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Frederik Esko Lange

Urban Governance

An essential determinant of city development ?

No 6

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Urban Governance

An essential determinant of city development ?

by

Frederik Esko Lange

A study based on the diploma thesis

„Urban Governance and City Development –

Linking the Urban Governance Index and the City Development Index“

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An essential determinant of city development ?

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Abstract

Governance has become a dictum in the scientific world. Still mostly being used in political theory and related arenas, the conception has found its way into a variety of disciplines such as economics (e.g. corporate governance) or life sciences (e.g. climate governance) by now. Since its emergence in the 1990s, the concept expanded into the international development arena just as the scholarly world ever since and culminated in the idea of *good governance*, defining principles for a sustainable political process. However, as definitions and approaches abound, there is a broad consensus that governance in contrast to government incorporates the aggregate array of actors partaking in decision making and decision taking. It refers to the *relationship between civil society and the state – the processes and structures arising from this relationship*. While the concept initially tended to the national level, it has now been adopted at others as well: Global governance, denoting world trade regimes or international agreements like the Kyoto protocol are present in scientific debates just as regional or local governance is. Yet the latter, local governance, has its correspondent at the city level in the concept of urban governance. Recognizing the massive challenges (e.g. migration from the countryside, poverty, inefficient health care etc.) that especially cities in the developing world are facing today, sound urban governance is believed to hold the key to these problems. *It is of utmost importance how cities are governed – who is involved in the decision making process and how this process functions*. Hence the present study will highlight the interrelation between (good) urban governance and city development on the one hand and introduce two indexes depicting these concepts on the other. In doing so, essential development challenges in third world cities shall be identified and correlated with the respective processes and structures shaping their context.

“Locally, in a context of Third World cities, the notion of governance has evolved from the reality of the urban dynamic, replete with its problems, challenges and local political forces.”

Patricia McCarney (2000)

Preface

In combating poverty, the term “good governance” has become a *sina qua non* of effective development co-operation between donor states and national governments. However, local municipalities also have a role to play in practicing good governance. Due to abject poverty, billions of people are fleeing rural areas in hope of a better life in urban centers. Many of these cities are currently developing into gigantic and amorphous metropolitan centers that seem virtually uncontrollable and ungovernable. Millions of people are crowding the slum areas where planned urban development appears to be unachievable. As more than half of the world’s population now lives in urban spaces, the development agenda must now incorporate urban as well as rural areas.

More than ever, farsighted and well-planned urban development is needed if “Third World” cities are to cope with the enormous influx of peoples. City governments must provide the poor with infrastructure, health systems, schooling, and business opportunities, in order to prevent urban centers from turning into places of social polarization and violent conflict.

Frederik Lange has tackled the issue of “urban governance” and finds that, although its prerequisites and components are difficult to establish, it is nevertheless integral to sustainable city development in general, as well as for poverty alleviation in particular. Unless the urban poor are actively involved in city development decision making, they are likely to be left out and will continue to be marginalized. But, as is true for all development endeavors, the poor´s involvement is imperative if urban development is to be truly successful and sustainable.

Kurt Bangert
Director Research
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List of acronyms

ADB	Asian Development Bank
CBO	Community Based Organization
CDI	City Development Index
CPI	Corruption Perception Index
CSO	Civil Society Organization
GUID	Global Urban Indicators Database
GUO	Global Urban Observatory
GURI	Global Urban Research Initiative
ICSSR	Indian Council of Social Science Research
NGO	Non Governmental Organization
OECD	Organisation for Economic Co-operation and Development
PCA	Principal component analysis
PPP	Public Private Partnership
RAWOO	Netherlands Development Assistance Research Council
TI	Transparency International
UGI	Urban Governance Index
UIP	Urban Indicators Programme
UN DESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UN HABITAT	United Nations Human Settlements Programme

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1. Introduction

The United Nations Human Settlements Programme (UN HABITAT) entitled the 21st century the “Century of the City”. While opening the global conference on the future of cities “Urban 21” in Berlin in 2000, former Secretary-General of the United Nations (UN) Kofi Annan even spoke of the millennium of the cities. Such expressions are the result of a rapid pace of urbanization. Thus in 2008 the world´s total urban population equalized the proportion of the population living in rural areas, marking a watershed in the history of humanity. While half of the total global population already lives in urban areas, it is expected almost to reduplicate by 2050, rising from 3.3 billion in 2007 to 6.4 billion in 2050 (UN DESA 2008 : 3). As this process is actually reinforcing, some projections it is assumed that within two decades approximately 60 per cent of the global population will be urban dwellers (UN HABITAT 2008 : X). However, these figures are not without controversy (COHEN 2004 : 48; MONTGOMERY ET AL 2004 : 82) as some authors argue that UN projections would be biased and overestimating urbanization trends (BOCQUIER 2004 : 21).

Although not a new phenomenon, urbanization has long been considered an issue of the developed world, closely linked to industrialization. However, the dimension of urbanization took a turn, for effectively all of the world’s population growth will be absorbed by developing countries (UN DESA 2008 : 1; 3). By the middle of this century, most regions in the developing world will be primarily urban. Here cities absorb an average of 5 million residents every month, accounting for 95 per cent of the world´s urban population growth. Thus Asia alone will feature 63 per cent of the global urban dwellers, while Africa will account for almost a quarter of them (UN HABITAT 2008 : XI). Therefore urbanization is most notably an aspect of developing countries, intensified by rural urban migration processes and the general pull-effects of cities. Another feature of urbanization in the developing world other than that mentioned is the growth of megacities with populations of ten million or more, implying a massive transformation of societies in developing countries. Along with this phenomenon often referred to as urban transition (GRIMOND 2007; MONTGOMERY ET AL 2004 : 81), problems and challenges for the cities of the developing world arise. Most of these cities can´t house the mass of urban dwellers, resulting in inadequate infrastructure, insufficient provision of services, increasing traffic congestion, severe environmental degradation as well as the spreading of squatter

settlements and slums. In this regard the phrase „planet of slums“ (DAVIS 2006) found its way into the research community. However, urban administrators oftentimes experience difficulties to keep up with the fast pace that their cities are growing. Hence many cities in developing countries are overburdened with regard to resources and abilities to ensure their “functioning”.

That very functioning is challenged particularly since the 1990s, when central governments began to devolve responsibilities to the local level, often without a corresponding devolution of revenue generating authorities. While these processes implied a shift towards more fragmentation and differentiated forms of governance, *“local government became urban governance”* (ELANDER 2002 : 191). Thus both the 1992 Earth Summit in Rio de Janeiro and the HABITAT II Conference (Second United Nations Conference on Human Settlements) in Istanbul hosted local governments and civil society actors, revealing their growing importance. As the phenomena described above cause vehement problems to the urban population as a whole, the urban poor are in most cases much more affected by them, thus intensifying the “urbanization of poverty” (RAVALLION 2001 : 8).

Box 1: Urbanization of poverty

With the world becoming more and more urban, there is also an increase in the number of poor people living in cities. In this respect some profound urban challenges can be identified:

- The worsening of access to shelter and security of tenure, resulting in over-crowding, homelessness and environmental health problems;
- Large and growing backlogs in the delivery of basic services to urban dwellers due to demand outstripping institutional capacity, financial resources and environmental carrying capacity;
- Increasing inequality in cities, manifested in spatial and social segregation, polarization and increasing violence; and
- The parallel evolution of high-end investments and an expanding informal economy with poor labor conditions.

All these aspects have resulted in sharp divisions in growth between cities just as among social groups. However, the urban poor, in contrast to the rural poor, are even more vulnerable due to most national governments in developing countries not providing any social safety nets for them.

Source: MEHTA (2000)

Hence international donor agencies like UNDP (2000) and the World Bank (2003) pay increasing attention to issues like urban poverty and development. However, whether and how the livelihoods of the urban poor change for the better or the worse, depends heavily on the way that urban governance "functions". Thus good urban governance is considered the key to urban development and poverty alleviation (RAWOO 2005 : 20). In this context, governance does not only refer to the city administration but also to the wide range of actors partaking in the processes of decision making and urban activities. These include amongst others civil society organizations (CSOs), community based organizations (CBOs), religious groups as well as formal and informal private businesses. As such, urban governance can be theoretically embedded into the „urban regime approach" (STONE 1989), as it is about the cooperation of different actors of a community's institutional life. In doing so the approach focuses on the possibilities and limitations for a consortium of actors in fostering a set of governing coalitions.

