



Cities in the Developing World: Agenda for Action Following Habitat II

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In developing countries' burgeoning cities, affluence and poverty are pitted against each other in a race to shape the future. What steps can governments take to reduce poverty, improve the urban environment, and achieve sustainable development?

HEADLONG urbanization is transforming the developing world, creating cities that are full of new opportunities for economic and social advance but also beset by grave physical, financial, and management shortcomings that endanger the hopes, and even the health, of their swelling populations.

Although a demographic revolution is producing these giant, flawed engines of development, dire consequences need not result if new and determined efforts are made to ensure environmental protection, adequate infrastructure, and fiscal reforms. Such shifts in investment and government policies are urgent and affordable. If programs of change are formulated properly and in a timely fashion, with their primary emphasis on bettering the lives and tapping the talents of the people—especially the urban poor—they can reduce poverty,

improve the urban environment, and redirect growth to encourage genuinely sustainable development.

The cities of Africa, Asia, the Middle East, and Latin America and the Caribbean are already home to more than a third of the developing world's people and the source of at least half of their nations' GDPs. By the start of the next century, developing countries will contain eight of the planet's ten megacities (cities with ten million or more inhabitants), with Mexico City, São Paulo, Bombay, Calcutta, and Shanghai at the top of the list. By 2015, there will be 27 such metropolitan centers, and the urban population of developing countries will exceed four billion. By 2020, half of the people in the developing world—and 80 percent in Latin America—will be city dwellers, but as many as one billion—one-fourth of the total—will be living in poverty unless concerted efforts are begun soon to address their plight.

The growth of cities and the urbanization of poverty now go hand in hand, but a parallel trend in the developing world toward widening participation in the global economy opens an avenue of hope. It offers city dwellers the chance to produce goods and services for distant markets, and to tap connections abroad for supplies and other inputs, thereby easing existing economic constraints on small developing countries.

To broaden their participation in the international economy, however, cities must ensure that their domestic structures are in proper working order. If connections—

roads, public transportation, communications—*within* the new growth centers are defective, their efforts to increase economic interaction with the rest of the world will suffer. If urban workers not only lose excessive amounts of time getting to and from their jobs but also sacrifice their health and that of their families to unsafe air, impure water, and inadequate housing, neither they nor their countries will achieve their full potential. Likewise, if local administrators cannot finance the investments and manage the programs that will provide their constituents with adequate municipal services and a safe environment, social stability—and, thus, economic progress—will be put at risk.

These realities were extensively analyzed at Habitat II, the second United Nations Conference on Human Settlements, also known as the City Summit, which was held in June in Istanbul. At the Habitat II conference, representatives of the World Bank, which has been involved in lending to urban areas since 1972, spelled out the activities to which the institution plans to accord priority attention: reducing the negative impacts of the urban environment on human health by reducing lead and particulate emissions; providing basic services, including clean water, to slums; and making the way city finances are conducted more businesslike and sustainable. The initial response to these proposals has been supportive, but the true test of both developing countries' and the international community's commitment to sustainable urban

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development will be what actually occurs in the cities of the developing world.

The environmental dimension

The damage lead emissions do to youngsters' health and cognitive development is well known, and developing countries cannot afford to carry the resulting handicaps into global competition. Just before the Habitat II conference, the World Bank called—based on its understanding of how dangerous a substance lead is and how cost-effective its removal from automotive fuel can be—for a global phaseout of leaded gasoline. With the support of key countries' delegations, this proposal was incorporated into the conference's agenda document, the Global Plan of Action. It was also endorsed by the nongovernmental organization Parliamentarians for Global Action, which is planning work of its own on reducing lead emissions.

Lead is not the only dangerous pollutant in urban air, however, nor are inefficient internal combustion engines the only source of hazardous emissions. Where they are a primary source, as in Central and Eastern Europe, fiscal incentives can spur the modernization of antiquated fleets of vehicles. According to a recent study of mobile-source pollution in Budapest, installing cleaner-burning engines in the city's diesel-powered buses would significantly reduce both fuel costs and the output of pollutants. Elsewhere in the region, similar environmental economies seem attainable through programs to retrofit trucks and taxis with motors that use compressed natural gas or liquefied petroleum gas.

