

Cities that Work 

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POLICY PAPER

# Designed to succeed: Building authorising environments for fast- growing cities

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# 1 Introduction

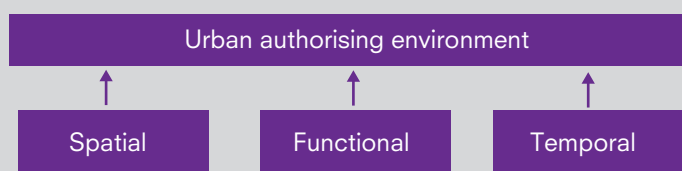
Cities are where prosperity is won or lost. They can either be the engines of economic growth, or dysfunctional sites of congestion, crowding, and discontent. One of the main differences is due to the quality and effectiveness of policy decisions: some city governments can take effective, timely decisions that support the productivity-enhancing features of cities, while others cannot.

For effective decisions to be made, policymakers require conducive institutional structures. These do not happen automatically — they have to be built. However, creating these structures is hard: institutions encompass a high degree of complex interactions, such that reforming them can be an uphill task and have a high risk of failing.<sup>1</sup>

Cross-country experience suggests that policy decisions can improve their effectiveness when focusing on reforming urban institutional structures — such as laws, policies, practices, responsibilities, systems, processes — that set the rules of governance. This paper, therefore, seeks to understand the institutional structures that facilitate first-order decision-making in cities, breaking them down across spatial, functional, and temporal lenses. Collectively, this is termed as the **authorising environment**, as depicted in **Figure 1**.

**The authorising environment is the institutional structures that facilitate decision-making**

**Figure 1:** The pillars of an authorising environment



The physical **space** is often the most visible manifestation of institutional structures that are ill-designed for effective urban governance — many cities are governed by multiple distant agencies with few coordinating mechanisms between them. For example, the authority of the City Council of Nairobi does not cover the entire geographical footprint of the city (see **Image 1**). Instead, the metropolitan region consists of four different counties with separate administrative structures, making effective policy coordination difficult. In Karachi, the city government has a mandate over only a third of the city's land, with the provincial government controlling about half.<sup>2</sup> Lagos is an example of one of the few cities in Africa where a single sub-national government

**In Karachi, the city government has a mandate over only a third of the city's land, with the provincial government controlling about half**

<sup>1</sup> Andrews, M (2013), *The limits of institutional reform in development: Changing rules for realistic solutions*. Cambridge University Press.

<sup>2</sup> World Bank (2018), *Transforming Karachi into a Livable and Competitive Megacity: A City Diagnostic and Transformation Strategy*. Directions in Development—Infrastructure. Washington, DC: World Bank.

has authority over the entire urban space. This is because the city has grown to encompass the entire state of Lagos, giving the Governor of the State the necessary authority to make decisions for the whole city.<sup>3</sup>

**Image 1: Growth in human settlements in Nairobi (1986 vs. 2016)<sup>4</sup>**



A similar challenge arises with **function**. Even if the geographic reach of the institutions governing cities is sufficient, the responsibilities between different actors, such as various municipal agencies, may still be fragmented. For example, no single institution may have the level of authority necessary for providing a service or taking a decision; instead, it may be dispersed amongst many actors, making coordination costly, or outright impossible.

Transport in Greater Cairo is a case in point, wherein 18 separate government entities are responsible for its functioning, each with a substantial role. This contributes to a fragmented transport system with little intra-modal integration.<sup>5</sup> To overcome similar challenges, in 1995, Singapore established a consolidated transportation agency that administers all land-based transport services within the city-state. Lagos, too, has made positive advances by creating a single agency to coordinate all transport-related activities.<sup>6</sup>

Building a city that works is a long-term process; governing cities requires the capacity to plan ahead. Therefore, along with spatial and functional reach, effective authorising environments also need a sufficient **temporal** reach. This can be achieved by having institutions in place that can support the long-term planning of infrastructure and service delivery. Alas, policymaking in cities is often restricted due to short political cycles and a lack of capacity to plan ahead. This can have a significant fiscal impact: evidence shows that providing core infrastructure before people settle is three times cheaper than retrofitting it in existing unplanned settlements.<sup>7</sup>

**Policymaking in cities is often restricted due to short political cycles and a lack of capacity to plan ahead**

<sup>3</sup> Collier, P and A J Venables (2016), “Urban infrastructure for development”, *Oxford Review of Economic Policy*, 32(3), pp.391-409.

<sup>4</sup> <https://earthobservatory.nasa.gov/images/88822/nairobi-swells-with-urban-growth>

<sup>5</sup> Gómez-Álvarez, D, R M Rajack, E López-Moreno and G Lanfranchi, eds. (2017), *Steering the Metropolis: Metropolitan Governance for Sustainable Urban Development*. Inter-American Development Bank.

<sup>6</sup> Kumar, A and O P Agarwal (2013), “Institutional Labyrinth: Designing a Way Out for Improving Urban Transport Services--Lessons from Current Practice”, World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/17630> License: CC BY 3.0 IGO.”

<sup>7</sup> Collier, P, E Glaeser, A Venables, P Manwaring and M Blake (2017), “Informal settlements and housing markets”, *IGC Cities that Work Policy Brief*,



Some cities have tried to overcome this through agencies with defined technical mandates, which enable them to plan beyond and across political cycles. For example, three major cities in Indonesia have established City Planning Labs. These labs are dedicated municipal-level facilities that provide data and analyses to the city administration for planning and investment decisions. In one of them, Semarang, the lab has conducted analyses for medium-term plans for the city.<sup>8</sup> Such special-purpose organisations, with separately defined longer-term mandates, can cushion the precarity of political cycles.

Drawing on cross-country experiences and academic literature, this paper describes the policy options that can improve the urban authorising environment, with a focus on formal decision-making structures. Along with policy options for city-level policymakers, the paper also provides options for national governments, who typically hold significant authority in shaping authorising environment. The options outlined provide an agenda for discussion that can be leveraged in a locally embedded reform process. However, it is necessary for policymakers to also consider a broader set of factors, especially political networks and informal structures that influence decision-making — these factors are omitted from the focus of this paper.

The spatial span of decision-making is the focus of **Section II**, functional of **Section III** and temporal of **Section IV**. **Section V** provides a summary and discusses the next steps.

The options outlined provide an agenda for discussion that can be leveraged in a locally embedded reform process

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<sup>8</sup> World Bank. (2016), *How Sharing Data and Collaboration Can Improve Indonesia's Urban Planning*. [online] Available at: <http://www.worldbank.org/en/news/feature/2016/09/22/how-gathering-data-in-one-place-can-improve-indonesia-cities> [Accessed 13 Feb. 2019].

## 2 Improving the spatial span of decision-making

Most cities in developing countries are growing rapidly — changing the shape and form of the space they occupy. This makes their administrative boundaries readily outdated. This is further exacerbated by the fact that this growth is largely driven due to sprawl rather than increasing density (see **Box 1** for an example).<sup>9</sup>

### BOX 1: GOVERNING MANILA

In Manila, the Mayor's authority covers only 15% of the metropolitan population. An attempt to rectify this was the creation of the Metropolitan Manila Development Authority (MMDA) in 1986 by creating a unified administrative body over the growing city. However, challenges continue to persist today, as the mayors of the cities which make up the metropolitan area are elected by the residents of their jurisdictions, while the head of MMDA is appointed by the President. This confuses the line of accountability: the accountability of the mayors is downwards to the population while accountability of MMDA is upwards to the President.<sup>10</sup> This creates the potential for tensions as trying to forge collaborations amongst mayors is difficult as they have little incentive to cooperate.<sup>11</sup>

Building effective structures for city-wide collaborations can have clear advantages:

- ✓ **It enhances productivity.** Although there is still a lack of evidence from developing contexts, evidence from OECD countries shows that for a given metropolitan area, halving the number of local government units raises productivity by 6%.<sup>12</sup>
- ✓ **It reduces inequality.** In an administratively fragmented metropolitan area, rich people tend to concentrate in different areas to the poor, and there are often few mechanisms of redistributing revenue between

<sup>9</sup> Atlas of Urban Expansion; “Anatomy of density I: six measurable factors that together constitute urban density” by Shlomo Angel and Patrick Lamson-Hall (2019).

<sup>10</sup> von Einsiedel, N (2009), “Governance and Planning in Metro Manila”, *Governance and Infrastructure Development Challenges in Kathmandu Valley*, East-West Center and Kathmandu Metropolitan City, Nepal, pp.11-13.