Recognizing that *"the structure and processes of city governance have important implications for whether and how urban poverty is addressed"* (DEVAS 2005 : 351), there is broad consensus among the scientific community on the significance of governance for urban poverty reduction. Furthermore, the social and economic development of cities in developing countries depends largely upon the abilities, resources and the responsiveness of local government management. However, according to Jeffrey Sachs, director of the Earth Institute at Columbia University, appropriate governance of cities is elementary for sustainable urban development alongside the policy issues of planning and having a development strategy (SACHS 2003). Following this rationale, some authors relate most urban problems to the lack of attention given to developing effective governance structures, recognizing that this is *"[...] a very different `urban agenda` to the one that focuses on `urban growth` as the problem"* (SATTERTHWAITE 2005 : 20).

Against this background, UN HABITAT launched the Global Campaign on Urban Governance in 1999. The campaign's goal is to enhance the quality of life in cities as well as to contribute to the eradication of poverty through improved urban governance (TAYLOR 2000 : 198). Stating that the quality of urban governance is the single most important factor for the eradication of urban poverty and for prosperous cities, the campaign aims to increase the capacity of local governments and other stakeholders to practice good urban governance. As UN HABITAT argues:

> "There is an emerging consensus that good governance is the sine qua non for sustainable human and settlements development."
> (UN HABITAT 2002a : 7)

Thereby the campaign's theme is the „Inclusive City" that promotes growth with equity as well as social, economic and political participation regardless of economic means, gender, race, ethnicity or religion. Bearing in mind the urbanization of poverty, the campaign focuses on the needs of the excluded urban poor.

Box 2: The Inclusive city
As mentioned before, third world cities face a variety of challenges: slums, inefficient infrastructure, health care and waste management or education are only some of them. However, recognizing that the urban poor are particularly affected by those problems, inclusive cities are seen as a concept to counter such developments. In this context CSOs and NGOs can play a central role in bridging the poor and city authorities to give the excluded and marginalized a say. Thus urban planning and management can be made not only more inclusive but also effective by assigning authority to the poor. By now there is a range of examples, highlighting the potential of inclusive urban planning. However, inclusive cities require city governments willing to share power and demonstrating trust.

However, since most urban administrations in developing countries feature inadequate data and information on trends and developments forming their cities, their ability of understanding these processes is exacerbated. The very matter of fact also results in their deficient capacity to develop and test efficient urban policies. Consequently these shortcomings have an effect on almost all components of urban planning, namely urban management, strategic and sector planning, private sector involvement and more. Moreover, there is little information on-hand to help understand the relationship between policy initiatives and urban outcomes or rather between broader social and economic development and the performance of specific sub-sectors (ASIAN DEVELOPMENT BANK 2001 : IX, X).

2. Conceptualizing urban governance

2.1 Dimensions of governance

When conceptualizing governance, four dimensions can be distinguished according to Harpham and Allison (HARPHAM & ALLISON 2000 : 116). Drawing on an existing framework of governance (HARPHAM & BOATENG 1997) they identify a technical, a political, an institutional as well as a cultural dimension. The technical dimension highlights the relationship between economic and human development. Recognizing tremendous imbalances particularly in cities of developing countries, this dimension addresses issues of service provision or the allocation of resources. Thus urban decision makers are responsible to foster processes moving towards a more evenly situation. The political dimension is closely linked to the technical one by referring to the establishment of objectives as well as the exercise of leadership. On this note the political dimension addresses the setting in which public administration and civil society interact. Since in many cities of the developing world the public as well as the private sector partake in the provision of services, boundaries between the respective fields do often overlap and responsibilities are difficult to assign. Along with that come issues like corruption, allocation of rights and duties between private and public authorities or unclear hierarchies. Hence the institutional dimension addresses the need for a legal framework and effective mechanisms to meet such issues.

However, one has to notice that the technical, political and institutional dimensions are not only closely related to each other but also strongly affiliated to the normative concept of “good governance” generally promoted by international donor agencies. They incorporate principles such as equity, accountability, transparency and participation. In this respect the cultural dimension recognizes the importance of specific values, beliefs and norms existing in a (urban) society. Hence it is the sum of all stakeholders in urban governance deciding on what good governance is or rather in which setting the other dimensions take place.

2.2 The notion of urban governance

When dealing with the concept of urban governance, it will be helpful to outline the general concept of governance before. Emerging in the 1990s, the conception expanded into the international development arena and the scholarly world ever since. While definitions and approaches to the concept of governance abound, according to McCarney a distinction can be made between three different definitional paths (McCARNEY 2003 : 33). The first one is primarily global and originates from the international donor community, led by the World Bank. Thus an early publication of the World Bank defined governance as *" […] the manner in which power is exercised in the management of a county´s economic and social resources for development."* (WORLD BANK 1992 : 1). Here governance is state centric, with a focus on effective government, sound fiscal management as well as accountability in the public sector. Hence it is most affiliated to the concept of "good governance", for which it is also often criticized as being donor driven and to expedite a neoliberal policy discourse. This definition of governance, strongly linked to the Bank´s structural adjustment policy was then widened by adding the element of a *"[...] strong civil society participating in public affairs [...]"* (WORLD BANK 1994 : VII). While still being state centric, the inclusion of a civil society indicates the distinction that has to be made between "governance" and "government". This distinction is frequently being referred to by various authors when conceptualizing governance, oftentimes corresponding to a definition of McCarney, Halfani and Rodriguez:

> "Governance, as distinct from government, refers to the relationship between civil society and the state, between rulers and the ruled, the government and the governed. […] It is this latter aspect – the relation of civil society to the state – that distinguishes the study of governance from other studies of government."
> (McCARNEY, HALFANI & RODRIGUEZ 1995 : 95, 96)

McCarney chalks the second definitional path for the most part to a group of U.S. political scientists. At this juncture governance is broadened by integrating ideas of democracy and legitimacy as well as to recognize alternative power concentrations instead of traditional government (McCARNEY 2003 : 36). Finally, the third definitional track relates to the concept of urban governance that evolved from the work of the GURI (Global Urban Research Initiative) starting in the early 1990s. Focusing on the local level, the GURI´s approach was to particularize the concept of governance in an urban context. Taking up

the above-quoted definition of governance, the GURI developed an urban-governance framework including elements mostly considered to lie beyond the public-policy process. Thus illegal operators, informal-sector organizations and social movements were incorporated, recognizing that theses elements are nevertheless contributory in the development of third world cities as well as having a significant influence on the urban landscape (McCARNEY 2003 : 37). In this respect urban governance can be related to the phenomena of heterarchy and informality.

However, against the background of more complex stakeholder constellations, Patrick Le Galès argued to substitute the term “government of cities” for “urban governance”. Thus the latter would imply more diversity in the organization of services, a greater variety of actors and more flexibility (LE GALES 1995 : 60). In order to meet these changed basic conditions in terms of nomenclature as well, urban governance is presumed to be an appropriate notion. At this the United Nations Human Settlements Programme defines urban governance as:

> “[...] the sum of the many ways individuals and institutions, public and private, plan and manage the common affairs of the city. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action can be taken. It includes formal institutions as well as informal arrangements and the social capital of citizens.”
> (UN HABITAT 2002a : 14)

This definition does not only distinguish between government and governance but also recognizes the variety of different stakeholders partaking in the urban governance process. Hence the term “government” refers to a political unit in order to implement policy making while the word “governance” specifies an overall responsibility for political and administrative functions. The figure below scrutinizes the stakeholder constellation of urban governance in more detail.

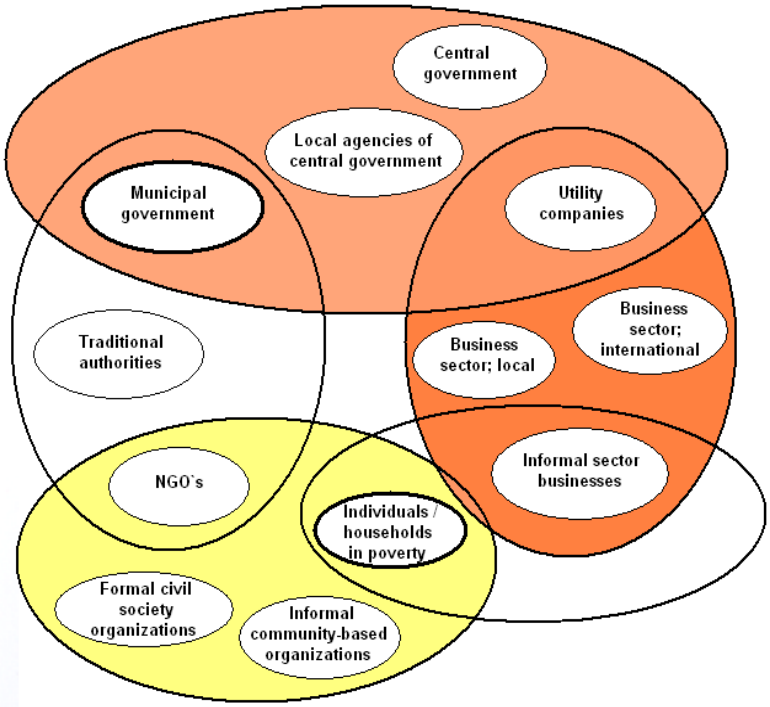

Fig.1: Actors in urban governance
Source: DEVAS 2004, page 25.

