be in charge for a limited number of years, a problem he/she shares with the elected mayors.

Secondly the existing institutions are not sufficiently coordinated. The lack of coordination was mentioned when we discussed the need for 'metropolitan government' in cities with several elected local governments. Also the development of institutions and rules determining the behavior of urban managers is important. Urban management is a relatively new discipline, born out of the need to deal with the problems of cities. No longer is administering what happens in the city enough.

Finally the people concerned are often not well trained to be able to manage a city. Good managers often work in the private sector, or prefer to work for central or state government in the Indian situation. Initiatives need to be taken on very different levels. Urban management requires an active role of the political system at the neighborhood, city and region level. Good economic analyses of the growth potential of urban clusters and of the city, or the region are desired. If people are insufficiently trained they need to be educated.

Urban management is not urban management science in the narrow sense as it is taught in the business schools. For me the relations between the enterprise, the cluster, the city and the region (and even the national level) are too important for that. The toolkit of micro and macro economic methods can contribute to understanding the factors determining the dynamics of an urban cluster, a city or a region.

My definition of urban management would be: "the effort to coordinate and integrate public as well as private actions to tackle the major problems the inhabitants of cities are facing and to make a more competitive, equitable and sustainable city".²⁶ Competitiveness can be improved by an action planning or strategic planning exercise in which the people concerned participate, by using information technology (Van Dijk, 2000) and if initiated by an official or politician who will also be involved in implementing these ideas, with the objective to make the city more competitive, equitable and sustainable.²⁷

The most comprehensive definition comes from my colleagues Van Klink and Bramezza (1995). They define 'modern' urban management as "the process of developing, implementing, coordinating and evaluating integrated strategies with the help of urban actors, taking into account the objectives of the private sector and the interests of citizens, in the framework of a policy defined at a higher level of government to achieve the potential of sustainable economic development". A good definition also provides a framework to evaluate urban management in the discussed Indian and Indonesian situation. There is a lack of coordination in these two cases and too often higher levels of government are still active in the cities in a sectoral way. They deal with the problems in the housing or public works sector, as perceived at the national level. Often without much vision or

political support from the relevant level.²⁸

In 1993 is joint master course Urban management in developing countries and Eastern Europe started in Rotterdam. The Urban Management Center created for this purpose is a joint venture of IHS and the EUR. The demand for this master course is substantial because of factors mentioned before and summarized in Box 17 for the extreme cases of Laos and Cambodia. Decentralization requires that people at lower levels of government can handle the responsibilities they acquired. In many countries these people need to be trained and the IHS-EUR Master course Urban management provides an opportunity.

Box 17 Lack of urban managers in Cambodia and Laos

Cambodia is, after the Pol Pot period (1975-78) and a coup d'etat in 1995, because of the elections in 1997 politically more stable at the moment. The proof is that at this moment the trials of the heads of the Red Khmer are starting. They were responsible for killing between one and two million Cambodians. During a recent mission undertaken for the Asia Urbs program of the European Union (EU) the representative of the EU on the spot noticed that Cambodia needs a period of centralization before seriously starting with decentralization.

In Cambodia and also in neighboring Laos that I visited during the same trip there are no elected local politicians at the moment, nor skilled officials who could implement modern urban management approaches to the problems of their cities. Also the idea of cooperation with the private commercial sector or the non-commercial (NGO) sector is not yet accepted after a long period of communism and absolutism. In Laos there is hardly a private sector to cooperate with. Decentralization requires trained people at the lower level and a role for other actors.

I have taught in this master course since its beginning. Originally as someone who knew something about the dynamics of cities in developing countries because of my Ph.D. on the informal sector of Ouagadougou and Dakar. Devas and Rakodi (eds, 1993) conclude that 'the discovery of the informal sector' ... 'has had a profound influence on the thinking about the urban economy' and particularly it helped to recognize the importance of these activities for employment, poverty reduction and urban development. This topic is included in the task of this chair under the heading: economic aspects of urban management.²⁹

In due course I started to stress the relations between the most important urban issues. I have also put the question: private or public supply of certain services in the center of attention (Roth, 1989). Financial aspects of urban management are part of this chair and I am particularly interested in using relatively new instruments to finance urban infrastructure in emerging economies (Van Dijk, 1998). The conclusion so far is that private capital is needed more and more and that this requires a different approach to urban projects. These projects now have to convince financial people that it is worth putting their money into it. This requires an identification of the possible risks (Van Dijk, 2000b). Participants coming from developing countries or Eastern Europe are very much

interested in the experiences with urban development and finance in Western Europe. This leads to the following questions: do cities in Europe and emerging economies face similar problems?