<sup>11</sup> Robles, A C and H Dembowski (2014), *Dysfunctional complexity*. D+C Development and Cooperation.

<sup>12</sup> OECD (2015), *The Metropolitan Century: Understanding Urbanisation and its Consequences*, OECD Publishing, Paris.

them. For example, in Abidjan, which consists of ten communes with fragmented authority between them, the average per capita public expenditure of the three wealthiest communes was, as of 2007, 49 times the average for the three poorest.<sup>13</sup> Spatial coherence in terms of the institutions within a city may also improve equality on other metrics. Evidence from the United States suggests that in more fragmented metropolitan regions, there is higher sorting and segregation of people by race and class.<sup>14</sup>

## How can national policymakers improve spatial span of decision-making?

The spatial reach of authorising environments is predominantly a national government policy choice. In this regard, the principal decision to be made is between the different forms of metropolitan urban governance models.

The following are models of cooperation that can be considered:

- 1 Under the **one-tier fragmented model**, an urban area has several smaller local government units that undertake policy decisions and service delivery within their spatial boundaries. This model has often emerged organically in many countries as a direct result of the expansion of urban settlements beyond the administrative jurisdiction of a single local government unit. In Mexico City's metropolitan region, for example, sixty municipalities operate under a one-tier fragmented model.<sup>15</sup>
- 2 Policymakers can consider establishing a **one-tier consolidated model** in which a single urban government provides local services for the full geographical area of the city. This type of governance structure can be created either by merging various smaller urban governments into a single one or allowing one existing government structure to assume control of others. An example of such a governance arrangement is Cape Town, where before 1994, the city comprised of 61 local government entities.<sup>16</sup> Today, however, the entire metropolitan region is governed under a single-tier government. The motivation to do this was political, with the aim of redistributing resources between wealthy and poor areas. While inequality is still pervasive, the municipal government has been able to make inroads

Before 1994, Cape Town comprised of 61 local government entities. Today, the city is governed under a single-tier government

<sup>13</sup> Stren, R (2007), "Urban governance in developing countries: Experiences and challenges". In *Governing cities in a global era: Urban innovation, competition and democratic reform*, ed. Robin Hambleton and Jill Gross, 57–69. New York: Palgrave Macmillan

<sup>14</sup> Florida, R (2015), "Rise of the Fragmented City". *CityLab*.

<sup>15</sup> Nieto, A B T, J L N Amezcuita and M L Vasquez (2018), "Governance of metropolitan areas for delivery of public services in Latin America", *REGION*, 5(3), pp.49-73. To note: The city-proper itself consists of 16 boroughs, each with a separate mayor and an overreaching city government – leading to a two-tier structure. However, as the population has grown, the city-proper only accounts for 40% of the metropolitan population.

<sup>16</sup> Bahl, R W, J F Linn and D L Wetzel (2013), *Financing metropolitan governments in developing countries*. Cambridge, MA: Lincoln Institute of Land Policy.

by investing in water distribution, electrification, and sanitation in disadvantaged areas.<sup>17</sup>

- 3 A combination of the aforementioned two options is the **two-tier system**, wherein the lower-tier mirrors the one-tier fragmented model with various smaller units, and a single upper-tier resembles a one-tier consolidated model (see **Box 2** for the example of Barcelona). This may be a more politically feasible option as individual local governments do not lose autonomy; at the same time, the top-tier reduces fragmentation and improves efficiency, paving the way for an improved authorising environment.

## BOX 2: TWO-TIER GOVERNANCE SYSTEM IN BARCELONA

Before 2011, the metropolitan region was governed by 36 separate municipalities, many of whom coordinate on specific policy decisions and service delivery, such as the metropolitan transport entity and volunteer cooperation through the *Association of Municipalities of the Metropolitan Area of Barcelona*. In 2011, the regional government established a top-tier for the metropolitan area turning the region into a two-tier model. The top-tier is governed by an indirectly elected Metropolitan Council, which consists of all the mayors of the 36 separate municipalities.<sup>18</sup> This has led to a substantial reduction of complexity and, hence, improvements in efficiency.<sup>19</sup>

Each of these options has varying degrees of trade-offs associated with them:<sup>20</sup>

**Figure 2: Urban governance models**

	Economies of scale	Ability to absorb externalities	Integrated service delivery	Equity	Accountability
One-tier fragmented model	X	X	X	X	✓
One-tier consolidated model	✓	✓	✓	✓	✓
Two-tier model	✓	✓	✓	✓	✓

<sup>17</sup> Slack, E and R Bird (2013), *Merging municipalities: Is bigger better?* Institute on Municipal Finance and Governance.

<sup>18</sup> Slack, E and A Côté (2014), *Comparative urban governance*. Future of cities: working paper.

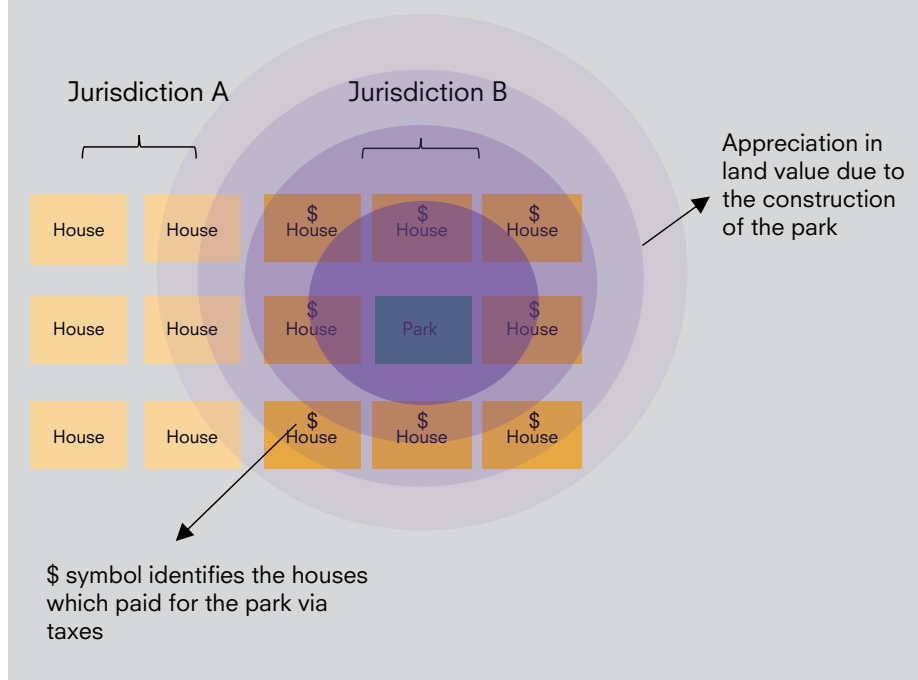
<sup>19</sup> BOSCH, N, M ESPASA and J SOLE-VILANOVA (2013), "Governance and Finance of Large Metropolitan Areas in Federal Systems: The Case of Spain". In SLACK, E. & CHATTOPADHYAY, R. (eds.), *Governance and Finance of Metropolitan Areas in Federal Systems*. Oxford University Press: Toronto, 223-253.

<sup>20</sup> Slack, E and A Côté (2014), *Comparative urban governance*, Future of cities: working paper. Government Office for Science.



- **Economies of scale:** Larger governments can leverage economies of scale, i.e. they can reduce input costs for services delivered. For example, a larger government, such as under a one-tier model, may be able to procure certain goods at a lower per-unit cost, because they will need to buy larger numbers. However, there is some evidence that dis-economies of scale can emerge even in larger government units where the cost of providing some services increases — for example, due to increased costs of managing a bureaucracy.<sup>21</sup>
- **Externalities:** Any policy decision, such as investment in infrastructure, has an impact on the surrounding area. For example, if one municipal government builds a public park, the park’s neighbouring communities benefit, perhaps through appreciation of the value of the land (this is the archetypical “free riding” problem of public goods). If these neighbouring communities are not under the same jurisdiction, one group of people will end up financing benefits for another group of people.<sup>22</sup> **Figure 3** illustrates this example; although those in *Jurisdiction B* paid for the park, *Jurisdiction A* also benefit from appreciate in land value.