As the figure suggests, the various actors, parties and interests involved can be further subdivided into the following groups:

I. Governmental · **central government** · **municipal government** · **development corporations or authorities** · **central government agencies locally (e.g. district commissioners, police)** · **traditional authorities (e.g. chiefs)** · **state-owned public utilities**	**II. Businesses** · **formal sector: international/national** · **formal sector: local** · **informal sector (distinctions are not clear-cut)**
III. NGOs/CBOs/CSOs · **internationally connected NGOs** · **formal civil society organizations (e.g. trade unions, churches and other religious organizations, political parties)** · **local, community-based organizations**	**IV. Households/individuals** **Governance is about collective action. Since households/individuals are objects and participators (consumers, voters) they are still included into the framework.**

Tab. 1: Various actors, parties and interests involved in urban governance
Source: The author according to DEVAS 1999, page 20.

In addition, these groups are determined by their contexts and the relationships prevailing among each other (DEVAS 1999 : 20, 21). While the contexts and constraints may comprise:

· the legal and regulatory environment
· cultural traditions, allegiances, behavior, attitudes
· the extent of trust in and legitimacy of institutions (of government & civil society)
· access to resources and
· access to information,

the relationships prevailing among the stakeholders may be:

· market relationships (like distortions and inequalities)
· authority relationships (e.g. allocation, regulation, taxation, employment)
· political relationships (informal and formal, including clientelism, patronage and votebuying....)
· power relationships (e.g. influence, lobbying, violence, intimidation)
· decision-making (formal and informal, including the rules of the game which govern those decision-making processes).

In the course of its Global Campaign on Urban Governance, UN HABITAT promotes "good" urban governance, thus adding a value judgment to the concept. Being aware of that, the agency identifies various principles characterizing the very "good urban governance" which are interdependent and mutually reinforcing (UN HABITAT 2002a : 19):

Fig.2: Principles of good governance identified by UN HABITAT
Source: modified according to UN HABITAT, page 19.

3. Linking urban governance and development

3.1 Impacts of global shifts on urban governance

While urban governance is usually discussed at the local level, it is considered to be influenced by three global processes in general. Although these shifts, namely globalization, decentralization and democratization, affect every city in an enormous manner, this holds particularly true for those of the developing world.

Globalization

Since global competition and the ease of capital flows uncouple production and trade from the solely national context, cities face a variety of opportunities and challenges. Thus economic growth has often proved to be a mayor aspect of improved development since increased literacy, life expectancy or health statuses in most cases resulted from urban-generated economic surpluses (COHEN 2001 : 5). However, globalization can also imply increased urban vulnerability since cities feel impelled to become more flexible and to have a sense of business in order to sustain local business and inward investment (DEVAS 2004 : 27). Against the background of that there is a widespread debate about globalization increasing social inequalities and spatial segregation in cities (MARCUSE & VAN KEMPEN 2000 : 271; DEVAS 2004 : 28). As national borders restrict labor, yet not capital flows, urban-centered migration is a phenomenon that can be identified primarily in developing countries. Hence, due to a huge presence of labor migrants on the one side and transnational companies on the other, cities often become a "*contested terrain"* (SASSEN 2005 : 84).

As cities compete for the attraction of global companies, trying to offer better infrastructure, easier regulatory regimes and lower taxes, the interests of global investors often have a higher status in urban decision making than the ones of the local population (DEVAS 2004 : 28). The construction of industrial parks in southern cities is an example of external dominance of local spatial structures. Having implications on resources and infrastructure as well as on the access to land, they create "*new geographies of margins and new peripheries"* (SASSEN 1994 : 193). Hence such processes can undermine urban governance, eroding the accountability of local decision makers.

Decentralization

Following the centralization of governmental responsibilities during the post-independence era, decentralization-processes proceeded throughout the developing world in the 1990s. Being driven by a variety of motives, those were mainly practical, economic and political considerations. However, the allocation of rights and duties to the local level meant a reconsideration of local or rather urban governance, since these processes partially resulted in a complete restructuring of urban and central power-relations. For instance Brazil, India, South Africa and the Philippines endowed municipalities with new constitutional powers. This way urban administrations to some extend got the responsibility to manage the sectors of transport, health and education (STREN 2003 : 8). In the course of that not only did local decision makers gain more authorities (South Africa, Philippines) but also did it bring about the emergence of participatory elements (participatory budgeting in Brazil). While these transformations added up to more capacity of urban stakeholders on the one hand, they also implied more liabilities on the other. In addition, there is also evidence for decentralization processes deteriorating urban administrations authorities. Having passed an amendment addressing the power relations between urban and central agencies in India, the role and functions of municipalities have been undermined ever since (DEVAS 2004 : 32). Furthermore, decentralization can bring about the risk of transferring power from national to local elites, thus just shifting instead of solving problematic power relations. Evidence on that is, for instance, reported for India (WORLD BANK 2000a : 109).

Democratization

In addition to the global shifts mentioned above, democratization is considered to be a third element of transition impairing urban governance. Although democratization and decentralization do not necessarily emerge parallel to each other, there still appears to be a connection between the two. Hence there is a broad consensus on the fact that decentralization fosters democratic processes, since it grants political autonomy to regional authorities. Democratic transitions as well as decentralization processes took place in developing countries particularly in the 1990s. Identifying an increase of democracies at a global scale, the political scientist Samuel Huntington thus referred to this circumstance as the *“third wave”* of democratization (HUNTINGTON 1993). Even

though the term democratization varies widely in its meaning, it is most often associated with political pluralism and a certain degree of individual rights. As this implies transparent and fair electoral processes as well as a responsive and free civil society, democratization can be strongly linked to the political and institutional dimensions of urban governance mentioned above.

3.2 The relationship between urban governance and city development processes

As aforementioned, the notion of governance is broader than government as it incorporates a lot more stakeholders than just governmental agencies (see figure 3). In addition, the term goes beyond management, focusing on the mechanisms and processes of administration, management and implementation. Thus governance is process oriented, highlighting the progress in "*decision-making, decision taking and implementation"* (UN HABITAT 2004a : 15). Given that governance is a neutral concept, there is a possibility of actors, mechanisms, processes and institutions to create positive as well as negative outputs. Hence UN HABITAT promotes "good" urban governance which is considered to foster city development processes such as urban poverty reduction, a more equitable share of economic growth and the increase of local ownership in development projects, thus adding up to the concept of social inclusion. Recognizing that social exclusion is wider than poverty, often regarded as static income poverty, the quality of governance is considered to determine the ability of urban dwellers to participate in urban facilities and services. Based on that, UN HABITAT identifies five principles accounting for "good" urban governance, namely effectiveness, equity, accountability, participation and security (UN HABITAT 2004a : 16), which find themselves in the figure below.

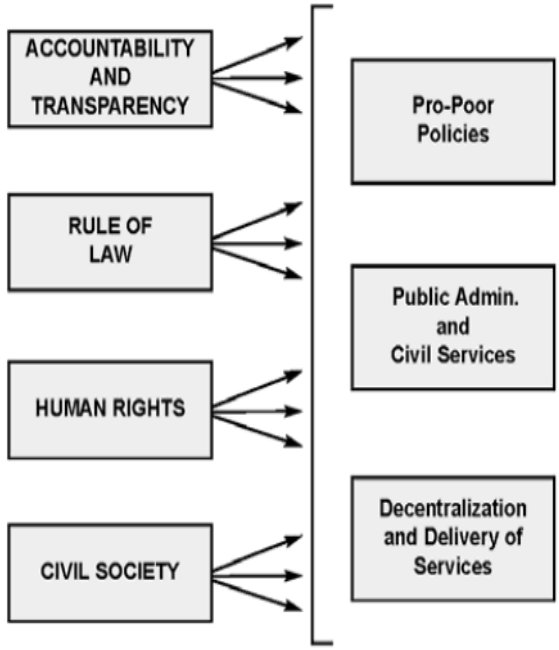

Fig. 3: Elements of good governance
Source: UN DESA 2006, page 18.

