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IUIDP in a Comparative International Context

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Chapter Seven

IUIDP IN A COMPARATIVE INTERNATIONAL CONTEXT



Emiel A. Wegelin

INTRODUCTION

The Integrated Urban Infrastructure Development Programme (IUIDP) was launched by the Government of Indonesia in April 1985 (the beginning of FY 1985/86). As described in detail in other chapters of this book and elsewhere (for a good overview see Van der Hoff and Steinberg, eds. 1992), the IUIDP approach embodies the preparation of multiyear infrastructure investment plans and their financing plans at the local government level as well as annual budget proposals based thereon, all within the framework of IUIDP planning, programming and budgeting guidelines issued by the central government.

Nationwide adoption of this bottom-up planning, programming and budgeting process, covering a total of just under 300 local governments in 27 provinces, was an ambitious departure from past top-down programming practices, implying changing roles for officials involved at all three levels of government. A major programme of external capital support, technical assistance and training has been launched to assist in the implementation of this

Chapter 7 – Comparative International Context

change, supported by UNDP/UNCHS, IBRD and ADB as well as several bilateral donors. (See chapter six)

IUIDP relies on procedural changes, supplemented by the government, allocating an increasing portion of central government investment resources (both loans and grants) for urban infrastructure development to programme proposals which have been formulated through the new programming approach and which meet necessary technical, financial and economic appraisal criteria.

At the time of IUIDP initiation in 1985 its initial thrust was on integrating planning and programming of the various urban infrastructure programmes delivered by the Ministry of Public Works, such as water supply, drainage and flood control, sanitation, *kampung* improvement and (later on) urban roads. It became apparent early on in the programme that the intersectoral priority setting required for this was best carried out at the local government level. Additionally, a strong need to enhance local resource mobilisation (which was, and still is, low by international standards) emerged in 1986/87 when it was feared that central government investment resources would rapidly decline in the face of reduced oil revenues. This exerted pressure to seek increased levels of local government financial participation in the programme.

As it was thought that local governments would not readily do this at the expense of other investment programmes, it was envisaged that the programme would provide an impetus to increased local revenue generation. Both tendencies pushed the programme effort towards a decentralisation approach. This, in turn, brought to light the limited local government capabilities to deal with planning, programming and financial issues (e.g., the practical capability to handle debt service administration and cash flow management), and gave rise to substantial training efforts and the incorporation in the approach of the mandatory Local Institutional Development Action Plans (LIDAP) and Revenue Improvement Action Plans (RIAP).

In sum, IUIDP's development trajectory can best be described as a learning-by-doing process in which continuing modifications became necessary as it proceeded.

Comparable programmes to IUIDP have been launched in other Asian countries as well as in Africa and Latin America. The selected programme experience referred to below is summarised by country in the annex to this chapter. In this chapter IUIDP is compared with

Chapter 7 – Comparative International Context

these similar efforts in other developing countries along the following dimensions:

- ◆ Programme objectives and scope
- ◆ Integration of programme components
- ◆ Decentralisation of planning, programming and implementation responsibilities and authority
- ◆ Spatial/physical planning aspects
- ◆ Local resource mobilisation and municipal finance issues
- ◆ Programme incentives
- ◆ Manpower issues
- ◆ The role of international assistance

Common programme implementation constraints are identified, as are critical ingredients for programme success. Based on these comparisons the chapter ends with some suggestions on how IUIDP effectiveness in achieving its objectives could be improved.

PROGRAMME OBJECTIVES AND SCOPE

Objectives, programme scope and activities of the reviewed programmes, while broadly comparable to IUIDP, of course, all also reflect their specific setting (e.g., whether the country concerned has a federal or unitary form of government) and development experience.

All programmes (with the possible exception of the early Integrated Urban Development Programme (IUDP) experience in India) aim to strengthen municipal management and financial capabilities. However, the programmes provide a range of orientations from an exclusive investment planning and programming focus to a much more comprehensive institution-building orientation.

Several programmes, like IUIDP in Indonesia, focus on increasing the effectiveness of planning and programming of urban services investment, e.g., the Parana Market Towns Improvement Project (PMTIP) and Santa Catarina Small Towns Improvement Project (SCSTIP) in Brazil, the Integrated Development of Small and Medium Towns (IDSMT) and the Calcutta Urban Development Project (CUDP III) in India, the Mexico City Conurbation

Chapter 7 – Comparative International Context

Commission approach, the Metro–Manila Capital Investment Folio (CIF) approach, and the Programme for Essential Municipal Infrastructure, Utilities, Maintenance and Engineering Development (PREMIUMED) in the Philippines.

A second group of programmes, e.g., the Municipal Development Project (MDP) in Argentina, the Gambia Urban Management and Development Project (UMDP), the Infrastructure Development Fund Programme (IDFP) in Nigeria, and the Regional Cities Development Project (RCDP) in Thailand combine the broad elements of improving investment planning and programming and institutional strengthening in a more balanced way.

In a third group of programmes, including the urban reforms in Colombia, the Municipal Management Improvement Programme (MMIP) in Sri Lanka and the Venezuelan Middle-Sized Town Development Project (PROGECI), the emphasis is more on improving management structures and procedures, and on finding the ways and means to increase local government revenues.

There is considerable variation in sectoral scope of the programmes. Some, like PREMIUMED in the Philippines, originated as essentially public works-oriented programmes (like IUIDP in Indonesia), whereas other programmes have a broader municipal government services scope, including transport terminals, markets and public health facilities. PMTIP and SCSTIP in Brazil are of particular interest in this regard as they include a wide range of investments, both in rural and urban areas, designed to strengthen rural–urban linkages.

All programmes aspire to nationwide geographical coverage, except the programmes which have been designed to operate in a typical metropolitan city situation with multiple local governments and national utility agencies in it, such as the Mexico City Conurbation Commission approach, CIF in Metro–Manila, the Bangkok Metropolitan Development Board (BMDB) approach in Thailand and CUDP III in Metropolitan Calcutta. However, only IUIDP was initiated as a city-based programme on a nationwide basis. The other multiple city programmes are more incremental in the nature of their coverage. The Nigerian IDFP, while having nationwide coverage, essentially comprises an improvement programme for urban investments to be made by the state

governments. The Urban Reform Law in Colombia in itself is nationwide in its coverage, but can hardly be called a programme.

All programmes place heavy emphasis on technical assistance and training components, as does IUIDP. The balance between physical investments and technical assistance and training varies considerably, broadly in line with the above-noted differences in orientation.

INTEGRATION OF PROGRAMME COMPONENTS

None of the programmes have been able to achieve a full physical integration of the programme components. In a technical sense, at best, a reasonably cohesive range of sectoral investment options is considered at the time of planning and programming the investments which will comprise the programme. This means that intersectoral considerations are playing a role in the priority setting at the programming stage. Like IUIDP, most programmes are still limited in the width of sectoral coverage eligible for consideration, and as such have only made marginal improvements in the segregated pattern of investment decision making which prevailed generally prior to the adoption of the programme. Where this is not so, it has generally been found difficult in practice to be fully comprehensive in considering alternative investments in the context of establishing a medium-term investment programme.

Most programmes have also not been able to fully integrate the finance sources for the various parts of the programme; this relates to the wider issue of unified responsibility for committing and incurring programme expenditure. This really is an issue of municipal autonomy, which has generally been elusive, as detailed in the following section.

Similarly, there has been an absence of successful integration stories at the programme implementation stage. In spite of the more integrated, decentralised approaches, many of the proverbial cases (having to dig up the road twice within six months for different components in the municipal infrastructure provision network) still continue to adversely affect the efficiency of programme implementation.