**Figure 3:** Externalities in an urban setting



- **Integrated service delivery:** Some services need to be provided across a larger geographical space to be effective. For example, when it comes to transport, routes and transit options will have to cater to commuters from the periphery to their place of work in the city, often crossing administrative boundaries. This requires either regional coordination so

<sup>21</sup> Slack, E and A Côté (2014), *Comparative urban governance*, Future of cities: working paper. Government Office for Science.

<sup>22</sup> This is in-line with the decentralisation theorem developed by Wallace E. Oates in: Oates, W E (1972), *Fiscal Federalism*. New York: Harcourt Brace Jovanovich.

as to integrate services under fragmented governance, or the creation of larger urban governments that cover these areas.

- **Equity:** In many cases, cities have some parts that are wealthier than others, as higher-income people tend to cluster together. The government would be able to raise more revenue from these areas, and less from lower-income areas of the city, transferring wealth between the two. Under a smaller administrative scale, these transfers may not be possible.
- **Accountability:** Smaller spatial scale allows for more responsive and accountable governments as people would have easier access to the government.<sup>23</sup>

The two-tier model combines the strengths of all the metrics discussed:

- ✓ Under the two-tier model, the lower-tier can be more **accountable**, while the upper-tier can provide economies of scale and can absorb greater externalities (as discussed above), thereby combining the strengths of the other two models.
- ✗ Failing to properly implement the two-tier model can **create further complexity** due to duplication of functions amongst the two layers, leading to conflicts or gaps between functions. This can make the system confusing for residents through complicated chains of accountability and responsibility. As a result, implementing the model requires a clear division of responsibilities between each tier and a framework under which these tiers will interact.
- ✗ The model **applies best to large metropolitan areas**, rather than small, isolated cities. For example, if local government units have large distances between them, the policy spillovers are going to be minimal, reducing the need for two-tier structures.<sup>24</sup>

If the two-tier model is not implemented properly, this can create further complexity due to duplication of function

## How can city-level policymakers improve spatial span for decision-making?

Apart from lobbying the national government, city leaders do not typically have the legal mandate to change their administrative boundaries to encompass growing populations. However, they might be able to establish voluntary cooperation with neighbouring local governments. This cooperation could be in the form of inter-municipal agreements that allow for collaboration in specific areas, such as transport, or could take the form of a more broad-based structural cooperation. An example of such cooperation comes from the metropolitan area of São Paulo (see **Box 3**).

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<sup>23</sup> Faguet, J-P (1999), *Does Decentralization Increase Responsiveness to Local Needs? Evidence from Bolivia*. World Bank Policy Research Working Paper No. 2516. Available at SSRN: <https://ssrn.com/abstract=632586>

<sup>24</sup> Slack, N E (2004), *Models of government structure at the local level*. Institute of Intergovernmental Relations.

### BOX 3: VOLUNTARY COOPERATION IN SÃO PAULO

The City of São Paulo and the 38 surrounding municipalities that make up the São Paulo metropolitan area have no overreaching metropolitan structure for coordination and service delivery. Seven of these municipalities, however, collaborate voluntarily through the Greater ABC Inter-municipal Consortium. Key features of the consortium include a Council of Municipalities which makes collective decisions, and a Regional Strategic Planning Department which forms thematic groups for specific sectors and is made up of representatives of each of the seven municipalities that are a part of the consortium.<sup>25</sup>

- ✓ **Voluntary cooperation can pave the way for stronger cooperation in the future.** This was the case, for example, between the municipalities of Marseilles, Marignane, and Saint-Victoret in France, where voluntary cooperation led to a formalised metropolitan organisation.<sup>26</sup>
- ✗ **Voluntary cooperation might not be sustainable.** Continued collaboration often depends on the mutual interest of the municipalities. When such interest diminishes, perhaps due to a change in government, these agreements may end, even if coordination was beneficial.<sup>27</sup>

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<sup>25</sup> Kellas, H (2010), *Inclusion, collaboration and urban governance: Brazilian and Canadian experiences*. University of British Columbia.

<sup>26</sup> *ibid.*

<sup>27</sup> Slack, E (2018), *Options for metropolitan governance in Greater Kampala*. International Growth Centre (IGC) Working Paper. Reference: C-43425-UGA-1

### 3 Improving the functional span of decision-making

In many cities, functional responsibilities tend to be fragmented: the same function can belong to several different agencies or completely forgotten altogether. For example, in Kigamboni, Tanzania, three agencies have a responsibility for administering land transfers: the municipality, the districts land office, and the central government.<sup>28</sup> This leads to wasteful duplication, the divergence of practices, and potential gaps in responsibility (see **Box 4** for another example from the Democratic Republic of Congo).

**In Kigamboni, Tanzania, three agencies have a responsibility for administering land transfers**

In many developing countries, the authority to implement decisions at the city level still tends to be disproportionately concentrated within the central government. This is the case with Tanzania for example, where the authority for city-level decisions is increasingly being centralised.<sup>29</sup> In China, by contrast, local governments have been awarded discretion to experiment and implement projects at a city level, which is an important reason for their relative success in managing rapid urbanisation.<sup>30</sup>

#### **BOX 4: 350 YEARS TO FORMALISE LAND RIGHTS IN CONGO?**

In the Democratic Republic of Congo (DRC), cities do not have the authority to manage their land as this authority falls within the remit of provinces and the national government. This has resulted in complexity and a lack of transparency in the urban land market, making transactions very costly. For example, to receive a land registration certificate, one has to go through 27 steps, including 3 different points where fees are collected and 3 separate field visits. This process can cost up to several thousand dollars and is therefore prohibitively expensive for the average Congolese.<sup>31</sup> The impact of this is evident: **an estimate from Lukunga, one of the districts in DRC's capital city of Kinshasa, shows that if the current process remains in place, formalising land rights across the district may take as much as 350 years.**<sup>32</sup>

<sup>28</sup> Wolff, K and Chipman (2018) "Urban land governance in Dar es Salaam Actors, processes and ownership documentation." *International Growth Centre (IGC) working paper*. C-40412-TZA-1

<sup>29</sup> Rosen (2019). "This Tanzanian city may soon be one of the world's most populous. Is it ready?". *National Geographic*.

<sup>30</sup> Dercon, S, A Haas, S Kriticos and N Lippolis (2019), "Where Africa could learn from the Chinese urbanisation story", IGC Cities that Work Policy Framing Paper

<sup>31</sup> World Bank. 2018. Democratic Republic of Congo Urbanization Review: Productive and Inclusive Cities for an Emerging Congo. Directions in Development—Environment and Sustainable Development. Washington, DC: World Bank. © World Bank. <https://openknowledge.worldbank.org/handle/10986/28931> License: CC BY 3.0 IGO

<sup>32</sup> Ibid.

Targeted reforms can improve the functional span of a given urban authorising environment. While exact options are highly context-specific, evidence – some of which is discussed in this section – suggests that structures which allow for the following three crucial aspects can improve functional spans:

- 1 **Clarity of responsibility:** Roles and responsibilities of various actors need to be clearly defined and, ideally, not divided unnecessarily amongst several actors.
- 2 **Ability to coordinate:** In many cities, as actors have become increasingly specialised to undertake specific actions, the ensuing challenge has been the emergence of organisational silos. These silos prevent agencies from sharing information and collaborating to make policy decisions or provide a service, leading to fragmented decision-making.
- 3 **Accountability:** Clarity of roles allows for accountability to be assigned to each actor. When an actor has a clear mandate, it makes it easier for the city leadership to hold them accountable for their actions.

## How can national governments improve the functional span of decision-making?

Over the past fifty years, many countries in the world have adopted decentralisation policies to varying degrees that have had significant consequences for how city-level policymakers make decisions.<sup>33</sup> Three major options, when it comes to considering decentralisation, are:

- 1 First is the option of **not decentralising**. Urban service delivery can instead be undertaken through central (e.g. ministries) and/or intermediate tiers of government. This could involve the relevant ministries and agencies opening dedicated offices and branches in cities. In this case, the national or intermediate tiers of government set policies that are executed in cities through its delivery infrastructure.

This is often the default option in countries with a high degree of political centralisation. In Pakistan's Punjab province, for example, the provincial government directly undertook service delivery between late 2009 and January 2017. Even outside this period, when a separate tier of local government existed, in practice, most of the authority of public service delivery was centralised and with the provincial government.<sup>34</sup>

- ✓ National and intermediate tiers of governments can more **easily redistribute resources** between wealthy and impoverished cities and towns due to the wider scope and coverage of their mandates.