That very principles are then linked to Amartya Sen's five measures of freedom (SEN 1999 : XII). Accordingly each principle can be utilized to assess these freedoms: effectiveness for economic facilities, equity for social opportunities, participation for political freedom, accountability for transparency guarantees and security for protective security. Thus economic opportunities could be measured by the effectiveness of production and exchange as perceived by the local population. Furthermore social facilities could be reflected by the degree of equity existing in a society as well as political freedom could be measured by the level of participation. While transparency guarantees are associated with accountability, protective security is suggested to be expressed by a security assessment. These relationships are based on "*the more inclusive idea of capability deprivation*" as a development obstacle, instead of the "*exclusive concentration on income poverty*" (SEN 1999 : 20).

3.3 Major challenges on urban governance

Given the rapid pace of urbanization in developing countries, urban decision makers face a variety of challenges which are outlined in the following. However, these can not be examined separately since they all interact. Thus a city´s financial resources impact on its capacity to meet development goals just like its ability to manage diversity and security issues depends on its financial and capacity dimension.

Capacity

The inability of cities in the south to keep pace with rapid urban growth first arose in the 1960s and 1970s. At that time slum and squatter settlements grew in number and extend throughout the developing world. Since central as well as municipal authorities appeared to be overextended by the situation, often trying to limit these processes by zoning, low income residents reacted either via building uncoordinated individual dwellings or arranging “land-invasions”. Recognizing the impact of such developments, many countries initiated centralized housing banks and construction agencies. While those were able to account for the construction of a considerable amount of housing units, they were incapable of keeping pace with immigration levels just as maintenance was poor (MONTGOMERY ET AL 2004 : 364). Hence international agencies, government departments or similar bodies like housing boards, employed two more collaborative approaches, namely the “sites and services projects” and the “squatter upgrading projects”. While the sites and services approach aimed at enabling low income citizens to build their homes on marginally serviced plots via assistance in form of training and loans, the second one regularized land tenure and improved services in slum settlements. However, in the course of time strategies shifted towards reforms in the governance of urban services including Public Private Partnerships (PPP) and cooperations with NGOs.

Given their rapid growth, cities of the south face severe problems regarding service provision. While the urban administration is often responsible for a variety of sectors such as waste, electricity, health, education and transport, there is often a lack of qualified professional staff to meet these responsibilities. In addition, for the most part urban fiscal resource bases and the level of service demand are not in line at all. Such conditions are commonplace in cities of the developing world since the devolution of duties and

responsibilities does not always coincide with the authority to generate sufficient financial capital.

Financial resources

As aforementioned, the lack of capacity to meet service demands, is highly linked to an inadequate fiscal situation. Although there are several reasons for that, the devolution of responsibilities without sufficient financial authorities to the local level is a major one (UN HABITAT 2001a : 152). While some authors point out that this process has begun to change, however this comes about at a very slow pace. A major factor for this disparity is that cities` revenues are generally based on property taxes and service fees instead of more lucrative and collectible ones like income taxes. While generation of revenues in southern cities is yet difficult to undertake, most municipalities are dependent for up to one-third of their financial resources on other governmental levels (MONTGOMERY ET AL 2004 : 373). However, even these mandated revenues are not always reliable. Given enormous corruption, the financial dimension brings about tremendous challenges on urban governance. While recognizing these hindrances, some countries started to implement laws ensuring that a certain amount of central state revenues is directed to municipalities, Bolivia´s “Ley de Participación Popular” being an example. This law guarantees a fiscal transfer of 20 per cent of all central government revenues to municipal governments.

As municipalities face the problem of generating revenues, “informal” mechanisms of budget generation can emerge. Thus there is evidence of Chinese local governments gaining “off-budget revenues”. Those are composed of donations by enterprises to specific public projects, profits from township-owned enterprises or incomes from the leasing of public land to enterprises. Although there is controversy on the legitimacy of such revenues, evidence shows that off budgets foster local participation and ownership in urban governance (GANG 1999 : 234, 235). While there are other prominent examples for participative fiscal governance mechanisms (such as Participatory Budgeting in Brazil), such processes bear the risk of local elites bestriding decision making, often referred to as “elite capture” (DEVAS 2004 : 30).

Diversity

One of the major difficulties that cities in developing countries have to face is cultural and socioeconomic diversity. Against the background of polarization and segregation, this challenge has a social as well as a spatial dimension. Thus the lack of coherence arises in dual structures. Gated communities offering exclusive schools and private water services stand opposed to illegal settlements without drainage, scant electricity and high crime rates. Given such a fragmented socio-spatial urban structure, some authors recognize *"the widespread retreat of the idea that networked services are `public` services that should be available to all at standard tariffs"* (GRAHAM & MARVIN 2001 : 96). As such trends can be even reinforced by particularism and localism, collective action is hardly to become effective.

Security

As crime rates are increasing in cities throughout the developing world, security has become a governance issue ever since. Hence the security dimension of city governance *"implies that there are adequate mechanisms/process/systems for citizens' security, health and environmental safety"* and *"signifies there are adequate conflict resolution mechanisms through the development and implementation of appropriate local policies on environment, health and security for the urban areas."* (UN HABITAT 2004a : 26). In this regard rapid urbanization is considered to exacerbate the ability of authorities to face security and safety demands due to three factors. First, the incidence of crime and violence is likely to be higher in larger cities since they concentrate victims, crime opportunities and markets for stolen items. Second, prison regime is assumed to be hampered by less expenditures on law enforcement per capita as well as a lower degree of community cooperation with the police. Finally larger cities are presumed to house a higher rate of crime-prone individuals and potential criminals (UN HABITAT 2007 : 14). Against this background the issue of security is highly relevant since it has an enormous impact on the social capital in both formal and informal urban institutions. Thus crime and insecurity are challenging the governability of social institutions as well as the cohesion of neighborhoods and communities.

Authority

Since all dimensions of challenge mentioned above are interlinked, this applies to authority as well. As aforementioned, developing countries have undergone massive change in the course of democratization and decentralization processes. While these transitions brought about devolution of powers and authorities to the local level, they were accompanied by massive demographic growth and geographical expansion. However, the urban growth, generally taking place at the fringes, is not necessarily in line with administrative borders. Thus there is evidence of Ahmadabad, an Indian city with an estimated population of over 5 million, being divided into 163 villages, towns and municipal councils besides various special purpose agencies being active. Consequently service provision is unclear or does not happen at all.

In addition, central governments still hold major responsibilities instead of devolving them to local authorities. Thus housing, land, education or healthcare oftentimes remain in the hands of the central state or private agencies, constraining responsiveness of local authorities to the poor. Furthermore, particularly Asian cities show a tendency to assign public duties to a wide range of development agencies, public utility companies or slum clearance boards. Hence transparency and accountability are weak since these authorities are subject to competition, exacerbating maintenance and the operation of services (DEVAS 2004 : 97).

Finally, cities of the south are organized in different “models” of governance. Thus Abidjan, Ivory Coast, is built-on as a two-tier system with lower-level municipalities undertaking assigned local functions and a higher-level council covering the urban entity (MONTGOMERY ET AL 2004 : 405). In contrast, a variety of cities is organized in a one-tier manner, either by a collaborative system of autonomous local governments or by a unitary city government. Given such a multiplicity of governmental organization along with a range of private agencies and civil society stakeholders, the allocation of rights and duties arises as a major challenge of urban development.

3.4 Urban governance and poverty reduction

There is a broad consensus among academics and practitioners on the significant role of governance for poverty alleviation at the local level. Recognizing poverty reduction as one of the major goals of the international development agenda, one has to explore the interface between urban governance and poverty. Thus a range of characteristics that are specifically faced by the urban poor can be identified (BAHAROGLU & KESSIDES 2002 : 124):

- commoditization (reliance on the cash economy)
- overcrowded living conditions (slums, squatter settlements)
- environmental degradation (density, exposure and location of marginal settlements)
- social fragmentation, violence, insecurity (loss of social capital)

Such risks are enforced by corruption, inappropriate policies and inadequate legal frameworks, giving way to social exclusion. As aforementioned, these issues are governance-related, thus revealing the strong interrelationship between governance and poverty. It is in this context, that governance structures need to address urban poverty in a proper manner. Therefore it is important to explore how poverty is approached as well as regarded by major stakeholders. Do local authorities tend to ignore informal settlements? Does eviction take place? Are pro-poor policies implemented or do they only exist formally? Are there special pricing policies targeting the poor? These questions provide essential information about the governance situation in cities of developing countries. Apart from local authorities` attitude towards poverty, the legal status of poor people in cities of the south is of significant importance as well. Since southern cities oftentimes feature outdated legislation, local authorities are kept from setting about grievances in informal settlements. For instance, research showed that the Colombo Municipal Council (CMC) was prohibited to spend money on under-serviced settlements not paying property tax (FERNANDO ET AL 1999 : 67). There is also evidence of the Bangalore Slum Clearance Board being unable to provide water and remove waste from unregistered slum areas. In addition, the municipal government is not authorized to regularize land tenure without the central government´s approval (BENJAMIN & BHUVANESHARI 1999 : 57). Such legal constrains exacerbate a proper governance approach to poverty to a vast extend.