DECENTRALISATION OF PLANNING AND PROGRAMMING RESPONSIBILITIES AND AUTHORITY

Virtually all programmes discussed (except the IDFP in Nigeria) include the feature of devolving or reasserting responsibility and authority for planning and programming of municipal services/infrastructure by the local government, or metropolitan city level. This applies even to those programmes in which investment programming is not a major activity. Its extent depends on the scope of the programme, on the scope of urban infrastructure and services provision legally entrusted to local government and on the technical capability to assume such responsibility at the local government level. To overcome constraints in this regard most programmes like IUIDP (the Indian IDSMT is one good example) place heavy reliance on provincial/state level technical assistance. Taking this line of reasoning one step further, the Venezuelan PROGECI is essentially a technical assistance programme designed to upgrade municipal institutional and financial capabilities.

The Mexico City Conurbation Commission approach, CIF in Metro-Manila, the Bangkok Metropolitan Development Board (BMDB) approach in Thailand and CUDP III in Metropolitan Calcutta are all essentially government attempts to rationalise public infrastructure investment decision making in a large metropolitan, multiagency/multimunicipality city, and therefore decentralisation has been regarded only as a functional tool where municipal investments are involved. This was true in CUDP III, but it was not an issue in CIF, which only aimed at metropolitan investment programming improvements of national agencies.

To date, the programmes reviewed have only made limited headway in decentralising planning and programming responsibilities in view of the above constraints. It should, however, be recognised that such capacity constraints will take substantial time to overcome. The common lesson is that there are no easy shortcuts, and that policy makers should be made to understand that decentralisation is not a short-term panacea for unsatisfactory service delivery, but rather part of a long-term institution-building effort. This explains some of the dilemma facing policy makers: on the one hand this institution-building process is politically attractive to support, but on the other hand there is the need to continuously

Chapter 7 – Comparative International Context

improve the provision of water supply, roads, primary health care, primary education and other municipal services. A slowdown in this regard is obviously politically undesirable.

An issue which has hardly been addressed by any of the programmes yet is to extend the logic of devolution further and to ensure adequate community participation in the process of priority setting for municipal services. While one may assume that local governments will be more sensitive to user priorities than remote central government planners (and in democracies represent the voice of the local populace), this should not be taken for granted.



Jakarta, like many urban centres worldwide, is growing vertically due to limited land availability.

SPATIAL AND PHYSICAL PLANNING ASPECTS

Spatial and physical planning issues figure prominently in those programmes which focus primarily on increasing the effectiveness of urban infrastructure investments, leading to a call for more integration and unified priority setting in planning and programming such investments. This is a central feature in IUIDP,

Chapter 7 – Comparative International Context

where the preparation of IUIDP Development Assessment Plans is embarked upon to bridge the gap between more conventional master and structure plans and affordable multiyear infrastructure investment programmes, with the objective of increasing the spatial interlinkages and hence the effectiveness of investment in each of the sectoral components.

IDSMT in India and PREMIUMED in the Philippines have similar features, whereas physical planning aspects are relatively subordinate in the programmes emphasizing capacity-building, such as Sri Lanka's MMIP, Thailand's RCDP and Venezuela's PROGECI.

Neither CUDP III in Calcutta nor CIF in Manila utilises an explicit physical planning exercise linking the metropolitan growth perspective and its physical dimension to urban infrastructure needs and programmes constrained by the city's ability to afford such programmes. An attempt was made in this regard in the Mexico City Conurbation Commission, but without much success. In Indonesia, in the Jakarta metropolitan region (Jabotabek) where there is not as yet an established unified process to screen capital investments, like in Metro-Manila or Metropolitan Calcutta, the spatial planning framework to guide such decisions, based on growth projections and resource constraints, has been thoroughly studied (see e.g. Clarke, 1985). Perhaps these studies were ahead of their time, but most certainly the IUIDP programme in Jakarta will be able to build on them.

LOCAL RESOURCE MOBILISATION AND MUNICIPAL FINANCE ISSUES

Strengthening the financial viability of municipalities and reducing their dependency on central government funds are key elements in all programmes reviewed, except the Nigerian IDFP. There are two distinct action areas in this regard:

- ◆ Enhancing local government revenue generation capability (and by implication local government borrowing capacity).
- ◆ Increasing the cost-effectiveness of local government expenditure, including not only investment but also operation and maintenance (O & M) expenditure.

The emphasis in each of the programmes differs substantially. Measures directed at improving municipal revenue generation capability and operation and maintenance of existing services and investments are at the core of the Sri Lanka MMIP, Thailand RCDP and Venezuela PROGECI. In investment programming strategies like MDP in Argentina, PMTIP and SCSTIP in Brazil, UMDP in Gambia, PREMIUMED in the Philippines, and IUIDP in Indonesia, the emphasis is on increasing the efficiency of urban infrastructure investments, with measures relating to increasing revenue generation capacity as necessary complementing components to secure the financing plan of the investment programme. Moreover, in Indonesia, as elsewhere, there are parallel programmes being developed to enhance revenue generation (MAPATDA) and O & M capabilities of local governments (POMMS).

On the revenue side, it is interesting to see that virtually all measures undertaken in the various programmes relate to how revenue yields can be improved without having to increase tax rates or user charge tariffs. Such measures almost without exception are directed at improving existing systems and procedures of valuation, assessment and collection and strengthening their administration as well as improving the overall system of revenue accounting, rather than raising nominal rates per se.

On the expenditure side increased cost-effectiveness of investment is pursued through:

- ◆ Increased efficiency in investment programming, leading to more mutually supporting integrated investments, which better respond to infrastructure needs in specific locations.
- ◆ Review of component design standards, generally to prevent overdesign vis à vis infrastructure needs.
- ◆ Streamlining of investment implementation, mainly through improved monitoring and supervision systems.

O & M has traditionally been the stepchild of urban development in the sense that for a long time it was taken for granted that this would be carried out by local governments as a matter of course. The fact that municipalities have often not been able to perform this responsibility satisfactorily makes investment in

Chapter 7 – Comparative International Context

improving local governments' capabilities in this regard a low-cost, high-pay-off proposition (as has been rather dramatically demonstrated in the MMIP in Sri Lanka). Such investment may include "hardware," like workshops and equipment, but also "software," like maintenance standards and schedules, appropriate accounting systems, technical assistance and training.

Several of the programmes reviewed utilise the services of a financial intermediary to provide loans to local governments. Brazil, Thailand and the Philippines have a Municipal Development Fund (MDF), in Nigeria the IDF performs a similar intermediary function, while in Indonesia the recently established Regional Development Account (RDA) is intended to gradually assume similar functions as an MDF (see chapter three). In cases where access to loan funds has been an impediment to municipal infrastructure development, such institutions fulfill an important function. However, their utility very much depends on the effectiveness of lifting related constraints on local government borrowing, such as legal limitations and fixed debt-service ratios for local government borrowing (Thailand and Indonesia), as well as on limitations to the borrowing capacity of the fund itself.

The funds generally operate within the government structure, usually the Ministry of Finance or Interior, and act as conduits for external programme support, as well as revolving funds in the sense that repayments to the fund are reinvested in new local government loans. Except in the Nigerian case, the funds do not mobilise resources directly on the capital market. Clearly this limits volume as well as terms and conditions of lending by the funds.

PROGRAMME INCENTIVES

The issue of incentives, the "sticks and carrots," is perhaps the most critical in any programme of municipal management and finance improvement.

At a time when central governments were easily able and willing to respond to local government needs by large scale provision of grant transfers, there was little incentive for local governments to assert their financial independence. On the contrary, such a situation stimulated a culture of dependency. All programmes discussed here

Chapter 7 – Comparative International Context

attempt to change this (in the case of Sri Lanka quite radically and successfully), but not in all cases supported by built-in incentives working in the right direction.

In most investment-oriented programmes such incentives are provided through a combination of attractive borrowing conditions for local government plus technical assistance with a series of conditions for participation in the programme. In the IDSMT in India, however, the incentive impact is limited by the relatively small amount provided by the central government as a matching loan.

In Brazil, the introduction of formula-based state allocations in the PMTIP has provided an incentive for municipalities to participate in the programme. In Sri Lanka, the incentive function is exercised through a willingness to be increasingly selective in the allocation of central government grant funds in favor of municipalities which perform well on selected performance improvement indicators.