Other cost-effective approaches can bring down levels of dust and soot by filtering such particulates out of emissions at their source in industrial and power plants and by helping households that heat and cook with coal to switch to natural gas. That kind of domestic conversion is under way, with financial support from the World Bank, in Slovenia and Beijing. Furnace by furnace, stove by stove, such progress is worthwhile but slow. More rapid reductions in particulate air pollution can be achieved by making modest investments in smokestack air filters and dust collectors, which do, however, require workers and

managers to carefully monitor industrial and power-generating equipment.

Significant reductions in dust and soot levels bring significant savings. In Santiago, Chile, for example, each ton by which emissions are reduced is estimated to yield \$18,000 in public health benefits, enough to justify spending \$50 million—\$100 million on tightening air pollution controls. If 18 Central European cities could meet the air quality standards of compara-



ble urban centers in the European Union, they could save \$1.2 billion a year in working time now being lost to illness and prevent 18,000 premature deaths annually. And if Cairo—where air pollution from all mobile and industrial sources combines with natural sand and dust to create the highest emissions levels among the world's 20 largest cities—did likewise, it could prevent many of the 4,000–16,000 deaths that dirty air causes there each year. In terms of strictly economic benefits, Asians could save some \$90 billion by the year 2000 by achieving efficiency gains of 20 percent in the production and use of energy, which are now major sources of urban air pollution.

Services for the urban poor

The human and economic benefits of basic environmental protection programs—rapid improvements undertaken at modest cost—can be derived by making relatively straightforward investments in extending the reach of basic municipal services to slum neighborhoods of cities in the developing world. Just as urban centers cannot afford to isolate themselves from the global economy, so they cannot afford to

isolate their poorest neighborhoods from wider urban societies and economies. The handicap imposed on the poor by the lack of clean water, effective sanitation, efficient drainage, and decent roads impedes the growth of entire cities and should certainly be removed. Fifteen-year programs to provide basic services to slum neighborhoods should, according to a recent World Bank study, cost no more than 0.2–0.5 percent of GDP annually. If the planning and execution of the necessary infrastructure projects involve poor communities at every stage, both decisive economic benefits and vital social gains may reasonably be expected.

The cost of not providing these basic services is high and falls disproportionately on the poor. For example, one-fifth of the household expenses of squatters in Haiti's capital of Port-au-Prince goes to private vendors who charge poor people between 17 and 25 times the going rate for municipal drinking water. Sometimes the cost must be counted in time rather than money: for example, the two-hour trips made by

Zambian women in Chawama, a Lusaka neighborhood, to fetch water for their families. All too often, the results of drinking contaminated water are disease and death: for example, 6 percent of Bangkok's annual deaths are due to such water-borne plagues as typhus, dysentery, and encephalitis, as is 30 percent of all illness in the Middle East and North Africa.

Lack of sanitation and drainage not only impairs the health of the urban poor—20 million more of whom found themselves without such services in 1990 than in 1980—but also threatens that of other city dwellers when microbial diseases spread beyond slum neighborhoods. Moreover, it raises the costs of bringing clean water to affluent downstream settlements—for example, by about 30 percent for metropolitan Lima and by some \$300 million in Shanghai, where municipal water intakes had to be moved 25 miles upstream.

The expense of providing clean water, simple sanitation and drainage, and sturdy roads is modest. In Africa's high-density settlements, ensuring that those basic services are provided would cost an average of \$80 per capita to build and \$6 per capita to

Bringing the basics to the urban poor: Indonesia's Kampung Improvement Programs

Providing basic infrastructure and municipal services to the urban poor is widely viewed as a daunting, if not an impossible, task, but it can be done. In Indonesia, for example, the Kampung Improvement Programs (KIPs), launched in Jakarta in 1969, have achieved remarkable successes by focusing realistically on primary needs and poverty, ensuring active and continuing community involvement, and building on the Indonesian government's enduring political and financial commitment.

Early initiatives of KIPs concentrated on providing kampung residents (that is, those living in the poorest neighborhoods) in the capital with basic amenities—water distribution and drainage, and access roads—that they could not organize and build by and for themselves. Even those limited investments have had significant multiplier effects, generating private outlays of up to seven times the value of the public funds involved.