In addition to such crucial elements, the ability of the urban poor to participate in decision making and to access basic services (e.g. sanitation, health care) is of particular importance. As those issues have a huge impact on the potential of poor people to actively take part in urban life, they determine a city´s character – either inclusive or rather exclusive. This challenge is even reinforced by intensive competition for resources and political power between the poor and local or global elites. As cities like Bangalore are trying to integrate into the global economy, their internal structures change within the process. Thus Bangalore features two types of economies with different links to governmental structures. On the one hand there is a global *corporate* economy, endued with connections to higher levels government. On the other hand there is a “localized” economy, only possessing connections to local government. Since almost all decision making on urban development is exercised through higher level authorities, the localized, often informal economy has only little influence on such issues.

Since southern cities are oftentimes overextended in being responsive to the needs of their poor population, the very resort to informal activities and social networks in order to sustain their livelihood. However, such livelihood strategies are again highly dependent on the institutional context. If, for example, informal trading is exacerbated by legal constraints, this has a huge impact on the livelihood assets of the poor. In addition, one has to appreciate the fact that despite sound performance of cities in tackling poverty, the numbers of poor people may still rise. Given the fact that cities are neither isolated from their national economy nor from their hinterlands, macro and meso level pressures might undermine urban poverty policies (DEVAS 2000 : 2).

Finally, as cities in the developing world grow so rapidly, they often feature a wide gap between jurisdictions and their actual size. Hence the issue of boundaries becomes essential as most of the growth takes place at the fringes, where the need for services is greatest. Given that the poor communities live outside the legal responsibilities of municipal governments, their actual infrastructure situation is oftentimes unbearable. This adds up to another governance-challenge.

Fig. 4: Competing governance circuits in Bangalore
Source: BENJAMIN 2000, page 55.

4. Urban indicators – depicting “what is going on in cities”

Social and economic urban development is increasingly focusing on local government management. However, many cities in developing countries are not endued with adequate data and information to meet these challenges. As appropriate data is not at hand, many elements of urban management, strategic and sector planning, private sector involvement et cetera can not be properly administered. On the grounds of that, the relationship between policy initiatives and urban outcomes just as the connections between the performance of specific sub-sectors and broader social and economic development can hardly be comprehended (ASIAN DEVELOPMENT BANK 2001 : X). Hence urban indicators, as a means to monitor urban structures and processes, have gained popularity in recent years.

4.1 Indicators

Being the Arabic correspondent for pointer, an indicator is effectively a small model by itself. Thus it incorporates components of cause and effect, of social norms that constitute progress as well as of policy actions and outcomes (ASIAN DEVELOPMENT BANK 2001 : 16, 17). As UNDP states:

> “An indicator is a device for providing specific information on the state or condition of something. An indicator is also a measure, gauge, barometer, index, mark, sign, signal, guide to, standard, touchstone, yardstick, benchmark, criterion and point of reference.”
> (UNDP 2009b : iii)

An indicator can best be distinguished from other data types by the fact, that it is formally linked with policy. Hence it establishes a connection between policy and statistical data. In addition, it provides evidence on the existence of a certain condition or that specific results have or have not been achieved. As indicators enable decision-makers to assess progress towards the achievement of intended outputs, outcomes, goals, and objectives they are an integral part of a results-based accountability system. The connections between data, statistics, and indicators are presented in the figure below. While raw data and information is typically added into statistics, these are often of limited use for policy since they demand further interpretation and analysis. Therefore indicators are created – normally single numbers (most frequently ratios), allowing for comparisons over time and space.

Moreover, they hold normative as well as policy implications. However, in contrast to statistics, indicators are often considered means to information and explanation of complex socio-economic phenomena as they provide the public with a bigger picture of the problem of particular interest.

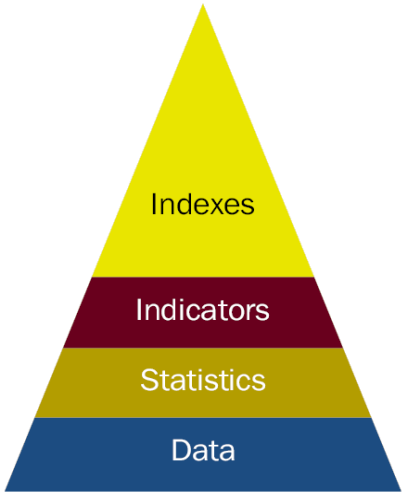

Fig.5: The Data Triangle
Source: ASIAN DEVELOPMENT BANK 2001, page 17.

Indicators can resort to quantitative (raw data, comparable numbers) and qualitative (perceptions, values, binary) information. There is a broad consensus that indicators need to be feasible to collect and interpret. In addition they must be practical to implement and therefore should be the subject to periodic review so as to meet changing circumstances and information. There exists a general consensus that four types of indicators can be distinguished. They are highlighted in the following box:

Box 3: Types of indicators

Input indicators
Measuring the resources required to produce outputs (such as goods and services) as well as the institutional environment in which the organization functions (e.g. budget allocations or human resources).

Process indicators
Indicating the required actions within an organization to achieve aspired results (e.g. quality of the administrative system or procedures, policies and plans).

Output indicators
Comprising visible results of the inputs and processes (e.g. goods and services that satisfy citizen needs).

Outcome indicators
Measuring long-term objects or targets deriving from a process (e.g. satisfied needs or changes in behavior).

Source: (OECD 2009 : 32)

However, three main types of indicators are usually identified in the field of urban policy (ASIAN DEVELOPMENT BANK 2001 : 17):

a) Performance indicators
Measuring facets of the performance of organizations, sectors or cities in general, aiming at identifying if aspired goals are met.

b) Needs indicators
Measuring a need or deprivation, such as poverty indicators.

c) Issue-based indicators
Measuring specific matters or sectors such as crime and safety, unemployment, urban sprawl or air quality.

Against this background, an indicator might also be defined as *"a summary and synthesized measure that indicates how well a system might be performing"* (FLOWERS ET AL. 2005 : 240).

4.2 Indexes

Indexes constitute the top level of data organization, representing nexuses of indicators produced to identify the overall advance of the object of study. They are used whenever it is aimed at measuring broad themes or concepts in a single number. Such concepts are for example sustainability or good governance. Against the background of their multidimensionality, themes of that ilk are not directly measurable as indexes incorporate either various components which are represented by different indicators or sub-indexes. As such, an index provides a consistent framework for placing data from various sources into common units.

Using indexes as a framework for the collection of topic driven indicators has become an essential methodological approach in the field of (urban) development studies (ASIAN DEVELOPMENT BANK 2001 : 21, 22). In doing so indexes are generally derived ad hoc or by utilizing statistical data reduction techniques such as factor analysis. However, urban indexes as well as indicators can be categorized by identifying six essential issues, providing information on the *"environment in which indicators development takes place"* (ASIAN DEVELOPMENT BANK 2001 : 18). Therefore it has to be clarified who is the primary user, utilizing and commanding the indicator/index. In addition one has to be aware of the urban perspective. This means defining if the city is considered a political entity of interacting stakeholders, an entity aiming to meet development goals, a physical system of operating stakeholders, a set of units and processes aiming at best performance or a system of control and accountability. Furthermore the principal use and rationale of the indicator/index has to be identified. Moreover one needs to find out about, if the indicators are to comprise and compare development progress between different stakeholders or if they are used for particular internal organizational processes (political and organizational context). Another elementary issue is the spatial level or rather scope. Hence it has to be specified at what level indicators and indexes are applied. The different levels of indicator applications is shown in figure 6.