Selectivity in programme participation and preferential access to central government grant funds are, of course, very sensitive politically. This is one reason why not much progress has yet been made in the incentive area in Indonesia and Thailand. A related difficulty is that, unless incentives are very carefully tied to specific performance criteria especially set for each municipality, a system of rewarding the better performers would almost by definition favor the stronger, well-equipped and wealthier municipalities, leaving behind the poorer and understaffed ones, which are likely to need central government support most.

Apart from those factors, there is the practical difficulty of initiating such incentives in a transition stage, where there is a heritage of ongoing sectoral programmes which have been planned and designed with very different objectives in mind. This is clearly evident in Indonesia where such programmes are now being integrated under the IUIDP umbrella. In view of prior multiyear commitments made by the central government, both to local governments and to foreign donor agencies, the pattern of investment can obviously only be modified gradually over time.

The Brazil PMTIP and Sri Lanka MMIP perhaps point the way to critical ingredients for success:

- ◆ A high level of political commitment is essential, because the selectivity inherent in an incentive programme is not likely to be

Chapter 7 – Comparative International Context

- popular. The lack of political commitment in Colombia and Nigeria as a result of this stultified the implementation of otherwise well thought out programmes in those countries.
- ◆ Performance requirements on which possible incentive rewards are based must be tailored very carefully to the individual municipality's situation in order to minimise potentially negative equity impacts. This means that performance requirements for well-staffed and equipped municipalities must be higher than for poorly equipped municipalities to be entitled to the same incentive rewards.
 - ◆ In view of ongoing programme commitments, the incentive function of central government grants can only be increased gradually. But this increase needs to be spelled out explicitly, criteria formulated clearly and disseminated widely, and followed through consistently.

MANPOWER ISSUES

An operational bottleneck in the implementation of all programmes discussed is formed by severe manpower constraints, both quantitatively and qualitatively, at the local government level. For this reason virtually all programmes have a high content of technical assistance and training.

Clearly such components are essential for improved operational performance, but one may legitimately ask if this is enough. Much would depend on the ultimate operational model that is aspired to. Is it envisaged that municipalities will develop an in-house capability to effectively plan, programme and budget for the development and operation of municipal services and to effectively levy and collect local revenue? Or is it expected that much of this work will continue to be carried out for a long time by consultants and/or other technical assistance agents (such as higher level government line departments) on behalf of local governments? This would require municipalities to function as an understanding client and qualified supervisor of such technical assistance.

As demonstrated by experience throughout the world, this is not just an issue of stages of development. In view of the legal, financial, manpower and career planning, and training implications,

it is important to consider carefully which combination of departmental manpower resource development and permanent in-house technical assistance costs the least, is easiest to implement and to sustain.

Additionally, the organisational and procedural ramifications of an institutional change model are usually very significant. Designing appropriate procedures, job descriptions, lines of communications and authority requires serious professional thought and consideration, for which technical assistance is often essential.

Consequently, while it is usually not difficult to identify acute technical assistance and training needs and to respond to those, the underlying institutional development options also need to be explored and future organisational and procedural development, manpower development and training programmes must be geared to the institutional development model selected.

THE ROLE OF INTERNATIONAL ASSISTANCE

Almost all programmes reviewed have received substantial international assistance, mainly from the multilateral development banks (primarily IBRD and, in Indonesia, ADB), the UN system (primarily through UNCHS as executing agency for UNDP), and bilateral donors. The IDSMT in India and the URL in Colombia are purely national initiatives without international assistance involvement. Several initiatives were purely national or local initially, although their implementation is now supported by the international assistance community. IUIDP is a clear example, as is MMIP in Sri Lanka. Other programmes have had a much heavier donor imprint, such as the programmes in Argentina, Brazil, Gambia, Nigeria, PREMIUMED in the Philippines and RCDP in Thailand, which one can describe as IBRD-led programmes. Development bank support has generally included not only financial support for physical investment, but also for programme implementation and institution-building technical assistance.

In this regard some tension is invariably visible. The development banks are naturally concerned with timely programme implementation and loan disbursement, which has often led to the establishment of separate project management units to ensure this.

Chapter 7 – Comparative International Context

However, this has not always been conducive to and indeed sometimes stultified the more gradual process of building up local government institutional capabilities. This may explain why in several instances, governments have turned to UN and bilateral support for institution-building technical assistance and training programmes, rather than including such support in development bank-funded loans.

A relatively recent development has been the emergence of regional and interregional support programmes in urban management, supported primarily by UNDP. These programmes attempt in various ways to transfer successful urban management experiences, based on the initial experience of the programmes discussed in this chapter. The most broadly based example of such support initiatives is the UNCHS/UNDP/IBRD Urban Management Programme, which is a capacity-building programme operating throughout the developing world. At the regional level in Asia the UNDP-supported, UNCHS-executed Regional Staff Exchange Programme in Urban Management is another attempt to cross-fertilise among the urban management experience in Asia. A similar initiative specific to Africa is the UNDP-funded, IBRD-executed Municipal Development Programme. The UNCHS-executed Sustainable Cities Programme and the UNDP-funded, IBRD-executed Metropolitan Environmental Improvement Programme provide similar support specifically directed at environmental issues. All these support initiatives are useful and laudable, but increased coordination and cooperation is desirable.

PROGRAMME CONSTRAINTS, CRITICAL INGREDIENTS FOR SUCCESS AND SUPPORTING ACTIONS

Most of the programmes compared operate in a policy environment which has traditionally been characterised by a substantial degree of top-down planning and programming for urban services delivery. All attempt to introduce and/or strengthen the bottom-up approach to urban services delivery within the framework of a set of rules or guidelines prepared by central and/or provincial governments.

Chapter 7 – Comparative International Context

This implies changing roles and responsibilities, a changing balance of power and changes in access to funds between different levels of government bureaucracies. Central government officials who correctly perceive these changes as a loss of influence, power, income and prestige are likely to actively resist such changes. This problem needs to be considered explicitly, rather than swept under the carpet. Its resolution requires a creative redesign of central government roles, largely concerned with setting guidelines and standards for programme preparation and implementation, and administering central government incentive grants. This needs to be combined with redeployment of superfluous central government staff to provincial and local governments which need to be strengthened to adequately play their role in the delivery strategy.

This can only be achieved if adequate incentives are provided which make local government service more attractive. These incentives focus primarily on terms and conditions of service and career perspective, although the devolution in decision making on programmes, projects, their financing and implementation itself already provides an incentive in the right direction. To address this wide-ranging set of issues properly will require a large dose of political will and a very long time horizon.

All the above programmes face severe constraints in mobilisation of local government resources, mainly because the local tax base is usually very narrowly prescribed. As argued in the section on local resource mobilisation above, major increases in revenue yields can generally be achieved through increasing the effectiveness of existing systems and procedures. However, ultimately it will be necessary to increase taxation rates and/or broaden the local government tax base by enhancing local government taxation powers. Often this will mean redesignating central or provincial taxes as local taxes.

A prime candidate for this, of course, is the property tax (in those cases, such as in Indonesia, where this is a central government tax) as it is the pre-eminent (potential) source of local government revenue, while the motor vehicle registration tax would also qualify. Various local surcharges on national taxes could also be considered. Unless such measures are taken, it is unlikely that local governments can be persuaded to borrow substantially (on the strength of their meager future revenue stream) for infrastructure/services other than

Chapter 7 – Comparative International Context

those with direct cost-recovery potential through user charges such as water supply and solid waste collection (see IBRD, 1988, chapter seven for a more detailed discussion of these issues). To substantially broaden the tax base, however, will generally require legislative changes, changes in operating procedures as well as the development of adequately trained local government staff to administer these taxes. This again will require solid political will and a lengthy implementation process.