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<sup>33</sup> Treisman, D (2007), *The architecture of government: Rethinking political decentralization*. Cambridge University Press

<sup>34</sup> World Bank (2017), Punjab Cities Program; Combined Project Information Documents / Integrated Safeguards Datasheet.



- ✓ The emergence of large urban agglomerations requires a broader network of **integrated delivery of public services**, such as transportation, which a higher-tier government may be better placed to provide.
  - ✗ Policymaking might be **less-responsive to local needs**.
  - ✗ A key disadvantage of this option is **less competition** between government tiers, which could otherwise incentivise efficiency in public service delivery.
- 2 Another policy option is **delegating power to a dedicated urban public organisation** to implement policy decisions and provide services. However, if this authority is delegated from the national government, such an organisation is principally accountable to them and therefore cannot be considered an independent tier. In many countries though, this is often the most politically feasible option, such as in Kampala (see **Box 5**), as it does not require ceding much authority, but a mere delegation of it.<sup>35</sup>

## BOX 5: GOVERNING KAMPALA

In 2010, an Act of Parliament replaced Kampala's local government structures with the Kampala Capital City Authority (KCCA), a quasi-corporate entity under the aegis of the central government, and entrusted it with undertaking service delivery.

The establishment of KCCA has, along some dimensions, helped streamline governance within the city, creating a results-driven culture within the organisation, paving the way for an authorising environment more conducive to better service delivery. As a result, there have been a number of influential positive reforms, such as around revenue collection.<sup>36</sup>

Despite such progress, limitations remain. The former Executive Director of the KCCA resigned in 2018 after seven years, highlighting inadequate political support for KCCA to undertake reforms.<sup>37</sup> On the spatial front, KCCA's administrative authority is restricted as its jurisdiction does not cover the three other districts (Mpigi, Mukono, and Wakiso) that make up the Greater Kampala Metropolitan Area.

- ✓ **The option can serve as a first step in supporting the development of local capacity**, which could be leveraged in further decentralisation processes of urban government over time.

<sup>35</sup> Dickovick, J T (2011), *Decentralization and recentralization in the developing world: Comparative studies from Africa and Latin America*. Penn State Press.

<sup>36</sup> Madinah, N, A Boerhannoeddin, R Noriza Binti Raja Ariffin and B Michael (2015), "Recentralization of Kampala city administration in Uganda: Implications for top and bottom accountability", *SAGE Open*, 5(3), p.2158244015591017.

<sup>37</sup> *The Independent*. "KCCA Executive Director Jennifer Musisi resigns."

- ✓ **It makes it easier to align national and urban policies**, as the organisation is directly accountable to the national government.
- ✗ Due to the fact that it is one step removed from the people, such an organisation **might lack legitimacy**, therefore making voluntary enforcement with decisions harder to achieve. This is particularly important in cities where the opposition parties have widespread support.<sup>38</sup>
- 3 Alternately, through the process of political, administrative and fiscal decentralisation, policymakers can establish an independent city-level local government. Under this model, cities are legally empowered to undertake certain functions independent of the central governments and within a specific geographical remit. They typically also have some system of local checks and balances, such as elections. While decentralised governments vary in scope, the premise is that they are principally accountable downwards to their jurisdictions, and to a lesser extent upwards to national governments.<sup>39</sup>

South Africa is an example of such decentralised city-level governments, a model that has been codified in their 1996 Constitution. In particular, the metropolitan-level government is considered one of three spheres of government with responsibility for the provision of a range of local services and infrastructure such as water, sanitation, and electricity.<sup>40</sup> Mayors who head local governments, are elected by their jurisdictions as opposed to being appointed by the central government.

- ✓ Experiences suggest that by pushing accountability downwards towards residents of the city, local governments can be more **responsive** to the needs of residents.<sup>41</sup> This may also help in building **legitimacy** by improving the perception of state responsiveness, although legitimacy is also deeply interlinked with the political system of the city (see **Box 6**).<sup>42</sup>
- ✓ Under certain conditions, this option can encourage **competition** between various urban government units, pushing them towards better performance.<sup>43</sup>

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<sup>38</sup> Resnick, D (2014), Urban governance and service delivery in African cities: the role of politics and policies. *Development Policy Review*, 32(51), pp.53-517.

<sup>39</sup> Smoke, P (2015), "Accountability and service delivery in decentralising environments: Understanding context and strategically advancing reform", *A Governance Practitioner's Notebook*, 219.

<sup>40</sup> Yemek, E (2005), *Understanding Fiscal Decentralisation in South Africa*, Institute for Democracy in South Africa (IDASA), Pretoria

<sup>41</sup> Faguet, J-P and C Pöschl eds. (2015), *Is decentralization good for development?: Perspectives from academics and policy makers*. Oxford University Press, USA.

<sup>42</sup> Faguet, J-P and C Pöschl eds. (2015), *Is decentralization good for development?: Perspectives from academics and policy makers*. Oxford University Press, USA.

<sup>43</sup> OECD (2019), *Making Decentralisation Work: A Handbook for Policy-Makers*, OECD Multi-level Governance Studies, OECD Publishing, Paris,

- ✗ However, incomplete or unclear decentralisation can lead to **overlapping authority** between various tiers of government, with the urban authorising environment being fragmented once again on functional lines. In South African cities, public transport planning and integration are made difficult because a national state-owned enterprise controls urban commuter rail transport, while cities manage other transport services separately.
- ✗ Without an appropriate integrating framework, decentralised local governments may lead to a **mismatch between national and local plans**, restricting the authorising environment to fragmented time horizons.
- ✗ Decentralisation may lead to **spatial inequality**, with national governments finding it harder to redistribute resources from more to less advantaged cities. However, this can be mitigated through other national policies.<sup>44</sup>

#### BOX 6: BUILDING PRACTICAL LEGITIMACY

An important feature of governance is building the legitimacy of public actors, so people are willing to comply with policy decisions. Instead of taking it as a forgone feature of the city, legitimacy needs to be achieved through specific decisions that increase service delivery and improve communications.<sup>45</sup> One way might be to start with providing service improvements that are immediately visible to the populace. For example, the former Mayor of Kabul attempted to do this by placing garbage bins in major markets and drafting an awareness strategy for citizens to use it.



A sign encouraging people to pay taxes in Mzuzu. Image by Oliver Harman.

<sup>44</sup> Shankar, R and A Shah (2003), “Bridging the economic divide within countries: A scorecard on the performance of regional policies in reducing regional income disparities”, *World development*, 31(8), pp.1421-1441.

<sup>45</sup> Woo, J J, M Ramesh and M Howlett (2015), “Legitimation capacity: System-level resources and political skills in public policy”, *Policy and Society*, 34(3-4), pp.271-283.

## How can city-level policymakers improve functional span of decision-making?

There is often a trade-off between more specialisation and stronger coordination. Generally, more specialisation allows for actors to focus on building a specific skillset, while more coordination paves the way for more integrated service delivery.<sup>46</sup> City-level policymakers often have several policy options that they can deploy, each with associated trade-offs.<sup>47</sup>

Typically, there are **two types of agencies that can benefit from more coordination**.

First, are those agencies which provide a single service, but across different geographic areas or different parts of the delivery chain, such as transport or housing.<sup>48</sup> Singapore does this for both transport and housing provision (see **Box 7**).

### BOX 7: INTEGRATING SERVICES INTO A SINGLE AGENCY IN SINGAPORE

In Singapore, the Housing and Development Board (HDB) acts as a single agency to coordinate the entire housing value chain. HDB's role includes acquiring the land, resettlement of people in land purchased, building homes, providing financing options for potential buyers, and managing sold and rented properties.<sup>49</sup> Singapore's decision to allocate all housing-related functions to a single agency resulted from the need to streamline statutory allocation and, consequently, improve accountability.



Typical housing blocks in Singapore. Image by Philippe Put.

<sup>46</sup> Bouckaert, G, B G Peters and K Verhoest (2016), *Coordination of public sector organizations*. Basingstoke, UK: Palgrave Macmillan.