Over the years, the benefits of KIPs have reached more than 15 million low-income urban residents in many parts of the country. For projects funded by the World Bank, the average cost per project has varied between \$23 and \$118 (in 1993 dollars) per person. Along with providing physical improvements on 11,331 hectares, these activities have spurred kampung dwellers to invest their own money and labor in upgrading their housing and surroundings. Since residents have taken part in the actual work of construction and relocation, the KIPs' approach has also fostered community spirit and—in many, but not all, instances—community involvement in maintaining the roads, drains, water-supply systems, sanitation facilities, schools, and clinics that KIPs' projects have brought to the worst neighborhoods in Indonesia's cities.

operate and maintain. In South and East Asia, the comparable costs are estimated at \$30 and \$3, respectively, rising in Latin America to \$120 and \$9. Indonesia's 15-year-old Kampung Improvement Programs (KIPs), for example, have brought their benefits to more than 15 million low-income city dwellers (see box).

A key to the success of such efforts is community involvement. When they have been given a stake in their neighborhoods, residents have acted on their own to upgrade their housing and the land around it. The same thing happened in Manila during a 1976–85 program of slum betterment. Families there are estimated to have spent an average of \$700–\$1,500 of their own funds on upgrading their homes. These private investments, in fact, added up to more than total public spending on the program.

Better urban finance

One key to progress in providing both a healthier environment and basic services to the urban poor of the developing world is recognizing the value of, and then mobilizing, the energies of the people living in cities. To ensure the necessary flow of financing for new local initiatives, such as those described above, systems of local finance must also be reordered. Decentralization, a process under way in many developing countries, hands a significant burden of responsibility to municipal officials. The transfer, however, often comes without a matching shift in the power to raise revenues. In order to use that capability once they have acquired it, urban

policymakers will need to gain the confidence of both their constituents and potential international creditors. With new authority come new requirements for accountability, efficiency in municipal finance, and transparency in municipal transactions.

Revenue sources that can support the infrastructure and environmental programs are clearly needed to guide rapid urbanization into sustainable development. User fees, pollution permits and penalties, and local taxes can, and will have to, be instituted along with reliable intergovernmental arrangements for allocating a portion of central income to fund urban development. Some city governments in the developing world are already strong enough to manage this devolution, but most will need to make major improvements in their technical and personnel capacities. One promising option lies in privatizing municipal services, as Mexico City and Buenos Aires have done by awarding concessions to operate their water companies. Similar leasing arrangements that allow private-sector companies to handle solid-waste services are effecting savings in Brazil, Ghana, and Tunisia.

These changes are not untried innovations. SODECI, a private company, has been making privatization work in water delivery in Abidjan, Côte d'Ivoire's capital, for 30 years and has extended its initial system of 300,000 individual connections to reach seven out of ten urban Ivoriens. Significantly, it has made a conscious and consistent effort to serve poor neighborhoods,

even waiving—for three out of four such households—its usual charges for hooking consumers up to its pipelines. Nevertheless, it collects successfully from 98 percent of its private customers on their water bills. The result has been reliable water service for city dwellers and reliable profits for the company, 52 percent of whose shares belong to local stockholders.

Bringing the private sector into the process of managing urbanization and change is one aspect of the partnership building that cities in the developing world need to make a priority. On the one hand, municipal authorities must cooperate with their poorest constituents to ensure that the design and implementation of new service systems correspond to local needs and generate community involvement, empowerment, and willingness to pay for the public goods that make cities work. On the other hand, these same officials must build ties to sources of private capital capable of supporting the long-term development investments that must accompany urbanization. This will involve hard work on the nuts and bolts of efficient city management.

City leaders will also have to construct effective partnerships with national institutions ranging from parliaments to electric utilities. And on their own territory, they will be challenged to set up team efforts for orderly development with the industries and service providers whose energies and investments are crucial to growth and whose tax and fee payments are the key to municipal solvency. Viewed all together, these responsibilities are daunting, and the best way to meet them is one step at a time. One of the important lessons from Habitat II is that many mayors and local officials are doing just that.

There will be no dearth of challenges in the cities of the developing world over the next decade and beyond. Setting the right priorities now can help developing countries set the right course toward a future that is uncertain at best but also offers them attractive opportunities to achieve sustainable development in an increasingly urbanized setting. [F&D](#)

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