A further constraint in all programmes consists of their limitation in scope along several dimensions:

- ◆ **Geographically** – Unless national coverage is intended, central governments cannot really be expected to initiate the wide ranging support actions required.
- ◆ **Sectoral Coverage** – This has more-or-less come about historically in all cases. It has not generally been the result of a careful analysis of the most logically required division of responsibility for urban services delivery between the various layers of government, which should form the foundation of the delivery system.
- ◆ **Exclusive Urban Coverage** – This creates a problem in those cases where the local government is responsible for a district rather than for a city, such as 250 of Indonesia's 300 local administrations, particularly in those cases where the district concerned has a relatively low level of urbanisation. The PMTIP in Brazil provides an interesting example of how this problem can be overcome.
- ◆ **Limitation to Intergovernmental Relations** – As noted in the section on decentralisation of planning above, the full benefits of decentralised delivery of urban services can only be realised if adequate user participation underlies priority setting at the local government level (see e.g., UNCHS (Habitat), 1987, particularly chapters 7, 14 and 15 for detailed discussion of experience and issues in community participation). To develop a delivery system with a balanced level of community participation again requires much political will and adequate time to mature, particularly in situations where the bureaucracy (local and central alike) has a tradition of governing rather than playing a stimulating role in development. Community participation is also likely to facilitate

Chapter 7 – Comparative International Context

the identification of aspects of urban services delivery for which public sector intervention is inappropriate and which are best left to the private sector (formal or informal). This has not generally been considered adequately in the programmes reviewed above.

In spite of the above constraints, and recognizing that the reviewed programmes mark only the beginning of a worldwide move towards a more effective delivery system, the emerging global experience with these programmes does suggest some important ingredients for success:

- ◆ The programme should preferably comprise an integrated package of approaches directed simultaneously at: improvement in planning, programming and budgeting of investments; improvements in operation and management functions; and increases in local revenue generation.
- ◆ Such a programme should pay special attention to processes and procedures, not only at the local government level, but also at provincial and central government levels.
- ◆ The programme must have a strong incentive function through selectivity and conditionality in participation by local government and performance-related application of limited central government investment resources (including foreign assistance resources). This will only be possible if the programme enjoys strong political commitment by the central government.
- ◆ The incentive programme must be well tailored to specific circumstances to avoid inequitable by-products.
- ◆ Long-term institution-building technical assistance and training are essential elements in a programme of strengthening local government capabilities.
- ◆ Substantial attention must be paid to a thorough reflection on the most cost-effective distribution of work at the local level between local government staff and more-or-less permanent in-house technical assistance resources.

Much time and substantial political will is needed to achieve the institutional changes required to see the programmes through to the point where their real benefits will have become tangible. While, therefore, much will have to be taken on faith for some years to come,

Chapter 7 – Comparative International Context

this also indicates that programme monitoring and evaluation will assume a critically important role in developing a body of knowledge on what works and what does not. The support actions outlined below are all geared to enhance the required institutional development and to increase the emerging understanding of what the critical factors for success are.

Particularly important support actions, some of which are already embarked on as noted above, are:

- ◆ Design and implementation of programme monitoring and evaluation studies and a frequent review of their findings.
- ◆ Regional and global exchange of information on features of the programmes and aspects considered relatively successful or unsuccessful, including regional review of the findings of evaluation studies. Beyond regional seminars and workshops, programmes of staff secondment also have a particular role to play.
- ◆ Institution-building technical assistance supporting the programmes, rather than attempting to radically change the course of action before a programme has had time to work itself through.
- ◆ A measured dose of capital injection by external donors, carefully geared towards strengthening the incentive functions of the programmes.
- ◆ Research and pilot projects in support of attempts to overcome the programme limitations mentioned above. An area of particular importance appears to be the appropriate distribution of responsibilities for urban services delivery between the various layers of government, the private sector and local communities.

LESSONS FROM INTERNATIONAL COMPARISON: HOW CAN IUIDP EFFECTIVENESS IN ACHIEVING ITS OBJECTIVES BE IMPROVED?

There are a number of areas in which IUIDP can draw some lessons from comparable international experience. Several of these issues have also emerged out of programme reviews in Indonesia itself.

Chapter 7 – Comparative International Context

An overriding issue that needs urgent attention is the need to incorporate incentives into the programme structure. This can be done through changing the role of central government sectoral funds or by converting these into matching grants along similar lines as has been done in the Brazil PMTIP and the Sri Lankan MMIP. Based on a set of clear, programme-related criteria such funds should be placed at the disposal of deserving local governments. To some extent the proposed "new" INPRES funds (see chapter three) would play this role, but its criteria will have to be sharpened to improve its incentive function.

The relevance of the IUIDP programme to local governments would obviously be enhanced, if it could broaden its sectoral scope beyond the public works area of concern, as has been done in several of the other programmes discussed. This would help to make local governments more receptive to the programme, and would also better justify special mechanisms, such as the above *Inpres Perkotaan* and the unified local government borrowing window, which RDA aims to be.

As demonstrated particularly in the Latin American programme examples, an adequate definition of roles and responsibilities of the various layers of government is essential; while this is specified in Indonesia to some extent in Basic Law No. 5/1974 and in Government Regulation No. 14/1987, further fine tuning is needed to make these provisions work more effectively as a guiding framework for IUIDP implementation.

This should lead to a fully worked out scenario for the operational roles of central government departments, particularly the Ministry of Public Works, which is long overdue. Such ministries should, for essentially local government controlled programmes such as IUIDP, only have a standards and guidelines setting function in planning, should process funding requests expeditiously based on provincial governments technical appraisals, and should have a major role in monitoring, supporting and evaluating programme implementation. Personnel implications should be clarified and departmental staff seconded to deserving local governments with attractive terms and conditions. This should facilitate the local governments fully embracing their ascribed roles and responsibilities.

Institutional and financial action plans are common features in a number of the urban management programmes discussed and

Chapter 7 – Comparative International Context

contribute to their sustainability and success. In Indonesia, the LIDAP and RIAP, along with complementary programmes such as MAPATDA and POMMS, have been pace setting in establishing a pattern of bringing about institutional and financial management improvements at the local government level. Their incorporation into standard Ministry of Home Affairs regulations, making it mandatory for all local governments to draw up such action plans, monitor their implementation and revise them from time to time, as will be implemented in the Sixth National Five-Year Development Plan, is commendable.

As IUIDP is implemented and local governments' capability to plan, programme, finance, implement and operate increases, the international experience suggests that tight central government and donor control becomes less appropriate. Funding, both from national resources and from external funds, should be increasingly provided in a programmatic way through block grants, with after-the-fact controls on fund expenditure assuming dominance over detailed involvement of the central government and donor agencies in project preparation.

ANNEX

SELECTED PROGRAMME EXPERIENCE¹

Selected programme strategies, comparable to IUIDP, adopted in several other developing countries are briefly described below. Each strategy, of course, forms a specific response to the problems and issues faced in each country. No specific set of circumstances is identical and therefore the emphasis of each country's strategy varies, among other things depending on size, degree of urbanisation, prevailing administrative system (federal or unitary form of government), relative strength of local government, and level of prosperity.

Argentina

Argentina is federally organised into central, provincial and municipal government levels, with all government powers formally emanating from the provinces. Provinces, which are governed by their own constitutions, delegate limited powers to the central government and retain for themselves all other authority. However, since the mid-1970s the central government has taken control of the flow of resources.

In 1988, the Municipal Development Project (MDP) was launched to finance municipal investments and strengthen municipalities' capacity to plan, finance and execute cost-effective capital improvement programmes.² The main purpose was to contribute to more effective public sector management at the provincial and municipal levels. The most distinct feature of project design has been the strict eligibility criteria set for the provinces and

¹ The assistance of Ms. Karin Borgman, Human Settlements Economics Department, Netherlands Economic Institute, in compiling this programme documentation is gratefully acknowledged.