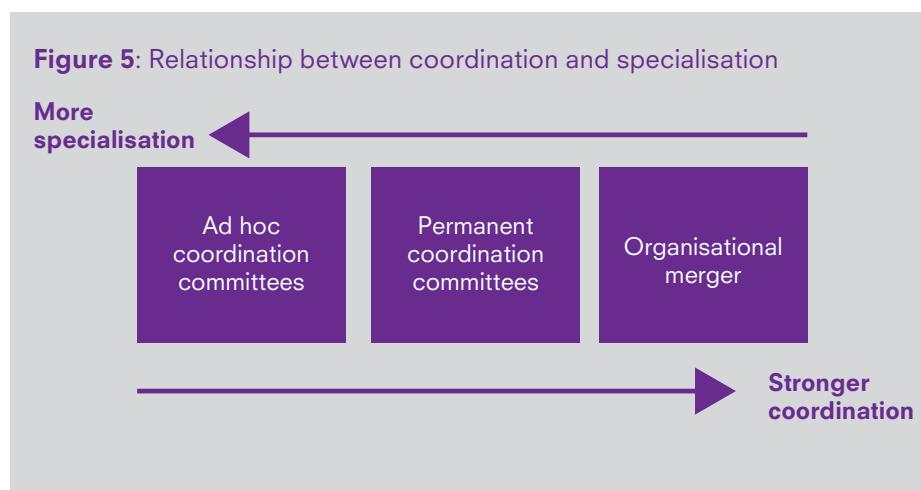
<sup>47</sup> Peters, B G (2018), "The challenge of policy coordination", *Policy Design and Practice*, 1(1), pp.1-11.

<sup>48</sup> See for example: Dimitriou, H T and A H Cook eds. (2018), *Land-use/transport planning in Hong Kong: A review of principles and practices*. Routledge.

<sup>49</sup> Chin, L (2004), "Public housing governance in Singapore: Current issues and challenges", *Unpublished report, Department of Real Estate, National University of Singapore, Singapore*.

Second, the agencies that can benefit from more coordination and stronger integration are those with differing but highly complementary mandates, such as transport and land-use planning (see **Box 8**).<sup>50</sup>

**Figure 5** illustrates three such options for integration. The choice of option will depend on whether the urban government wants to promote more specialisation or stronger coordination, and the type of incentives that greater coordination or specialisation will create.



#### BOX 8: INTEGRATION OF TRANSPORT AND LAND-USE PLANNING

Transport and land-use planning are tied together: the expansion of human settlements needs the necessary transport planning to accompany it so people are able to move around the city. In many cities, however, their functions are split with the transport agencies usually preoccupied with the operational development and management of public transportation, and with little to no focus on the spatial consequences of their decisions.<sup>51</sup> At the same time, land-use planners often fail to consider and adequately account for future transportation infrastructure needs, which inhibits efficient growth of the city.<sup>52</sup>

However, with appropriate functional integration between the two, cities can benefit:

- First, integrating land-use and transport planning can **help prevent urban sprawl** (when cities consist of sparsely connected low-

<sup>50</sup> McLeod, S, J Scheurer and C Curtis (2017), “Urban public transport: planning principles and emerging practice”, *Journal of Planning Literature*, 32(3), pp.223-239.

<sup>51</sup> Cervero, R (2013), “Linking urban transport and land use in developing countries”, *Journal of Transport and Land Use*, 6(1), pp.7-24.

<sup>52</sup> Suzuki, H, R Cervero and K Iuchi (2013), *Transforming cities with transit: transit and land-use integration for sustainable urban development: Main report* (). Urban development series. Washington, DC: World Bank. <http://documents.worldbank.org/curated/en/947211468162273111/Main-report>.

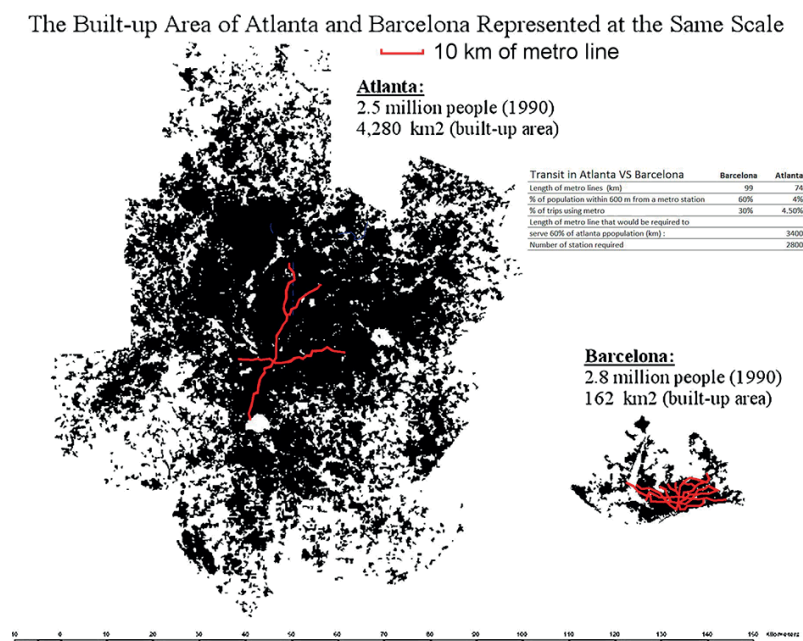


density human settlements).<sup>53</sup> Instead, by combining the two it can foster denser settlements with well-planned public transportation systems. For example, Figure 4 shows two cities, Atlanta and Barcelona, with similar populations but with Atlanta occupying a built-up land area 26 times larger than that of Barcelona. The red line illustrates the public transit lanes in each city. Due to differences in density, the same length of the metro line is accessible to about 60% of the population in Barcelona but only 4% in Atlanta.<sup>54</sup>

- Second, such integration can also help the city **leverage land strategically** in areas surrounding major transport infrastructure (such as the mass transit system). This can provide an opportunity for the city to recapture some of the value of their investments, from the rise in land values. If this is done and properly re-invested, it can help to subsidise collective mobility.<sup>55</sup> The exemplary case here is Hong Kong, where the municipal transit company adopts a “Rail plus Property” (R+P) model of capturing the increment in *land* value surrounding railway lines. The strategy has been successful, with the revenue from land value capture usually outstripping the revenue from user fees.<sup>56</sup>

In Hong Kong, the municipal transit company adopts a “Rail plus Property” (R+P) model of capturing the land value increment around the railway lines

**Figure 4: Atlanta and Barcelona urban sprawl**



Despite the same populations, Atlanta occupies a built-up land area 26 times larger than that of Barcelona. Image by Alain Bertaud.

<sup>53</sup> Doi, K (2015), “Cities and transportation”, *Traffic and Safety Sciences—Interdisciplinary Wisdom of IATSS*, International Association of Traffic and Safety Sciences, pp.12-21.

<sup>54</sup> The image is copied from <http://alainbertaud.com>. The personal website of Alain Bertaud, a senior researcher at NYU’s Stern Urbanization Project.

<sup>55</sup> Collier, P, E Glaeser, A Venables, P Manwaring and M Blake (2017), “Assessing opportunities: policy decisions for enhancing urban mobility – version 2”, *IGC Cities that Work Policy Brief*.

<sup>56</sup> Suzuki, H, J Murakami, B C Tamayose and Y Hong (2015), *Financing transit-oriented development with land values: adapting land value capture in developing countries* (English). Urban development series. Washington, DC: World Bank Group.

Merging agencies, which provide a single service, has the following advantage:

- ✓ If done well, this can allow for **less fragmentation in service delivery by providing users access to a more coherent infrastructure** and therefore improved service delivery. For example, in Helsinki, Finland, the city along with its neighbouring eight municipalities, has established a single transit agency, the Helsinki Regional Transport Authority. The agency has the legal mandate to manage all public transportation in the region, allowing it to have a unified ticketing system. The commuters generally claim to be highly satisfied with the public transport in the area (see **Box 9** for further discussion).<sup>57</sup>

### BOX 9: LEAD AGENCY FOR PUBLIC TRANSPORT

One way to improve the provision of effective mobility infrastructure is to establish a single lead agency responsible for spearheading the administration of all public transport in a city.

If done properly, this can help the government to:

- ✓ Promote inter-modal transport;
- ✓ Reduce organisational friction between various transport administrators;
- ✓ Help build a unified capacity for urban transport; and
- ✓ Provide more equal access to services throughout the municipality.