Excursus 5: Similar problems in European and in emerging economies?

How different cities in emerging economies may be, they are facing a number of similar trends³⁰: from a cry for more democracy to increased participation in the global economy and from more competition to higher expectations of the people. Are the issues the same? I think they are not fundamentally different in developing or developed countries. Cohen (et al., 1996) talk about convergence meaning that cities in the north and the south are more and more facing similar problems such as unemployment, environmental and drug problems.³¹

The experiences of European and American cities to increase their competitiveness are interesting for our participants, just like a comparison of water front development in Rotterdam and Barcelona (Capel-Tatjes, 1999). Ahmedabad changed, but similar developments have taken place in the Ruhr area in Germany, a region that restructured and replaced a number of heavy (polluting) industries by new technologically advanced and clean industries.

There may be no fundamental differences, but a difference of degree and the solutions may be different. Sometimes leapfrogging is possible in emerging economies, moving for example immediately to a cadaster based on aerial photography or satellite images and skipping the effort to measure every piece of land physically before going to a computerized system of land management. Another example of leapfrogging is the introduction by the EU in many Eastern European countries of innovation diffusion centers for small enterprise development after the fall of the wall in 1989. Rather than trying to reform the financial sector first and then to get them interested in credit for small enterprises the entrepreneurs were offered immediate access to new product ideas and process technology. Also cultural factors may influence the chosen solution of a problem, or purely the fact that not enough money is available may force cities in emerging economies to opt for different approaches to the same problem.

The same issue may be important in a city in Europe and in an emerging economy but it may be different if the causes and intensity of the problems studied are different. Also the approach may have been different in the past and the actual policy context is different. Unemployment may be a problem in Cairo and Rotterdam, but the origin and way of dealing with the problem is very different. In the same way poverty in Rotterdam and poverty is not easily comparable to the situation of a family living in a slum in India. The question is whether urban management can be effective everywhere in the same way? I don't believe that. With Rabinovitsch (1999) I agree that we have to look for 'tailor-made' solutions, even when the issues are quite similar and we know

how they have been tackled successfully elsewhere.

End of the excursus

Research agenda

In my presentation there are a number of issues, which require further research, some of which I would like to elaborate somewhat:

- how is the decentralization process going and which responsibilities are transferred to cities? Is this enough to allow active urban managers to be successful?
- what explains the dynamics of cities and their competitiveness?
- what are the possibilities to use information technology in urban management and in our teaching about urban management?
- how can we achieve more private financing of urban infrastructure: which instruments are successful and which legal forms are to be recommended?

With my colleagues of the Capacity group Regional, Port and Transport economics and the related European Institute for Comparative Urban Research (EURICUR) we are doing comparative urban research for years.

Local governments get more responsibilities in the framework of decentralization and will be held accountable in the end. Van Dijk (1999a) is a proposal to study the consequences of decentralization in Indonesia on a number of issues mentioned in table 6. IHS and Erasmus university will continue with this project.³²

The research proposals suggests that: "Comparative research, comparing how European cities and two important cities in Indonesia deal with the new opportunities provided in the framework of the decentralization policy is rare. Decentralization may fail if no attention is paid to the conditions for its success, such as a healthy financial basis and cooperation between different levels of government."

Table 6 Effects of decentralization at the local level on:

- housing policy
- possibilities to strengthen the local economy
- good governance: decentralization can increase transparency
- the management of the cultural heritage of cities
- the generation of local revenues
- urban management in general and
- the cooperation between local and metropolitan government in particular

My research until now concerned the competitiveness of small enterprises and clusters of these enterprises. I expect as the convenor of the EADI working group on industrialization strategies to continue with this kind of research.³³ There is indeed a need for more comparative studies of the urban dynamics in emerging economies. For that reason I considered the questionnaire developed with Zhang (1999) important to determine competitiveness at different levels. It has been used in one city in Egypt and one in China and will be used probably in two other countries.