² See e.g.:

- ◆ Tuck-Primdahl, Merrell. "Reform in Latin America - Is Nearer Dearer?" *The Urban Edge: Issues & Innovations*. Vol. 14, No. 3, April 1990.
- ◆ IBRD, *Argentina Municipal Development Project. Staff Appraisal Report*. Infrastructure and Energy Operations Division, Country Department 4. February, 1988.

Chapter 7 – Comparative International Context

municipalities who want to participate in the programme. The provinces must present investment programmes based on debt service limitations, investment histories, creditworthiness, and institutional capacity of the municipalities. They must also provide estimates of the actual municipal demand for credit. Annual or multiyear investment plans, debt obligations and physical investments (water, sewerage, street paving, lighting, market stalls, etc.) of the municipalities are subject to stringent appraisal requirements.

The MDP focuses primarily on increasing the effectiveness of urban infrastructure investments, through coordination of intersectoral subprojects at the provincial level. Because each province has a different political and administrative organisation there is no ideal model for project implementation. However there are common institutional requirements which need specific arrangements in each province. The two basic conditions to establish these arrangements are:

- ◆ Effective staffing of a special management unit, the Project Execution Units (PEU), with the authority of the Governor
- ◆ Sufficient authority of the PEU with regard to intersectoral coordination

Both conditions are regarded as means to mobilise and coordinate resources, both at the provincial and municipal levels. As part of its overall responsibility, each year the PEU consolidates an Annual Investment Programme to be approved and reviewed by IBRD, which provides financial support to the MDP. Physical investment proposals as well as municipal technical assistance and training are included in this programme. The Annual Investment Programme is directly related to the institution building and institutional arrangements aspects of the MDP because this programme promotes structured, periodic consultations between municipal and provincial authorities for its formulation and evaluation. Technical assistance and training has to contribute to both these institution-building efforts and strengthening of municipal financial and institutional capabilities and service delivery capacity.

IBRD support focuses on improving the financial management relationship between the provinces and the municipalities,

particularly in promoting effective municipal capital improvement programmes that offer adequate cost recovery. Resource mobilisation is supported through promoting fiscal discipline and a balance between expenditure responsibility and revenue authority by level of government. The IBRD loan is on-lent to provincial governments which then on-lend to municipalities. Another source of financing is through counterpart funding by municipalities and provinces.

Brazil

The Brazil Parana Market Towns Improvement Project (PMTIP) was among the first projects supported by IBRD under the programmatic lending approach. PMTIP proved to be a success. The Santa Catarina Small Towns Improvement Project (SCSTIP) is another decentralised urban development project in Brazil. Both PMTIP and SCSTIP aim at strengthening local governments to support the spatial and economic integration of urban and rural sectors, whereas IUIDP projects aim at improving urban service and infrastructure delivery by involving local governments. Despite the difference in objectives, the projects seem to follow the same approach of strengthening local governments to achieve those objectives.³

The broad objective of the PMTIP and the SCSTIP is to improve investment planning, financing and implementation capabilities of local governments. More specifically, to increase resource mobilisation or improve financing capability (like Argentina's MDP), improve project selection and investment planning, and establish a mechanism to provide local governments with direct access to long-term development financing.

Project components can be grouped into physical investments, and basic economic and social infrastructure; whereas the SCSTIP also has a component classified as support to productive activities, institutional development activities, training and technical assistance. The overall project implementation responsibilities rest with higher levels of government than the municipal level, whereas the municipal governments are ultimately responsible for carrying out the actual institutional development activities and the execution of physical

³ Codato, Eleoterio. *Decentralized Urban Development Projects: An Analysis of World Bank Experience with Emphasis on Brazil and Indonesia*. Draft, ASSIN, IBRD: Washington, DC, 1989.

Chapter 7 – Comparative International Context

investments. The project management units, however, have regional offices according to the principle of deconcentration.

The financial impact of the PMTIP is positive, with 280 out of the 285 participating municipalities becoming subborrowers because state funding was transformed from a mechanism of ad hoc patronage to formula-based allocations. Municipalities are entitled to these allocations and the investments can be planned by them. Widespread community participation and satisfaction was created by the unprecedented access to funds on a small and diffused scale. However, technical assistance in the field of municipal financial and urban management was less successful because of insufficient staffing in the subregional offices.

Another factor contributing to the success of the PMTIP was the high degree of political commitment and support from high-level state and municipal authorities as well as administrative support from almost all state departments and agencies. Moreover, the political situation in Brazil favored decentralised decision making and administration.

The success of the project was also due to the fact that there were hardly any changes in the institutional framework within which the state and municipalities were used to operating. Finally, by transferring the funds, the state made available the financial, human and technical assistance to municipalities to meet new and additional responsibilities.

The IBRD loans for PMTIP and SCSTIP to the national government are subsequently passed on to the state, which on-lends to municipalities in the form of subloans, through a Municipal Development Fund (MDF). Counterpart funding by the state is allocated to municipalities as grants by using a set formula, also handled through the MDF. The state and the municipalities are both responsible for repayment of subloans at interest rates to allow capitalisation of the MDF.

Colombia

Since 1974 urban growth and urbanisation have been major elements of the national development plan in Colombia. The plan stimulated migration from rural to urban areas and developed the financial sectors. Some of the effects of this policy "were the setting of urban norms and codes based on large-scale mass housing projects;

Chapter 7 – Comparative International Context

the growth of the dominant role of private interests, building enterprises, landowners and the financial sector; and the lack of state and civil control over city growth and the social and economic benefits of urbanisation."⁴

Decentralisation, municipal strengthening and infrastructure finance have seen considerable reforms in Colombia. The need to step-up local infrastructure investment was the motivation for fiscal reform. Before the reforms, all public investment depended on the borrowing capacity of the central government.

Politically, the most important element of the reforms was the establishment of locally elected mayors. Fiscally, the most important element was the strengthening of the revenue base of local governments, their ability to raise revenues on their own and their sharing in centrally collected revenues. This was accompanied by updating the property values forming the local property tax base, in order to compensate for past inflation and to provide for future automatic adjustments to reflect price changes. Despite insufficient political commitment to meet these goals in full, the erosion of the local property tax has been slowed down significantly. For the first time local governments were given considerable discretion in setting local property tax rates. Finally, fiscal decentralisation was completed by raising the share of national sales tax receipts allocated to the local level from 30 percent in 1986 to 50 percent in 1992. In addition, by 1992 this process was envisaged to be accompanied by a transfer of central government service responsibilities, to be reflected in the transferred budget amount.⁵

Before the decentralisation measures were implemented, centralisation had become extreme. Local authorities were dependent on Bogota for obtaining funds and approvals for virtually every investment. Therefore, as part of the reforms, the law on revenue transfers to local government stipulated that all incremental revenues from sales tax allocations had to be devoted exclusively to investment. An important additional factor was that Colombia's financial institutions have adjusted their lending procedures so that

⁴ Echeverria, Maria Clara. "Urban Reform In Colombia: A Tool For Democratic Development?" *Cities*. Vol. 8, No. 2, May 1991, p. 109.

⁵ UNCHS (Habitat). *Finance for Shelter and Services as a Component of the Global Strategy for Shelter to the Year 2000*. Nairobi, 1990, p. 72.

Chapter 7 – Comparative International Context

the future stream of revenues can be turned into immediate investment.⁶

Measures in the field of decentralisation of taxation were not only accompanied by the election of mayors (stipulated in the Municipal Code, Decree Law 1333/1986) but also by the election of local administrative boards (LAB), the Urban Reform Law (URL) and the approval of a Constituent Assembly (CA) allowing changes in the national constitution. These reforms are meant to address issues in the field of civil, political, economic, social and cultural rights; problems of discrimination and the rights of minorities; and the right to housing, environment and development. Urban policies, therefore, were regarded as a catalyst for the development of participatory ways of building cities. This participation is broadly conceived as participation in decision making which takes into account the interests of all groups in society. However, the URL was not new. Since 1960 there have been discussions about the contents of the law and finally, in 1989, the law was implemented. Municipal planning was introduced through stipulating the adoption of an integrated development plan (IDP) by municipalities with 100,000 or more inhabitants and a Simplified Development Plan (SDP) by those below 100,000 inhabitants.⁷

These plans define:

- ◆ Land-use regulations and development norms
- ◆ Roads, public services and public works
- ◆ Investment plans for infrastructure and social facilities
- ◆ Land allocation for social housing and relocation
- ◆ Definition of local policies, priorities and activities to develop undeveloped land.
- ◆ Configuration, incorporation, regulation and conservation of public space⁸

However, limitations in the URL obstruct the implementation of these urban development plans. The URL lacks: clear definitions

⁶ UNCHS (Habitat), *op. cit.* 1990, p. 72

⁷ Echeverria, *op. cit.* 1991, pp. 110, 111.