The exact role of these transport agencies varies between cities. Singapore, for example, in 1995 established a consolidated transportation agency, the Land Transport Authority (LTA). Backed by dedicated legislation, LTA has the statutory powers to administer all land-based transport services in the city-state.<sup>58</sup>

Other cities have followed a similar, although slightly differing, strategy; Lagos, for example, has established the Lagos Metropolitan Area Transport Authority (LMATA), a single agency to coordinate all transport-related agencies, as well as to award concessions and levy transport user fees.<sup>59</sup>

**Lagos Metropolitan Area Transport Authority is a single agency to coordinate all transport-related agencies as well as to award concessions and levy transport user fees**

<sup>57</sup> Wilcox, Z and N Nohrová (2014), “Delivering change: Making transport work for cities Practical policy solutions to improving transport in cities”, *Centre for Cities*. Available online at: <https://www.centreforcities.org/wp-content/uploads/2014/08/14-05-01-Delivering-change-Making-transport-work-for-cities.pdf>

<sup>58</sup> India has also expanded the establishment of single urban transport agencies known as ‘Unified Metropolitan Transport Authority.’

<sup>59</sup> “Kumar, A and O P Agarwal (2013), “*Institutional Labyrinth: Designing a Way Out for Improving Urban Transport Services--Lessons from Current Practice*”. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/17630> License: CC BY 3.0 IGO.”



Traffic in Lagos. Image by Adedotun Ajibade.

In comparison, Cairo has about 18 separate government entities and four parastatal organisations with each a substantial role in Greater Cairo’s transportation, contributing to a fragmented transport system with little intra-modal integration.<sup>60</sup>

Other times more specialisation is needed to ensure focussed outcomes are achieved, such as the case in Kampala (see Box 10). Especially in the case where agencies considered for the merger are not directly and strongly complementary to each other. Or, where service delivery or policy formulation requires a vastly different skillset, making a potential merger quite complex. Managing larger organisations is also more complex and such capacity may not be present, or achievable. If two roles are merged, there may be a fear of one crowding out the other. In cases where such incentives are created, a softer governance arrangement might be more appropriate where responsibilities remain distant.

#### BOX 10: FOCUSING ON PRIORITY ISSUES

It is important to consider the incentives created for public officials when responsibilities are merged into a single department. At times, policymakers have done the opposite and created narrower incentives so they are adequately focussed, by creating agencies which have a single objective. Kampala provides an example of this. In 2011, the city split revenue collection and expenditure. The result has led to positive outcomes: the city managed to increase local revenue by nearly three times within four years.<sup>61</sup> This was achieved entirely through administrative reforms that the Directorate was empowered to undertake.<sup>62</sup>

In this way, a champion agency can pull the city into a virtuous cycle. Good governance arrangements can usher in higher revenue, which can, in turn, be used to finance investments, allowing for further revenue

<sup>60</sup> Gómez-Álvarez, D, R M Rajack, E López-Moreno and G Lanfranchi eds. (2017), *Steering the Metropolis: Metropolitan Governance for Sustainable Urban Development*. Inter-American Development Bank.

<sup>61</sup> Kopanyi, M (2015), “Local Revenue Reform - Kampala Capital City Authority”, London: *International Growth Centre*

<sup>62</sup> Andema, F and A Haas (2017), “Efficient and effective municipal tax administration: a case study of the Kampala Capital City Authority. London”, *IGC Cities that Work Case Study*.

for the municipal government. For example, the cost of operations of Kampala's new Directorate of Revenue Collection, as a percentage of revenue collected, increased from a mere 1% in 2011 to about 11% by 2014.<sup>63</sup> Much of this was associated with one-off capital investments in capacity, such as procuring an electronic revenue management system. This investment, while significant, paved the way for a considerable increase in local revenue, making the long-run gains from this investment more than worth the initial investment.

When reforms are more complex, requiring a change in behaviour by people from different sectors, levels, and agencies within a government, the **Problem Driven Iterative Adaptation** approach provides a useful framework. It encourages policymakers to look at specific problems and creates an adequate authorising environment for the reform (with a focus on experimentation and strong feedback) to generate, test, and refine solutions in response to these problems.<sup>64</sup> The focus is on creating a process of solving problems which infuses legitimacy into the solution, rather than getting a perceived 'right solution'. In this way, instead of setting up a dedicated agency, reform typically involves setting up broad coalitions of people with a shared goal who have the power to take decisions.<sup>65</sup>

**In Medellín, a Housing Policy Committee is tasked to undertake integrated housing planning by bringing together the heads of planning, housing, environmental, and public works departments of the city**

An alternative can be to establish **softer governance arrangements**, such as coordination committees or working groups. They can either be temporary, formed when required, and subsequently disbanded; or they can be permanent. In several cities, such softer governance arrangements are used to implement strategies that have cross-sectoral implications.

- ✓ A significant benefit of this option is that it can leverage coordination and collaboration with a much **larger number of stakeholders**. For example, the city of Medellín, in Colombia, has a Municipal Housing Policy Committee, which is tasked to undertake integrated housing planning, bringing together the heads of planning, housing, environmental, and public works departments of the city.<sup>66</sup> All department heads have an incentive to cooperate as they report to the same city leader.
- ✓ As this arrangement can also be **ad-hoc**, established when needed and dismantled once the goal has been achieved, it does not continue to draw unnecessarily on resources, when the agency itself is no longer required. This type of arrangement is used in several Chinese cities for drafting municipal environment protection policies; working groups are set up,

<sup>63</sup> Andema, F and A Haas (2017), "Efficient and effective municipal tax administration: a case study of the Kampala Capital City Authority. London", *IGC Cities that Work Case Study*.

<sup>64</sup> Andrews, M, L Pritchett, S Samji and M Woolcock (2015), "Building capability by delivering results: Putting Problem-Driven Iterative Adaptation (PDIA) principles into practice", *A Governance Practitioner's Notebook*, 123.

<sup>65</sup> Whaites, A, E Gonzalez, S Fyson and G Teskey (2015), *A governance practitioner's notebook: Alternative ideas and approaches*. Paris: OECD.

<sup>66</sup> Rode, P, C Heeckt, R Ahrend, O Huerta Melchor, A Robert, N Badstuber, A Hoolachan and C Kwami (2017), "Integrating national policies to deliver compact, connected cities: an overview of transport and housing".

headed by the mayor or vice-mayor, and then disbanded once the policy has been formulated.<sup>67</sup>

- X Without the right incentive structure to promote collaboration between stakeholders, these arrangements can fail to deliver. For example, Dhaka established the Dhaka Transport Coordination Authority (DTCA) in 2012 to coordinate transport-related activities and undertake strategic planning for the sector in the city. However, due to the lack of authority over other agencies in the transport sector, DTCA has been unable to effectively coordinate various actors, resulting in a fragmented transport infrastructure in one of the fastest growing megacities in the world (see **Box 11**).<sup>68</sup>

### BOX 11: HOW CAN INFORMATION-SHARING BE IMPROVED IN CITY PLANNING?

Despite having a myriad plans, Dhaka has had little planned development. For example, in 2005 the city adopted a 20-year transport strategy for the city, which included a US\$5.5 billion investment in specific transport projects. However, an assessment conducted in 2016 found that while some road upgrading had occurred, none of the major investments planned – particularly in the mass rapid transit – had been implemented in the first half of the 20-year planning period.<sup>69</sup>

This is, in part, due to the isolated nature in which plans are drafted in the city, often by consultants and with little input from the relevant stakeholders.<sup>70</sup> The result is a partial implementation of many major plans, due to lack of ownership and/or the fact that they are not realistic given local conditions. One policy option to mitigate these concerns is establishing a clear and pragmatic planning hierarchy. This means the city government creates a framework under which all plans fall, with a clear division of mandate that each level of the plan has, thereby providing the urban government a built-in structural mechanism to ensure participation of relevant stakeholders. In other words, an urban planning hierarchy.

Durban in South Africa, is an example of a city that does this effectively. The city has an integrated hierarchy of plans, with plans moving from higher-scale strategy to lower-scale implementation, and with the lower-scale plans legally required to be consistent with the higher-scale ones.<sup>71</sup>

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<sup>67</sup> Kostka, G eds. (2017), *Local environmental politics in China: Challenges and innovations*. Routledge

<sup>68</sup> Bird, J, Y Li, H Z Rahman, M Rama and A J Venables (2018), *Toward Great Dhaka: A New Urban Development Paradigm*.

<sup>69</sup> *ibid*.