In the third place I expect the use of information technology in urban management to become more important and want to study the possibilities to link urban data sets to geographical information systems (GIS) for urban management purposes. I refer you for some preliminary ideas to (Van Dijk, 1999b). Also for education there are enormous opportunities to use modern technology for distant learning and supervision of Ph.D. candidates abroad. IHS and Erasmus university hope to set the first steps in the field of Distant learning together.

Finally, I am interested in the financial aspects of developing cities. Which opportunities are there to involve the private sector and which instruments and legal forms are most appropriate for this purpose. Which possibilities exist to identify and cover the risks involved.

Fortunately there more people besides IHS and my capacity group at Erasmus University interested in the issues of cities. I like to mention Prof. G. Engbersen (in the Social faculty), Prof. D.J. Hessing (Law faculty) and Prof. W.G.J. Duyvendak (Philosophy) and the group around Prof. W.A. Hafkamp (Environmental issues). I hope that synergetic effects will be possible at that at least we will inform each other about our work and eventually do research together, or jointly supervise Ph.D. candidates.

Concluding remarks

I have tried to convince you that decentralization provides new opportunities for urban management in emerging economies. Subsequently I have argued that these cities are more and more integrated in the global economy and compete with each other. Good urban managers can play an important role in that 'war of cities'. A good manager is someone who via an integrated approach, based on a strategic plan, makes his/her city more competitive and in such a way that the social problems are also tackled.³⁴

The jogger risks in Egypt to succumb from acute lead poisoning. In India the runner may overlook the underlying issues and in general he risks to bypass the real problems because he is running too fast. I am aware of these pitfalls and I can only say that usually a cold shower follows and then the urban manager can start refreshed to deal with the major issues. Cities in emerging economies have enormous problems but also huge opportunities. The city is an engine of growth and a source of energy. That potential has never been put better in music as through the Lovin' Spoonful. I hope you will soon agree with me.

Vote of thank

I wish to thank:

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Ik heb gezegd.

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Notes

1. The term 'emerging' comes from the IFC, the commercial window of the World Bank. It was used originally to indicate countries whose stock market capitalization increased very quickly, which prompted IFC to collect statistical data on these markets (IFC, 1992).

2. Devas and Radkodi (1993, eds) also note that: "the form of cities is determined largely by the decisions of individuals and organizations rather than by governments".

3. Mintzberg (1994) describes strategic planning as sometimes it means developing a perspective and sometimes it means formulating objectives that would motivate people to the maximum.

4. The Action plan of the United Nations for the 21st century specifies that in 20 years the fate of 100 million slum dwellers needs to be improved via a separate plan to be developed with the World Bank (NRC 3-4-2000).

5. This point of view is defended by Jacobs (1970), Devas and Radkodi (eds, 1993), World Bank (2000) and Cheema (ed., 1993).

6. Helmsing (2000) and UNCHS Bulletin (1999, Vol. 5, No. 4) stating that: "Good urban governance involves participatory decision making". It refers to "the complex set of values, norms, processes and institutions by which cities are managed".

7. In the brochure 'Flagship course on urban and city management'.

8. IHS and Erasmus University have worked on the topic of decentralization in Indonesia (for example Suselo et al. 1995 and Rukmana et al. 1993) and master students in the joint Urban Management Center (UMC), for example Alisjahbana (1995) and Wahyu (1998).

9. IHS and Erasmus University jointly developed a research

project on Decentralization: new opportunities for managing the development and cultural heritage of Indonesian cities (Van Dijk, 1999a).

10. I would characterize the country, contrary to the Dutch minister of Trade, Mr. Ybenga as an emerging economy (Internationale Samenwerking, 2000 versus Financial Times 16-2-2000: India on brink of tiger-style rapid economic growth).