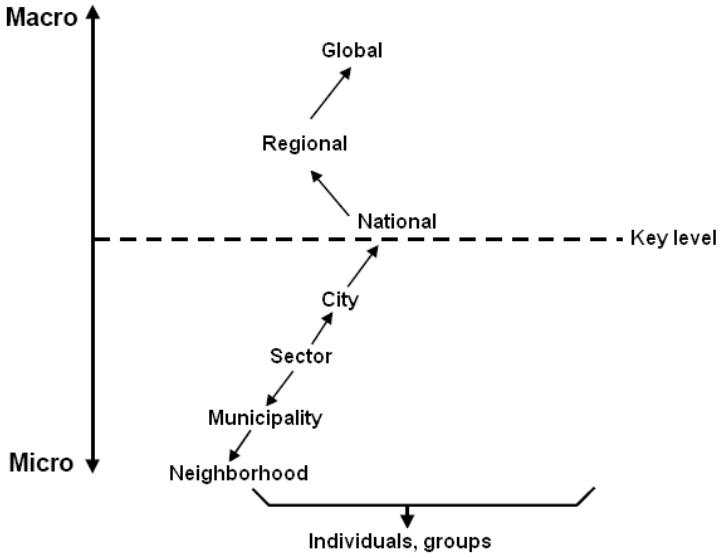

Fig.6: Spatial scales of indicators
Source: modified according to OECD 1997, page 86.

Finally it has to be clarified who is responsible for the issuing of indicators since they can be issued by expert groups as well as through a consultative process involving stakeholders. In this regard it is also important to specify if the indicators/indexes are developed via a top-down or a bottom-up process. As *"urban and regional indicator projects aim to generate synergistic utility out of measures of urban quality and progress, trying to transform assessment measures into strategic levers for system change"* (HOLDEN 2006 : 170), probably one of the most important organizations dealing with urban indicators is the Global Urban Observatory (GUO) of UN HABITAT.

Box 4: The Global Urban Observatory & the Habitat Agenda
The GUO was established responding to a decision of the United Nations Commission on Human Settlements, calling for a mechanism to monitor global progress in implementing the Habitat Agenda and to monitor and evaluate global urban conditions. Operating under the Monitoring Systems Branch of UN HABITAT the GUO aims at assisting local authorities and civil society organizations in developing and applying policy-oriented urban indicators. On the other hand the Habitat Agenda is the main political document resulting from the Habitat II conference in Istanbul, Turkey 3 to 14 June 1996. Adopted by 171 countries, at what was called the City Summit it contains over 100 commitments and 600 recommendations on human settlements issues.

Yet using indicators in development policy and cooperation has emerged as a feasible way of measuring progress. Thus UNDP has published a range of human development indicators in its "Human Development Reports" (1993-96) just as the World Bank has published the "Social Indicators of Development" report (World Bank 1993). In addition, the Human Development Report introduced by UNDP in 1990 is in all likelihood the best known statistical measure of development. However, the urban indicator movement began with the emergence of the joint UN HABITAT/World Bank Housing Indicators Programme. The programs success gave way to the development of a set of urban indicators designed to capture requisite information on cities as well as to monitor the urban performance in respect to desired policy targets. Moreover, as a result of the Habitat II conference, all of UN HABITAT´s partner groups, comprising local authorities and communities were requested to regularly monitor and evaluate their own performance in the implementation of the Habitat Agenda through comparable human settlements indicators (FLOOD 1997a : 1639).

In recent years urban indicators oftentimes appear in terms of sustainability indicators. Here, sustainable urban development means an integrative dealing with ecological, economic, social, and cultural aspects of urban development in a long-term perspective. As many cities try to implement sustainable urban development on the local level, such an attempt requires the co-operation of a variety of authorities, stakeholders and social groups on different political levels. However, in order to figure out to what extent actual urban development processes comply with envisaged sustainability, adequate assessment procedures are essential (WEILAND 2006 : 241). However, since the United Nations Conference on Environment and Development in 1992, a variety of sustainability indicator approaches have been designed with highly aggregated indexes existing beside indicator sets with many single indicators. In doing so, to some extend a few complex key indicators are combined with a large number of simple indicators. The Urban Indicators Programme (UIP) of UN HABITAT shall support both the implementation of Agenda 21 (the UN program on sustainable development enacted by 172 states) and the Habitat Agenda. As sustainable urban development requires strategic long-term goals and objectives acceptable for the majority of the urban population, that very goals and objectives have to be assessed and controlled. Such a monitoring via urban indicators is shown in figure 7.

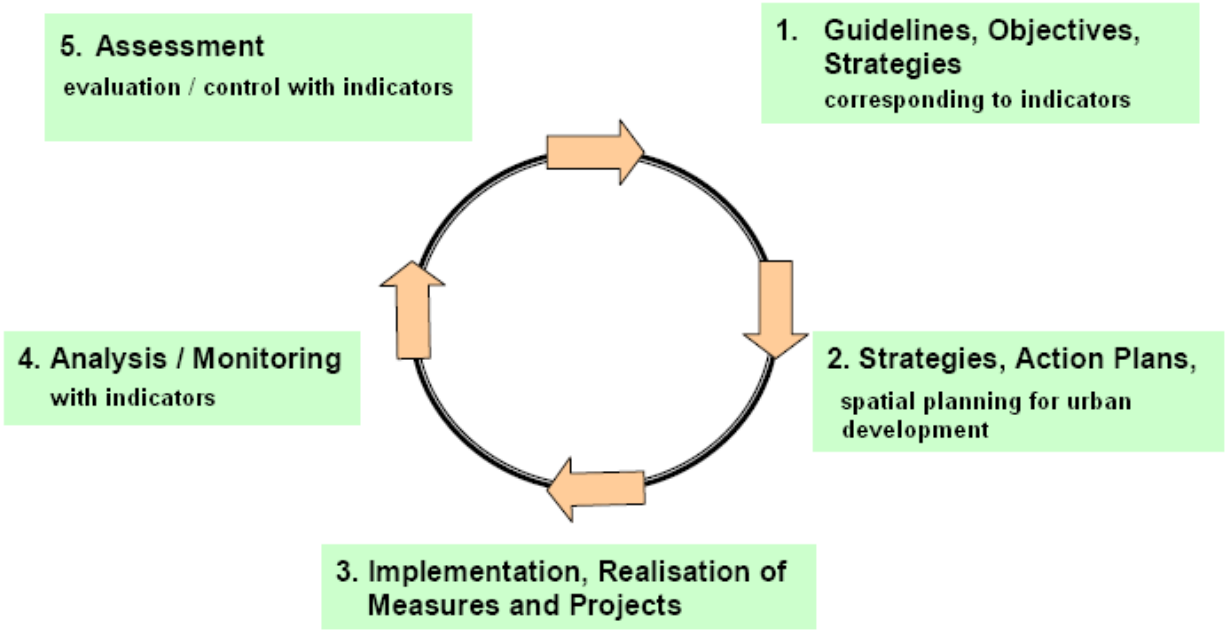

Fig. 7: Management cycle for urban development via indicators
Source: modified according to WEILAND 2006, page 248.

Based upon information on local conditions, the city community can develop guidelines, objectives and strategies for urban development. That very strategies in turn can foster the implementation of objectives just as preparing the enforcement of certain measures. At this, regular analysis and monitoring of city development by means of urban indicators is a requisite precondition for the evaluation, to what extent actual city development processes are in line with desired development outcomes. Based on the final assessment, new guidelines can be designed as well as strategies be redefined (WEILAND 2006 : 247). Recognizing that indicators are a feasible way of measuring and monitoring urban development and performance, there is a variety of reasons for applying them. Given the complex constellations in municipal governments, it is essential that public authorities inform the city population about urban governance processes, as can be done via indicators (MINISTRY OF MUNICIPAL AFFAIRS AND HOUSING ONTARIO 2007 : 5). Moreover, indicators and indexes have become an instrument for monitoring the outcomes of policy implementation in urban planning (GANSER 2008 : 111). In addition, measuring municipal performance and cash flows, helps to detect strengths and weaknesses in urban management processes of developing countries.

In the following, two indexes highlighting urban governance and urban development shall be introduced: The Urban Governance Index (UGI) and the City Development Index (CDI). As both indexes claim to identify what constitutes the respective concept they reflect, a systematic analysis of that very concepts shall be conducted. While the CDI is a broad policy-based indicator system looking at the health of cities or sectors, it covers areas beyond the realm of a single management structure. Thus the index is intended to foster and inform a dialogue between different parties involved in urban development. In contrast the UGI is aimed at generating a governance profile of the respective city. Here the focus is on monitoring results of capacity building efforts, just as to establish an objective set of data to feed the review of urban governance strategies and other development policies. As such the index intends to provide an objective account on achievements of local elected leaders.