⁸ Echeverria, *op. cit.* 1991, p. 112.

Chapter 7 – Comparative International Context

and criteria for the decision-making process and for balanced relationships between private and public interests, recognition of participation by communities in formulating and designing plans, and financial structure. Even though all public investment in the municipalities must have been included in the investment plan, there is little scope for generating additional resources to implement municipal plans. Finally, there is also a lack of adequate institutional, professional and administrative consolidation in many municipalities.⁹ More specifically, property tax administration needs further strengthening. Moreover, many municipalities, even if they have no shortage of funds, lack the capacity to translate the need for service delivery into project proposals.¹⁰

Gambia

The Gambia Urban Management and Development Project (UMDP) was launched in 1984. The project objectives include: strengthening the Ministry of Local Government and Lands (MLGL), two local City Councils, and the Social Security and Housing Corporation, and improving management and operational efficiency.

Apart from physical investment programmes, the project consists of an institutional development programme composed of the following components:

- ◆ Funds to improve routine planning, programming and operational capacity of the MLGL. Technical assistance in the field of strengthening departments and divisions in the ministry, and a rating and revaluation of property exercise.
- ◆ Funds for studies on the relationships between central and local government concerning land development and maintenance and the upgrading of the financial procedures and systems of the two local city councils. Particular attention is paid to the updating of outdated financial records, the improvement of systems and procedures, and the upgrading of the revenue collection capacity.
- ◆ The Social Security and Housing Finance Corporation receives technical assistance concerning the gradual build-up of a strong internal accounting, auditing and legal capacity. A land

⁹ Echeverria, *op. cit.* 1991, p. 118.

¹⁰ Tuck-Primdahl, *op. cit.* 1990, p. 5.

Chapter 7 – Comparative International Context

development scheme will assist the corporation to acquire the capacity to develop land.

The project, which was financially supported by an IBRD loan, was completed in 1992, according to schedule, but conclusive results are not yet available. Conclusions drawn from World Bank supervision reports indicate that significant efficiency and effectiveness of the local governments may have been achieved at the date of completion of this project.¹¹

India

In India, substantial experience has been gained with a succession of central government schemes in support of urban development. During 1974–1979 the Integrated Urban Development Programme (IUDP) for metropolitan cities, towns with population of 300,000 and above, and areas of national importance was implemented as a central government support scheme through the provision of conditional soft loans from the central government to the state governments. Loans were provided as matching funds for a specified investment package with the balance coming from state and local government resources. Conditions for assistance were articulated in the guidelines developed for the programme. While it is generally considered that there were several major deficiencies in the scheme,¹² it led to pooling of investable resources from the various

¹¹ IBRD. "Strengthening Local Governments in Sub-Saharan Africa: Proceedings of Two Workshops: An EDI Policy Seminar report No. 21." IBRD: Washington, DC, 1989, p. 137.

¹² Biswas, Kalyan. "Evolution and Implementation of the IUDP Scheme: A Policy Review." Nagarlok. 1983.

Biswas among other things mentions the following problems and issues:

- ◆ In view of the inclusion of several World Bank-assisted projects within the IUDP orbit, almost three-quarters of the assistance benefiting 31 cities went to three cities, i.e., Calcutta, Bombay and Madras, while about 80 cities would have been eligible on account of population criteria alone.
- ◆ The guidelines stipulated the establishment of a development authority as a condition for assistance, which has tended to erode the functions of local government.
- ◆ The guidelines did not clearly reflect specific programme objectives and were therefore too general.

Chapter 7 – Comparative International Context

layers of government and generated additional attention to, and investable resources for, urban development on the part of the state governments and local agencies involved. The nature of the scheme and its central coordination and monitoring made its



Bajaj, originally imported from India, are found in many Indonesian cities.

operation more flexible than that of schemes funded through annual budget allocations. Both achievements and deficiencies (which could have been redressed if the scheme had been given a further lease on life) provided interesting lessons for a similar support mechanism established in 1979 and directed at small- and medium-sized towns.

The centrally sponsored scheme for the Integrated Development of Small and Medium Towns (IDSMT) was set up in 1979 on a similar basis as IUDP in the sense that it is also a matching

- ♦ The programme has tended to favor land acquisition and development projects at the city fringes at the expense of infrastructure improvement in the existing urban area.
- ♦ The IUDP did not include specific technical assistance to improve urban management capability; local government was assumed to be able to deal with the problem.

Chapter 7 – Comparative International Context

loan scheme.¹³ Programme coverage both in terms of components and cities, however, was much wider. IDSMT guidelines mandate the preparation of a multiyear investment programme based on an urban planning framework. Of this investment package 50 percent of costs, or Rs. 4 million whichever is less, is met by the central government loan, provided that:

- ◆ The balance is met by state and/or local government resources.
- ◆ Local governments have a demonstrable ability and willingness to maintain assets created and to repay the central government loan.
- ◆ Local government staff training is initiated in regionally established municipal administration training centres prior to approval of the central government loan.
- ◆ Appropriate land policy by state government has been adopted to facilitate timely land acquisition by local government.
- ◆ Separate accounts are maintained for each project component.

Project proposals are made through submission of a detailed project appraisal report by the local government (with state government technical assistance) for approval by state and central government. After a one-stop sanctioning by an interdepartmental committee at central government level, monitoring and approval of progress payment disbursements is carried out by the Town and Country Planning Organisation (TCPO) in the Ministry of Urban Development. TCPO is also responsible for preparation and periodic updating of IDSMT guidelines. By the end of the Seventh Five-Year Plan in 1989, the loan scheme had covered 337 towns or about ten percent of all towns nationwide with a population of 10,000–100,000.

Another city-specific offspring of IUDP has been the Third Calcutta Urban Development Programme (CUDP III). In contrast to its two predecessor IBRD-supported projects, CUDP III's main thrust

¹³ For details see e.g.:

- ◆ TCPO, Ministry of Works and Housing. *Integrated Development of Small and Medium Towns in Retrospect and Prospect*. May 1985.
- ◆ Ribeiro, E.F.N. "Role of Small and Medium Size Towns in the Human Settlement System of India." Paper presented at 7th AIT/NHA/IHS International Seminar on "Integrated Urban Development Programme, a Support Strategy for Housing Development." Bangkok, 12-16 May 1987.

is decentralisation of programme design and implementation, and strengthening of local government, with the Calcutta Metropolitan Development Authority (CMDA) fulfilling a monitoring and supervising role.¹⁴ One of CUDP III's main objectives is to improve urban management in the Calcutta Metropolitan Area through a comprehensive approach, in which institutional and financial reforms go hand-in-hand with physical improvements and institution-building technical assistance.