11. To judge the effects of decentralization cities can be ranked on the basis of indicators such as the growth of their revenues, their capacity to attract investments, etc. Mukundan (1998) suggests a number of indicators.

12. This requires an institutional economic analysis. See Van Dijk and Schulte Nordholt (eds, 1994) and Lindfield, 1998).

13. For example the theory of social exclusion in cities (Fainstein et al, eds, 1992 call it the divided city), the paradigm of flexible specialization or industrial districts (Van Dijk, 1993), or the bridge head theory of Turner (1986) concerning the behavior of migrants in slums.

14. Without going in detail I believe certain theories are particular relevant in a particular stage of development or a specific sector, or certain type of city.

15. The priorities in the MAPP for improvement of the environmental infrastructure should be the result of a participatory planning process.

16. Van den Berg (et al. 1990) on city marketing can be considered as a predecessor of the competitiveness approach.

17. Is there little difference between a region and a city? Yes, if only in administrative terms. There are now interesting theories about 'the economy of urban regions' (Kaplan, for example in NRC 2-6-2000), or about the replacement of the nation state by the region state (Ohmae, 1995). The latter theory argues that a city alone can never achieve the dynamics which a region can achieve because cities are too much preoccupied with solving their specific problems. Kresl and Gappert (1996) conclude that: "the integration of regional and urban economics (usually treated as separate subject matters) is the new frontier".

18. At the level of the world region 'The ability of a part of the world to achieve high rates of economic growth, on the basis of suitable policies, institutions and other economic characteristics' (Van Dijk, 1999d) is important.

19. Cheema (ed., 1993) also emphasizes the importance of 'the generation and transfer of urban innovations'.

20. Post (1996) exaggerates in my opinion if he states that urban management in the limited sense is what the World Bank prescribes and can be considered "a translation at the urban level of structural adjustment (at the national level)".

21. Ghana doesn't have, just like India, the urban angle in its development planning, but puts the emphasis on the district level. This can be seen as a dated attempt to focus on rural development hoping the people will stay in the rural areas instead of accepting the dynamics of the cities.

22. In Ahmedabad research was carried out with support from SAIL (Van Dijk en Shivanand, 1999). The Institute of Housing and urban development Studies (IHS) started this project early 1996 trying to determine the effects of economic liberalization and decentralization on the urban population of Gujarat.

23. At the national level liberalization started with Ghandi's efforts, but in Gujarat it started much earlier, contributing to the economic success of this state.

24. This point is elaborated in a book IHS is preparing.

25. The United Nations Center for Human Settlements (UNCHS of Habitat) runs a sustainable cities program; also Sergaldin (eds, 1994).

26. At a more philosophical level one could take the definition of development of Sen (1999) (Development is freedom) and argue that in an urban context this would mean: to provide options to people, which would mean that the actors have the possibility to choose and can contribute in this and other ways to the form of cities, neighborhoods and their habitat.

27. I focus on tackling multi-sectoral problems at the city level with the use of computers (Van Dijk, 1999b).

28. In South Africa many post-apartheid urban problems are still defined in a sectoral way: how can the housing or employment problem be solved as quick as possible with subsidies and with respect of the physical planning legislation. There is less attention for the broader issue of how to make the cities more competitive in a global economy. How can the private sector contribute to the economic development and employ as many people as possible and do something for their housing problems?

29. I also teach urban economics, infrastructure and finance and social services, plus a module on research techniques and give seminars on preparing a research proposals.

30. The urban problems in developing countries have changed because of democratization, decentralization and globalization processes (Sassen, 1983). All cities in emerging economies face globalization and the penetration of the information economy (Castells en Hall, 1994).

31. Cohen (et al., 1996) have argued that there is a certain convergence as far as urban problems are concerned between developed and developing countries. A number of the issues here are indeed also major issues in Europe and North America.

32. Although the KNAW could not finance the proposal about four researchers are working on it with support from different sources.

33. Two books will still be published and two new workshops are planned.

34. This requires to develop a 'pro-poor urban development strategy' at the urban level. Promoting the urban informal sector and social development funds would be important just like a different way of supplying services. In this order Van Dijk (1992), Van Dijk (1997) and Wegelin et al. (1995).