4.3 The Urban Governance Index

In 1999 UN HABITAT launched the Global Campaign on Urban Governance in order to support the implementation of the Habitat Agenda goal of “sustainable human settlements development in an urbanizing world.” Against this background, the campaigns goal is to

contribute to the eradication of poverty by increasing the capacity of local governments and other key stakeholders to improve their urban governance quality. Here the campaign theme is “inclusiveness”, promoting cities *“where everyone, regardless of wealth, gender, age, race or religion, is enabled to participate productively and positively in the opportunities cities have to offer”* (UN HABITAT 2002a : 5). Thus inclusive decision-making processes are an essential means to achieve this goal. The campaign is based on UN HABITAT´s assumption that the quality of urban governance is the single most important factor for the eradication of poverty and for prosperous cities. In this context, the Urban Governance Index represents one of the campaign´s “Flagship Products” (UN HABITAT 2002a : 6). However, the index is supposed to be an advocacy and capacity-building tool to assist cities and countries in monitoring their quality of urban governance.

As it is envisaged to be a measure of good governance and inclusiveness in cities, the UGI has been field tested in 24 cities across the world. At this, the index-structure reflects four core principles of good urban governance promoted by the campaign as the overall organizing framework for the index: effectiveness, equity, participation and accountability. Furthermore an agreement between UN HABITAT and UNDP’s Oslo Governance Centre arranges for jointly exploring the integration of the Governance Centre´s national governance indicators and UN HABITAT’s locally orientated index in three pilot countries. Most recently the index has been developed for Ulaanbaatar, Mongolia in 2006. This will be part of the case study which is covered later on in this study.

4.3.1 Measuring urban governance

Ever since the Paris Declaration on Aid Effectiveness in 2005 there is a broad consensus on development cooperation to be goal-oriented. Since the same goes for the role of governance in achieving the Millennium Development Goals, measuring governance has come to the forefront of the international development debate. As international donor agencies have also applied pressure towards reforms in urban governance, the need to monitor the implementation of such changes in urban management has emerged. For that reason a large variety of governance related indexes and indicators has been produced.

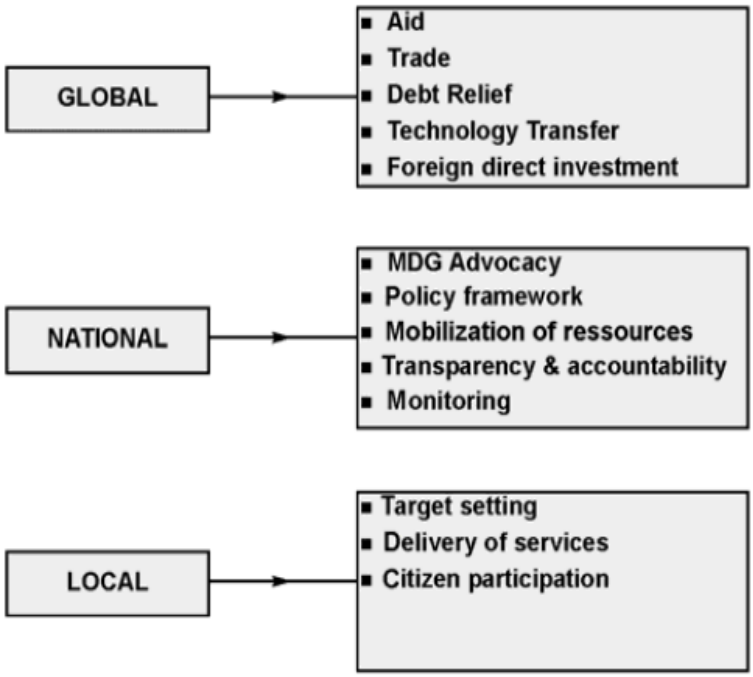

Fig. 8: The role of governance at different spatial levels
Source: UN DESA 2006, page 17.

However, only few of these instruments focus on the urban dimension of governance measurement. Yet one of the main differences between national and local/urban governance assessments is the greater proximity to real-world issues, as national governance commonly deals with systemic policies while the local level is *"in a daily and intensive interaction with the citizens"* (UNDP 2009a : 7). A popular example of governance-focused development research at the national level was undertaken by the World Bank (KAUFMANN, KRAAY & ZOIDO-LOBATON : 1999). The study reveals a positive relationship between indicators of good governance and development outcomes such as per capita income, infant mortality and adult literacy. Those connections have been recently verified by a follow-up study (KAUFMANN, KRAAY & ZOIDO-LOBATON : 2008). While these findings apply to the national level, it is argued that they are valid at the local or rather city level as well. Hence, against the background of massive urbanization, the notion of urban governance has come to the fore. However, as the connection between city governance and urban development is assumed, it is essential to measure that very local governance.

Yet governance indicators are often holistic and aggregate or focus on ranking, while not necessarily revealing variations between diverse contexts, spatial levels or aspects of governance (NARANG 2005 : 2). In addition, their scope can be narrowed, focusing on only one aspect of governance such as Transparency International´s (TI) Corruption Perception Index (CPI). Besides, this index does only highlight perceived instead of actual corruption.

As the research into urban governance and city performance is limited, due to shortcomings in data collection and availability, one study worth mentioning is the World Bank´s database on globalization, city governance and city performance (KAUFMANN, LÈAUTIER & MASTRUZZI 2004). The study covers 412 cities worldwide, based on 35 variables and indicators of already existing databases (for instance the GUID II of UN HABITAT). It aims at revealing the impact of globalization on sound urban governance as well as if globalization and good urban governance influence city performance. In doing so, the analysis suggests that governance and globalization are interconnected and impact positively on city performance. At this the findings result from econometric testing. Hence the authors state that *“improving governance at the city level allows cities to translate global opportunity into local value for their citizens”* (KAUFMANN, LÈAUTIER & MASTRUZZI 2004 : 38). In the process urban governance is measured by a city´s provision of services to its citizens and the “functioning” of its public sector. Thus some indicators among others are access to water, sewerage and electricity as well as bribery in utility, trust in politicians and the quality of the postal system (KAUFMANN, LÈAUTIER & MASTRUZZI 2004 : 15). However, these city governance indicators are geared towards the positive connection between urban governance and the “performance” of global cities. Yet figure 9 suggests, that access to services like sewerage and the quality of infrastructure are better, if there is control of corruption plus bribery and state capture (illegal payments made by companies) being low.

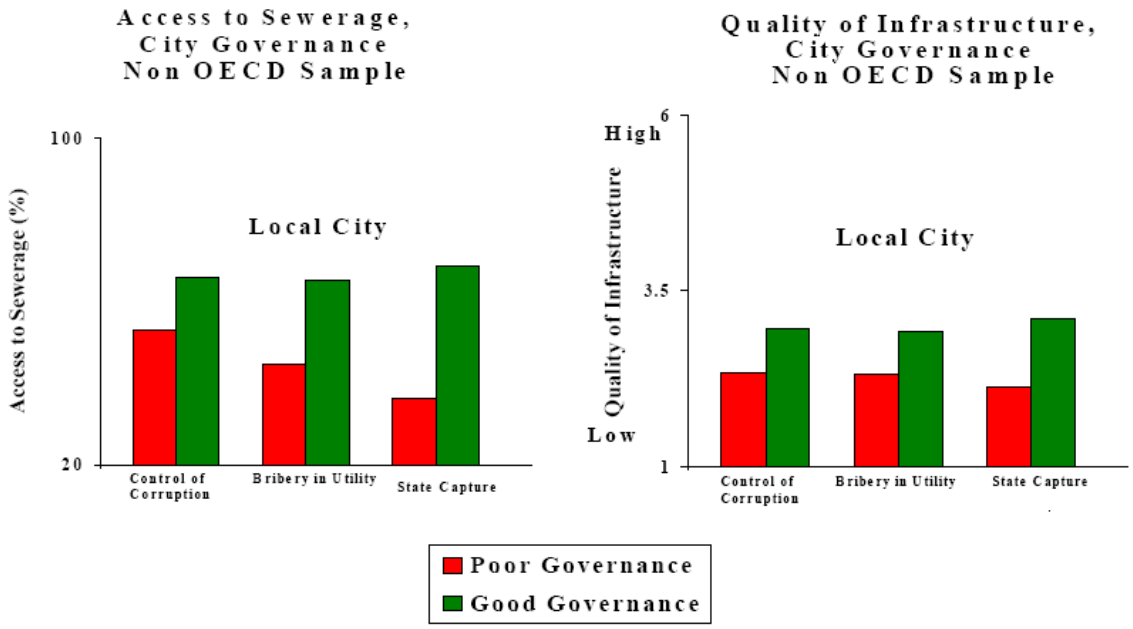

Fig. 9: Significance of good governance for urban development
Source: modified according to KAUFMANN, LÉAUTIER & MASTRUZZI 2004, page 17,18.