Mexico

Mexico, like Argentina, Brazil and India, has a federal system of government with separate constitutions providing for states. Devolution has been underway for more than ten years. However, inefficient parastatals and insufficient government accountability have obstructed this process. On the other hand, federal government block grants that finance local projects specifically designed to meet community needs were very effective. Under the grant system states and some municipalities put up matching funds for projects in order to elicit community participation. For instance, in the state of Tamaulipas in northeast Mexico, state and municipal governments each contributed one-third of the capital to the "shoulder to shoulder" programme. Local communities contribute the remainder, usually in the form of labour. Local participation is relatively easy to achieve because it is a tradition in virtually every state.¹⁵

Most municipalities have not been motivated to recover the cost of investments made with grants from the states or federal government. Responsibilities are only partly devolved, leaving the municipalities without the authority to set financial targets. Moreover, certain criteria for revenue sharing result in fiscal weakness instead of efficiency. Many small municipalities in Mexico hardly have any administrative capacity and lack the economies of scale required to provide urban services in an efficient way. So in the poorest regions, for instance in Oaxaca's 500 municipalities, services

¹⁴ For a description see e.g.:

- ◆ Menezes, B.O. "Calcutta, India - Conflict or Consistency?" *Cities in Conflict: Studies in the Planning and Management of Asian Cities*. John P. Lea and John M. Courtney, ed. 1985.
- ◆ *The Urban Edge: Issues And Innovations*. Vol. 12, No. 9, November 1988.

¹⁵ Tuck-Primdahl, op. cit. 1990, p.4

Chapter 7 – Comparative International Context

are inadequate or nonexistent. Moreover, such municipalities are often overlooked in municipal programmes.

In the field of planning in the Mexico City Metropolitan Zone (MCMZ) a potentially innovative mechanism was established under the General Law of Human Settlements in 1976, the Conurbation Commission. The commission was designed to facilitate integrated urban development in areas where formerly separate urban areas had become contiguous. Headed by the Minister of Urban Development and Ecology and comprising the chief of the federal district and concerned governors, municipal presidents and delegates, the Conurbation Commission met only once in October 1977. Its Technical Secretariat worked up until 1988 and produced numerous plans, but the Conurbation Commission had little influence on policy decisions. In addition, the General Law of Human Settlements was not specific about measures, but provided an institutional framework within spatial plans which were to be developed at the federal, state and municipal levels.¹⁶

Despite these efforts towards integration of planning, each administration prepared its plans, with little diagnoses and without discussing how to implement them. Successive plans have shown an overreliance on purely coordinative mechanisms and normative measures.¹⁷

Nigeria

Nigeria, too, has a federal structure of government. The primary objective of Nigeria's Infrastructure Development Fund Project (IDFP) is to initiate the establishment of an urban infrastructure wholesaling mechanism, the Infrastructure Development Fund (IDF). This fund has been established outside the government. It utilises selected merchant banks to identify, appraise, supervise and co-finance state urban infrastructure subprojects.

These subprojects will assist states to:

¹⁶ United Nations. *Population Growth and Policies in Mega-Cities*. Mexico City. New York, 1991, pp. 15, 30.

¹⁷ United Nations. *op. cit.* 1991, p. 32.

Chapter 7 – Comparative International Context

- ◆ Manage, maintain and consolidate existing urban infrastructure and services
- ◆ Improve financial management and resource mobilisation
- ◆ Improve infrastructure and investment planning and prioritisation

IDF was evolved in 1985 by the Federal Ministry of Works and Housing (FMWH) with support from IBRD. The FMWH is responsible for policy guidance and monitoring, and designation of the participating merchant banks. This ministry also performs the function of the project implementation unit. Thus, overall project implementation responsibilities rest with higher levels of government than that ultimately responsible for the actual institutional development activities and execution of physical investment (the states). Quite a substantial amount of implementation responsibilities are carried out by the merchant banks. The banks supervise the implementation of the subprojects, appraise and supervise future state subprojects, and open and operate special accounts through which the line of credit for the approved state infrastructure is disbursed. The project initiates a long-term effort to mobilise the Nigerian private sector to assist in the development of urban infrastructure in the states.

The local governments (municipalities) do not play any role in the IDFP, although they are the level at which implementation takes place. The 1976 Local Government Reforms, which provide for an enhanced role of local governments, have not yet been implemented.

Progress of IDFP I and IDFP II is obstructed by problems in the field of credit risk, delays in state counterpart funding and general operational problems of subproject formulation. The participating financial institutions felt that their credit risk for the local currency on-lent to the states was too high, with the present arrangements in the IDF exposing their capital base. Moreover, the arrangements subject them to the whims of state governments in a transition period and the possibility of unguaranteed financial liability of an incoming civil administration.¹⁸

¹⁸ See e.g:

- ◆ "Urban and Regional Development Division, Federal Ministry of Works and Housing. Infrastructure Development Fund Project Implementation in Nigeria: A Status Report." Lagos, July 1991.

Chapter 7 – Comparative International Context

The local counterpart funds due by the states and the participating institutions decreased as a result of the Structural Adjustment Programme and the subsequent rationalisation of the value of the local currency, the *naira*. Consequently, the scope of the subprojects reduced, states experienced delays in regular commitments to their IDF accounts, and extensions for the completion dates of subprojects became necessary. The lack of standardisation of subprojects has introduced complications in the selection process and has created possibilities of political interference. Therefore, there is a need to streamline existing guidelines to keep the subprojects as simple as possible. Furthermore, subproject management requires improvement through:

- ◆ Consultant services concerning subproject appraisal, evaluation of bids and processing of contract documents
- ◆ Personnel training or recruitment of professionals in the field of urban infrastructure development

The Philippines

In the Philippines two programmes were launched in the mid-1980s which both attempted to strengthen local government institutional and financial capabilities. The first, the Metro-Manila Capital Investment Folio (CIF), deals with problems of a multimunicipality metropolitan area. It constitutes an approach to rationalise decision making on urban infrastructure investment priorities in a metropolitan setting with many actors involved. The methodology for doing so was evolved in the early 1980s¹⁹ and further developed in recent years. At the same time, given the political changes, large uncertainty shrouded potential investments as

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- ◆ Asmerom, H.K., "Decentralisation and Administrative Capacity-Building at Regional and Local Levels: With Some Examples from Sub-Saharan Africa." Heins, J.J. (red.) *Falende Overheden? Bestuur, politiek en besluitvorming in de Derde Wereld. Themabundel ontwikkelingsproblematiek nr. 3*, VU Uitgeverij, Amsterdam, 1992.
 - ◆ Tuck-Primdahl. op. cit. 1990.

¹⁹ See: Halcrow Fox Associates. *Metropolitan Manila Capital Investment Folio Study*. Manila, Metro Manila Commission, 1982.

Chapter 7 – Comparative International Context

well as the future institutional home of CIF evaluation, the Metro-Manila Commission.

CIF essentially amounts to a screening process for infrastructure investments, carried out in consultation with all agencies involved, matching ongoing investment projects together with new investment projects against a priority ranking system, and an assessment of likely resource availability under different medium-term economic and social development scenarios.

Its main value to date is that it acts as an instrument to reach consensus among all government agencies (municipalities and line agencies) intending investment in the Metropolitan Capital Region during a five-year period as to what is a desirable and feasible investment portfolio.

Also in the Philippines, the Programme for Essential Municipal Infrastructure, Utilities, Maintenance and Engineering Development (PREMIUMED), initially covering 16 regional centres outside Metro-Manila, was initiated in 1984 as a specific strategy to promote self-reliant local governments. It has the following objectives:

- ◆ Reduce the gap between the delivery of and need for urban infrastructure, utilities and services vis a vis rapid urban population growth.
- ◆ Strengthen and improve the financial/revenue base of local governments, particularly the urban centres.
- ◆ Strengthen the technical and administrative capability of the local government unit in planning, programming and management of projects and upgrade its capability to maintain infrastructure, utilities and facilities.²⁰

Under the programme the participating municipalities may borrow resources directly from a Municipal Development Fund

²⁰ See e.g.,:

- ◆ Jucaban. "The Integrated Urban Development: The Philippines Experience." Paper presented at the 7th AIT/NHA/IHS International Seminar on "Integrated Urban Development Programme, A Support Strategy for Housing Development." Bangkok 12-16 May 1987.
- ◆ *IBRD Staff Appraisal Report (No. 5027-PH)*. Philippines Municipal Development Project, May 1984.
- ◆ *Summary of Financial and Economic Activities of PREMIUMED-CPO*. November 1986.