<sup>70</sup> *ibid*. pg. 41

<sup>71</sup> eThekweni Municipality (2009) *Integrated Development Plan*. Online: [http://www.durban.gov.za/Documents/City\\_Government/IDP\\_Policy/IDP\\_2009\\_10.pdf](http://www.durban.gov.za/Documents/City_Government/IDP_Policy/IDP_2009_10.pdf)



## 4 Improving the temporal span of decision-making

For effective urban policymaking, cities need to be able to plan and act in advance of future growth; in particular, to be able to make the necessary investments in infrastructure and institutions before people settle. These investments can take several years to build and even longer to pay off.<sup>72</sup> However, in many cities, decisions are often taken over the short-term horizon, either responding to situations retroactively or as a result of political cycles. Some cities, for example many of those in China, have managed to adopt policies that provide for more proactive, long-term planning (see **Box 12**).

### BOX 12: HOW CHINESE CITIES PLANNED AHEAD

In a period of just over three decades, China has been able to move as many as 700 million people to its cities — the size of urban transition no other country can claim to match.<sup>73</sup> At the same time, it has created governance and institutional structures that are more conducive to long-term planning by providing flexibility and adaption to changing urban needs.

The Chinese urban planning system is hierarchical, with top-tier plans setting long-term policy, and lower-tier plans focussing on implementation and regulation. The central and provincial levels prepare conceptual plans, which are approved by the central State Council. The municipal master plans, along with district plans, development control plans and project site plans, which are highly detailed, fall under the privy of the municipal-level institutions.

To maintain consistency, the municipal master plans are approved by the provincial State Council, while other plans are approved by the municipality itself.<sup>74</sup> However, there is now some evidence showing that this distinction is becoming less clear due to the speed of urban growth and fiscal decentralisation, undermining long-term planning.<sup>75</sup>

<sup>72</sup> Collier, P and A J Venables (2017), “Urbanization in developing economies: the assessment”, *Oxford Review of Economic Policy*, 33(3), pp.355-372.

<sup>73</sup> Dercon, S, A Haas, S Kriticos and N Lippolis (2019), “Where Africa could learn from the Chinese urbanisation story”, IGC Cities that Work Policy Framing Paper

<sup>74</sup> Abramson, D B (2006), “Urban Planning in China: Continuity and Change: What the future holds may surprise you”, *Journal of the American Planning Association*, 72(2), pp.197-215.

<sup>75</sup> Ibid.

The benefits of institutions being able to plan over the longer term can be substantial:

- ✓ As noted, long-term planning can help cities **invest in the necessary infrastructure before people have settled**. Evidence across countries has shown that this is considerably cheaper than retrofitting infrastructure.<sup>76</sup>
- ✓ Long-term public decisions can provide direction and help **manage expectations** for the individual decisions made by people and firms of where to locate and invest in a city.<sup>77</sup>
- ✗ However, it may be **politically difficult to spend resources on future populations** that have not settled yet, as opposed to using resources to deliver services to the ones that are already settled.

## How can national policymakers improve temporal reach of decision-making?

Longer-term planning will require cities to have a sufficient and predictable flow of resources. National policymakers can play an important role here in the following ways:

- **Delegating financial powers that correspond with functional responsibilities:** If national governments decide to decentralise infrastructure and service delivery responsibilities, these services need to be backed by resources. This can be through a combination of various ways, including fiscal transfers from the national governments, as well as enabling local governments to raise their own source revenues.<sup>78</sup>
- **Establishing a transparent framework for managing fiscal transfers:** The framework for allocating and managing fiscal transfers is key in supporting local governments to plan and predict their funding . Transparency in this respect can be improved in several ways, including publishing multi-year projections of funding from the national government and a transparent formula through which these transfers are calculated.<sup>79</sup>
- **Ensuring a stable stream of revenue for urban governments:** Local governments generally rely on fiscal transfers from higher-tier governments to finance the bulk of their expenditure. For developing

The framework for allocating and managing fiscal transfers is key in supporting local governments to plan and predict their funding

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<sup>76</sup> Strand, J, S Miller and S Siddiqui (2011), *Infrastructure investments under uncertainty with the possibility of retrofit: theory and simulations*. The World Bank.

<sup>77</sup> Collier, P (2017), “African urbanization: an analytic policy guide”, *Oxford Review of Economic Policy*, 33(3), pp.405-437.

<sup>78</sup> Hart, T and B Welham (2016), “Fiscal decentralisation A public financial management introductory guide”, *Overseas Development Institute*.

<sup>79</sup> Shah, A (2006), *A practitioner's guide to intergovernmental fiscal transfers* (English). Policy, Research working paper no. WPS 4039. Washington, DC: World Bank.

countries, between 2006 and 2010, fiscal transfers were estimated to make between 49% and 62% of local government budgets.<sup>80</sup>

Overall, the key is to ensure that there is sufficient long-term funding to plan and invest in future urban growth (see **Box 13**). There is some evidence to suggest that carefully designed transfers can be used to incentivise city governments to raise revenue through local sources.<sup>81</sup> However, a more sustainable route to financing urban development, as well as strengthening legitimacy for urban governments, is for national governments to empower them to develop their own-source revenue streams as a complement to fiscal transfers.

**The key is to ensure that there is sufficient long-term funding to plan and invest in future urban growth**

Local governments are better placed to levy certain taxes, particularly those with immobile bases, such as land and property. These taxes provide an essential source of revenue for city governments, which they can then further leverage to borrow capital.<sup>82</sup> Additionally, user fees for certain services, where users can directly pay for the services they receive, can provide a further source of revenue. However, it is not always possible to levy user fees, particularly for public goods where users cannot be excluded, as well as the fact that these are revenues that will only become available once the service is in place.<sup>83</sup>

### **BOX 13: HELPING CITIES INVEST IN THEIR FUTURE**

Dedicated loans or grants by national governments can be used to incentivise local urban governments to make long-term investments, helping improve the temporal reach of local decision-making. To do so, governments can explore funding vehicles such as the Development Fund for Local Authorities (DFLA) established by the Government of Malawi and the World Bank in 1993 to provide low-interest loans to local governments. Along with more short-term loans, which make the bulk of the funding, DFLA also provides local authorities with long-term loans **that encourage infrastructure investments by local governments.**<sup>84</sup>

<sup>80</sup> Gadenne, L and M Singhal (2014), "Decentralization in developing economies", *Annu. Rev. Econ.*, 6(1), pp.581-604.

<sup>81</sup> Troland, E (2016), "Can Fiscal Transfers Increase Local Revenue Collection? Evidence From The Philippines", *Evidence from the Philippines*.

<sup>82</sup> Collier, P, E Glaeser, A Venables, P Manwaring and M Blake (2018), "Land and property taxes for municipal finance – version 2", IGC Cities that Work Policy Paper.

<sup>83</sup> Bird, R M (2001), "User charges in local government finance", *The Challenge of Urban Government*, pp.171-182.

<sup>84</sup> Delbridge, V and O Harman (Forthcoming), "Secondary cities leading innovation on municipal finance reform: Enhancing the financial positions of cities, learnings from Malawi", *Unpublished IGC Working Draft*, November 2019

## How can local policymakers improve temporal reach of decision-making?

Over the past few years, three major Indonesian cities have established City Planning Labs.<sup>85</sup> These labs are municipal-level facilities dedicated to providing data and analysis to the city government. Furthermore, they have a specific capacity-building component, where over time, they can help city policymakers build their own analytical capacity to use this data for making planning and investment decisions.<sup>86</sup> In Semarang, for example, the lab has conducted data analyses in a variety of areas, including on the water supply network and poverty rates, to input into the city's medium-term plan.<sup>87</sup>

Establishing such **dedicated organisations**, like these labs, can act as a way for cities to take a longer-time horizon in policymaking. New York City does this through its Office of Long-Term Planning and Sustainability (OLTPS). Set up in 2006, OLTPS coordinates NYC's progress towards PlaNYC – a strategic plan to prepare the city for a million new residents.

- ✓ As these are dedicated organisations which are **relatively insulated** from the day-to-day matters of city service delivery, they can more effectively fulfil their mandate for long-term planning.
- ✓ If they are empowered to do so, they can also **coordinate** with a large variety of actors to make sure such plans are realistic and can ultimately be implemented. For example, in many cities, data is collected and stored separately by several agencies with little coordination amongst them.<sup>88</sup> A dedicated data agency could work across all the individual agencies, to not only ensure there is a central repository for urban data, but also that there are common standards so data from different agencies can be collated.
- ✗ There is a strong possibility that such agencies might have weak levels of accountability as these structures are not immediately exposed to political time horizons.
- ✗ The costs of setting up and running a separate agency, both from a financial as well as a human resource perspective, may restrict the use of this option.

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85 Hao, J, J Zhu and R Zhong (2015), "The rise of big data on urban studies and planning practices in China: Review and open research issues", *Journal of Urban Management*, 4(2), pp.92-124.

86 Yuwono, T, A Sevtsuk and R Amindarbari (2013), *City Planning Labs (CPL): a concept for strengthening city planning capacity in Indonesia (English)*. Washington, DC; World Bank Group. <http://documents.worldbank.org/curated/en/731961468041432789/City-Planning-Labs-CPL-a-concept-for-strengthening-city-planning-capacity-in-Indonesia>.

87 World Bank. (2016). *How Sharing Data and Collaboration Can Improve Indonesia's Urban Planning*. [online] Available at: <http://www.worldbank.org/en/news/feature/2016/09/22/how-gathering-data-in-one-place-can-improve-indonesia-cities> [Accessed 13 Feb. 2019].

88 Hao, J, J Zhu and R Zhong (2015), "The rise of big data on urban studies and planning practices in China: Review and open research issues", *Journal of Urban Management*, 4(2), pp.92-124.

Another policy option could be establishing **parastatal bodies** to undertake service delivery in key policy areas.

Parastatal agencies, which are usually state-owned and funded, are relatively autonomous in their operations. This is mostly due to separate corporate identity and a different set of organisational accountabilities. Transport for London (TfL) is an example. It has been in charge of strategic planning of transport services in London, along with an ability to negotiate long-term funding plans with the government.<sup>89</sup>

Parastatal agencies have a mixed record: while some parastatal agencies have been effective in planning for longer-term horizons and delivering better services (see **Box 14**), there are also several cases where they exist as ineffective organisations that rely on bailouts and government guarantees to function. The difference can be due to various reasons including the legal framework that shapes or restricts political interference with the agencies, and whether these agencies rely on government transfers or user fees to function – as the former may incentivise financial inefficiency and political influence.

**Transport for London, a parastate agency, in charge of strategic planning of transport services in London, along with an ability to negotiate long-term funding plans with the government**

#### **BOX 14: PHNOM PENH WATER SUPPLY AUTHORITY**

Phnom Penh Water Supply Authority is an autonomous public water supply operator in Cambodia's capital, Phnom Penh. Historically, the authority was considered plagued with a deep culture of inefficiency and corruption: for example, in the 1980s, it was estimated that 80% of its staff worked less than two hours per day. This started to change in the 1990s: the authority was allowed to charge tariffs to its customers for water supply, and then in 1996, a new law made the authority legally independent with financial autonomy. Between 1994 and 2008, the authority increased its annual water production by 437%, while drastically expanding its customer base.<sup>90</sup> Although it still remains a government-owned company, it has been listed on the Cambodian Stock Exchange — helping build its separate corporate identity.

<sup>89</sup> Wilcox, Z and N Nohrová (2014), “Delivering change: Making transport work for cities”, *Centre for Cities*.

<sup>90</sup> Biswas, A K and C Tortajada (2010), “Water supply of Phnom Penh: an example of good governance”, *International Journal of Water Resources Development*, 26(2), pp.157-172.



## 5 Concluding remarks and next steps

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In many fast-growing cities, the decision-making structures are not conducive to the effective delivery of infrastructure and services. A number of reasons impede the economic benefits of urbanisation, including inadequate decentralisation with unstable fiscal frameworks; poor allocation of responsibilities between public actors; public agencies that are fragmented across space; and incentives that undermine long-term planning.

Changing these institutional structures is complex. Reforms can be too broad and may not end up solving the problems they are meant to. Given this, the paper focuses explicitly on the authorising environment: the formal structures which determine decision-making across spatial, functional, and temporal lines. The politics or the implementation of decision-making falls outside the remit of this paper. Cross-country evidence suggests that reforms in these areas have helped solve real-world problems cities face.

- **Spatial:** The spatial lens is the most visible manifestation of the ineffective authorising environment: cities have often grown beyond the jurisdiction of single local government units. National policymakers have various policy options to mitigate this: they can merge local units, or set up a new layer to coordinate and provide some services. Urban government units can also take action by voluntarily cooperating with neighbouring units to improve the spatial authorising environment and allow for integrated service delivery across the urban area.
- **Functional:** In many cities, unclear responsibilities reduce accountability and leave critical policy and service delivery gaps. While most countries have devolved some power to urban government units, they have done so to differing extents, giving cities varying ability to make decisions locally. Within a given space to make decisions, urban policymakers face trade-offs around governance arrangements, especially the trade-off between incentivising specialisation and cooperation between urban agencies. For example, some services such as transport are often fragmented across various agencies and might benefit from integration. Regardless of options, evidence suggests that clarity of responsibility, and the ability to coordinate between various roles with clear assignment of accountability to each actor is critical to effective decision-making.
- **Temporal:** Good authorising environments allow cities to plan ahead. This requires stable financial flows over time, based on a clear legal framework, leaving national policymakers to navigate the decision on how to provide a stable stream of revenue without discouraging cities to generate own-source revenue. With the desire to mitigate short political cycles that often dictate policy decisions, urban policymakers have

established dedicated public organisations to develop long-term plans. Others rely on parastatal organisations which can nurture a unique culture and develop specialised expertise to provide certain services with long-time horizons, such as transport and water supply.



Karachi is Pakistan's largest city, home to over 15 million people. Image by Suleman Sajjad, Flickr.

While this focused lens is useful in providing an agenda for the first step towards building the foundation on which rapidly growing cities can be effectively managed, it only considers a limited aspect of the governance of cities. It principally deals with the **making** of the decision but not the **implementation** of these decisions; questions around how to motivate public officials to implement decisions falls out of the focus here.<sup>91</sup> In addition to this, there are important cross-cutting elements that need to be considered for institutional reforms to work effectively. Three significant factors are:

- Exact policy reforms must depend heavily on the **specific context** of that city, particularly considering that cities have progressed under differing authorising environments. This paper outlines some directions, but any mimicry of practices of other cities without embeddedness in the local context is unlikely to have positive outcomes. Instead, cross-country evidence should be used to inform, not dictate reforms.
- Reforms that change decision-making structures need to involve a **broad set of agents** by involving all people that would be impacted by changes. New laws and rules can go unimplemented if they are not owned, used, or diffused by implementing agents actively.<sup>92</sup> The PDIA approach, briefly

**This paper provides an agenda for the first step towards building the foundation on which rapidly growing cities can be effectively managed**

<sup>91</sup> There is extensive literature on this question, summarised by Bandiera, O., Khan, A. and Tobias, J. (2017). *Rewarding bureaucrats: Can incentives improve public sector performance?* IGC Growth Brief Series 008. London: International Growth Centre.

<sup>92</sup> Andrews, M (2013), *The limits of institutional reform in development: Changing rules for realistic solutions*. Cambridge University Press.

discussed in **Box 10**, focuses on a broad set of agents working together in designing and implementing reforms.<sup>93</sup>

- Linked to the need to contextualise the nature of reforms and involving a broad set of agents, is the need to **embed the reform into the political structures** and institutions of a given city. Almost always, the reform process includes bargaining between various groups — civil servants, political parties, general public — who have different interests and perspectives.<sup>94</sup> For starters, understanding how key constituencies perceive the reform can provide valuable insight into its potential success or failure.

## Recommended further reading

Andrews, M (2013), *The limits of institutional reform in development: Changing rules for realistic solutions*. Cambridge University Press.

Bouckaert, G, B G Peters and K Verhoest (2016), *Coordination of public sector organizations*. Basingstoke, UK: Palgrave Macmillan

OECD (2015), *Governing the City*, OECD Publishing, Paris.

Peters, B G and J Pierre (2016), *Comparative governance: Rediscovering the functional dimension of governing*. Cambridge University Press.

Whaites, A, E Gonzalez, S Fyson and G Teskey (2015), “A governance practitioner’s notebook: Alternative ideas and approaches”, Paris: OECD.

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<sup>93</sup> Andrews, M, L Pritchett and M Woolcock (2013), “Escaping capability traps through problem driven iterative adaptation (PDIA)”, *World Development*, 51, pp.234-244.

<sup>94</sup> Whaites, A, E Gonzalez, S Fyson and G Teskey (2015), “A Governance Practitioner’s Notebook: Alternative Ideas and Approaches”, OECD, Paris.

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