Chapter 7 – Comparative International Context

(MDF) for their infrastructure/services programme. This loan is subject to various terms and conditions specified in a loan agreement between MDF and the municipality concerned. One of these terms and conditions consists of a project agreement between the central government's Department of Public Works and Highways through its PREMIUMED Central Project Office (CPO) and the municipality. The agreement concerns responsibilities for detailed planning and engineering, goods and services procurement packages and modes, and construction supervision, with most of these responsibilities discharged by local governments under CPO supervision.

Terms and conditions for participation in the programme include not only a willingness to borrow, but also a readiness to analyze possible ways and means to enhance municipal revenues and to implement agreed upon measures. This is to establish sufficient levels of financial viability to be able to finance the city's equity share in the programme and to borrow from the MDF. The CPO acts as the technical extension arm of the MDF and undertakes project appraisal, implementation monitoring and evaluation, while also dealing with approvals of changes in programme scope and disbursements. Programme components include a variety of infrastructure and service investments, maintenance programmes, and supporting software packages such as tax mapping, cadaster updating, property appraisal, and record management improvement programmes. A training programme is included to better equip local government staff for their expanded responsibilities under the programme, which is supported by an IBRD loan.

Sri Lanka

In 1985 the Government of Sri Lanka embarked on an ambitious programme to improve municipal management in its 51 Urban Local Authorities (ULA)²¹ within a broader policy of decentralisation and strengthening of local government.

Support inputs in the programme are largely technical assistance and training, managed and coordinated through an Urban Programme Unit (UPU) specially established for this purpose in the

²¹ See e.g.:

- ◆ *The Urban Edge: Issues And Innovations*. Vol. 11, No. 2, Feb/March 1987.
- ◆ Municipal Management Improvement Project - Phase I Report. 1985.
- ◆ A similar programme has been initiated in Nepal, also since 1985.

Chapter 7 – Comparative International Context

Ministry of Local Government, Housing and Construction. One of the programme's key features is that it seeks municipal management and finance performance improvement before significant new capital investments are made. For each ULA participating in the programme, performance improvement plans are drawn up, both a multiyear plan and a short four-month plan. The plans contain a base line review identifying problems and potential solutions. Based on this an action plan is designed for improvements in areas like local revenue generation, financial reporting, management procedures, staffing, operation and maintenance, and for preparation of investment plans, if required. For each such action area targets are set as well as dates for completion. The plans are formulated in a process of discussion and negotiations between the ULA and a technical assistance team from the UPU.

In implementing the programme the government relies on an incentive strategy, in which it allocates an increasing portion of central government grants for local government development to municipalities which have demonstrated increased performance in the above areas. At the same time substantial technical assistance, training, advocacy and information dissemination are provided to support the initiation and continuing implementation of the programme. Both these features underscore the strong government commitment to the programme which is assisted by UNDP and IBRD.

Thailand

In Thailand, where the urban sector is heavily dominated by the primacy of Bangkok, improved municipal management and finance approaches have been given substantial attention in the Sixth Five-Year Plan (1987–1991). The main focus is to ensure that the development of the Bangkok Metropolitan Region (BMR) will adequately support the objectives of the plan, which in its economic growth strategy relies heavily on industrial and service sector growth. In that context an urban management strategy has been adopted with the following features:

- ◆ Integration of physical planning and infrastructure investment
- ◆ Strengthening the local government revenue base through improving the efficiency of tax collection and broadening of the

Chapter 7 – Comparative International Context

tax base, cost-recovery of urban public utilities, more appropriate cost sharing between various levels of government and state enterprises, and private sector participation in urban services delivery

- ◆ Strengthening self-reliance and community participation in infrastructure delivery to the urban poor
- ◆ Establishing improved interagency coordination mechanisms in urban services delivery and increasing local government capability through manpower development and training²²

A first institutional step was taken by establishing the Bangkok Metropolitan Development Board (BMDB) in October 1986, with responsibility for integrated spatial development planning and programming. The BMDB is intended to supervise the development performance and programmes of the major institutions. Through its authority to allocate budget resources, the BMDB can encourage the coordination of urban investment programmes of the various agencies operating in the BMR.

While the above approaches are a relatively new development for the BMR, some experience has already been gained with similar strategies in Thailand's secondary cities through the Regional Cities Development Programme (RCDP). This programme initially covered four major municipalities and was initiated in 1985 after five years of preparatory studies. A second stage of the programme is currently being launched which would extend coverage to several additional municipalities. The programme comprises: physical implementation of high-priority urban infrastructure components; measures to strengthen municipal administration, including planning and budgeting; financial management, revenue enhancement and operation and maintenance improvements; and related technical assistance and training to support these measures. The programme is supported by IBRD, UNDP/UNCHS and the Australian Bilateral Aid Agency (AIDAB), while a parallel primary health care programme is supported by UNICEF.²³ A specific feature was the establishment in

²² See: Phisit Pakkasem. "Thailand Country Paper." ADB Regional Seminar on Major National Urban Policy Issues. 3-7 February 1987, for a detailed description.

²³ See e.g.:

- ◆ Thailand-Regional Cities Development Project. *IBRD Staff Appraisal Report*. 1985.

Chapter 7 – Comparative International Context

1985 of a Municipal Development Fund to provide a source of development capital for all municipalities, subscribed to and owned by these municipalities. Substantial progress has been made in plan and programme preparation, improving accounting systems, financial information systems and cash management systems. A substantial property tax mapping improvement programme has been completed and these maps are being used as tools to enhance tax revenue. Initial results are encouraging.

Venezuela

The Middle-Sized Town Development Project (PROGECI) in Venezuela is essentially a technical assistance project, supported by German (GTZ) bilateral assistance.²⁴ The purpose of PROGECI is to strengthen the capacity and autonomy of middle-sized towns through consultant services and training. The National Coordination and Planning Unit (CORDIPLAN) and the Ministry for Urban Planning (MINDUR) take part in the project. The project has been designed to improve resource mobilisation (municipal finance) at the local level. This has to take place in the framework of decentralisation of responsibilities and tasks to local governments in Venezuela. Therefore objectives of the project include:

- ◆ Improvement of the capacity to organise and manage the municipalities
- ◆ Strengthening of the financial capacity
- ◆ Strengthening of the municipal development planning system
- ◆ Utilisation of a programme which includes tools and experiences

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- ◆ Nivak Phoonsawasde. "Integrated Urban Development: Lessons From The Implementation Of The Regional Cities Congested Area Improvement Project 1984-1989." Paper presented at the 7th AIT/NHA/IHS International Seminar on "Integrated Urban Development Programme, a Support Strategy for Housing Development." Bangkok, 12-16 May 1987.
 - ◆ UNCHS/UNDP project THA/86/OOI. *Inception Report Regional Cities Development Programme Ph.II*. June 1986.

²⁴ See:

- ◆ GTZ. Angebot/Arbeitsvorschlag über die Durchführung des Vorhabens Mittelstadtentwicklung Venezuela. Eschborn, 1992;
- ◆ GTZ. Bericht über die projektfortschrittskontrolle. Mittelstadtentwicklung (PROGECI) Venezuela, Eschborn, 1992.

Chapter 7 – Comparative International Context

Another purpose of the project is to achieve coordination and cooperation between municipalities and use the experience of the project for other municipalities.

Progress to date has been mixed. It has been necessary to extend the project period and to provide additional support in the field of personnel, tools, cooperation between municipalities, and improvement of administration and planning capacity before starting the last stage. The intended formulation of a national policy for urban development in cooperation with the national government agencies has just begun. The national agencies have been reluctant to fulfill their assigned tasks in relation to the municipalities and, hence, have limited their own capacity-building. The municipalities, on the other hand, have been making considerable progress. They are now much better equipped, even though the improved revenue collection system has not yet been fully consolidated.

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