However, when measuring governance via indicator-based assessments, four challenges come to the fore, namely concept definition, measure choice, sample choice and indicator evaluation (STEWARD 2006 : 197). Hence it has to be agreed on which elements constitute good urban governance first, recognizing the normative nature of “good”. Furthermore it has to be resolved how the various aspects of city governance can be measured. This implies, for instance, to decide which indicators quantify the issue of participation. Regarding the sample choice there are two risks when measuring city governance. First, a horizontal sample challenge (risk of administrative boundaries to mask sub-community distributions; e.g. average city income per capita versus per capita income in different districts). Secondly, a vertical sample challenge as local decisions often dependent on higher levels of government and the interaction of various stakeholders. Finally, the evaluation of selected indicators is an important factor. This is closely linked to the first parameter and again of a highly normative nature.

In addition to these aspects, the type of indicators used for urban governance measurement are crucial. At this there is an emphasis on process- and performance related indicators, along with the traditional outcome- and impact focused ones. As governance comprises the *“mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their*

obligations and mediate their differences" (UN HABITAT 2004a : 18), the focus in measurement is on how decisions are made and the complex relationships determining them. However, the selection of indicators is always defined by the objectives of the monitoring system and the policy and program objectives to be achieved. Hence a connection between indicators and program/policy objectives can be established.

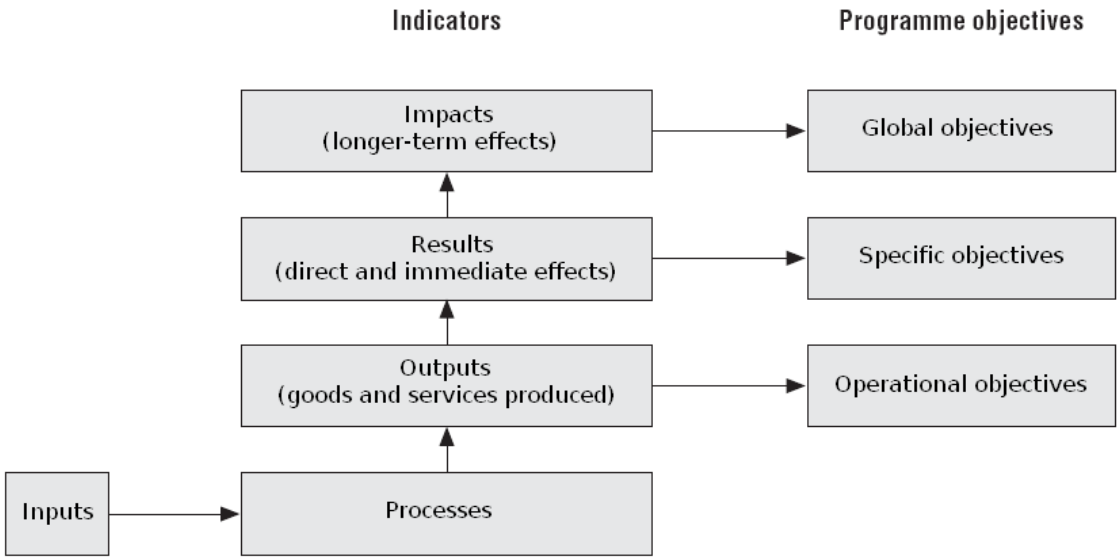

Fig. 10: Linking indicators and program objectives
Source: modified according to EUROPEAN COMMISSION 1999, page 6.

While there exists a variety of indicator initiatives, two main approaches have been outstanding in the past. First, the `systems approach` primarily developed by the OECD, that was most notably used for environmental reporting in the course of Agenda 21. Secondly, the `policy based approach`, that resulted from the social indicators movement of the late 1960´s. Originating from an econometric perspective, it was modified by the World Bank as well as UN HABITAT in the following.

However, measuring urban governance also brings about methodological problems. Thus a disparity between "de facto" and "de jure" situations might exist. As such, de facto refers to the processes/conditions in practice but not necessarily ordained by law, while de jure implies that these very conditions might be officially fixed by law without essentially being in practice. Hence anti-corruption units may focus on eliminating political opponents instead of tackling corruption. In the same way specialized trained staff may be transferred to assignments where the training is irrelevant in order to hide low government effectiveness (WESCOTT 2000 : 6). Yet each aspect of urban governance can be measured in different ways and for different purposes. Thus there are, for instance,

numerous ways to measure corruption (consultation of the public or of experts, perceived or experienced corruption). However, there are more alternatives to measure corruption other than that mentioned (WESCOTT 2000 : 9).

As aforementioned, urban governance is assumed to have a direct impact on development targets such as poverty reduction or service provision. Hence indicators can be a meaningful tool for capacity-building where local governance structures are weak. Yet there needs to be a balance between universality and contextualization. While a universal approach to governance indicators would exacerbate measuring such a variable concept as the quality of governance, their adjustment to a very specific institutional environment (national or local) would reduce the comparability of data. Hence the development of `core indicators` (relevant across different countries and contexts) and `satellite indicators` (specifically suited to a particular context) is helpful (NARANG 2005 : 3).

As urban governance is most notably based on the principles of participation, accountability and efficiency, it is essential to recognize their different policy and capacity implications at the local level compared to the national level. Thus urban or local governments are the primary providers of basic services such as water supply, sanitation, sewerage, waste management, health, education and sometimes housing facilities. So the quality of governance depends on how the very authorities engage their communities in decision making, build partnerships with stakeholders and foster responsiveness and accountability to their citizens. Furthermore they have to assure access of the poor and marginalized groups to services and to decision-making processes (NARANG 2005 : 4). However, these issues are difficult to measure and disaggregated analysis turns out to be very complex. Besides, existing indicator sets are often applied as ranking instruments, not easily qualifying for being linked to policy reform and capacity building needs. For that reason UN HABITAT developed the Urban Governance Index in order to meet the challenges mentioned above. Being the second main attempt in measuring urban governance besides the World Bank research, the UGI is an advocacy and capacity-building tool to assist cities in monitoring the quality of their inclusiveness as well as their governance situation.

4.3.2 The index framework

As aforementioned, UN HABITAT believes well functioning urban governance to be a major determinant of sound city development, thus contributing to the eradication of poverty. At this the UGI has been developed with a two-fold purpose aiming at two different spatial levels.. At the global level it is to demonstrate the significance of good urban governance in achieving extensive development objectives. This implies for instance achieving the Millennium Development Goals, as the United Nations System has assigned UN HABITAT the responsibility to assist the UN members states in monitoring and gradually attaining the “Cities without Slums” Target 11 (to have achieved a significant improvement in the lives of at least 100 millions slum dwellers by 2020) (UN HABITAT 2004b : 3). In addition the UGI shall foster the implementation of the Habitat Agenda. While these goals and targets are of a global scale, the UGI has also a local level approach. Here, the index is presumed to mobilize local action for improving the quality of urban governance.

In order to review the progress in developing the UGI, an expert meeting was held at the World Urban Forum in 2002. In the course of this meeting it was decided that alongside with UN HABITAT also UNDP, the World Bank and Transparency International should be involved in developing the index. Subsequently a two-staged field test was conducted in order to select feasible indicators and assess the credibility of the UGI as a tool (UN HABITAT 2004a : 2). While the first stage comprised 12, the second test covered 24 large and medium sized cities from different regions (Douala, Yaounde, Louga, Dakar, Ibadan, Enugu, Amman, Tanta, Ismailia, Naga City, Colombo, Moratuwa, Negombo, Matale, Kandy, Kotte, Pristina, Montreal, Vancouver, Montevideo, Quito, Santo Andre, Bayamo, Guadalajara City). However, the expert meeting identified a list of 66 indicators based on the central issue of inclusiveness. As it was not feasible to utilize all of the 66 indicators for the field test though, a structured evaluation exercise was to reduce indicators. Here, indicators were tested to meet the criteria of consistency with the Urban Governance Campaign goal, ease of collection, credibility, comparability across countries and their media appeal. As a result, 26 indicators were short-listed to be field-tested.

As mentioned above, the notion of urban governance is a complex concept. Hence the main objective of the UGI is to synthesize the variety of complex concepts by a *“simplified*

summary measure" (UN HABITAT 2004a : 16). In doing so, the index is to measure the composition of governance related mechanisms, institutions as well as processes. However, the UGI is based on seven principles of good governance identified by a UN Inter-Agency meeting in June 2001, namely sustainability, subsidiarity, equity, efficiency, transparency/accountability, civic engagement and security. As a result the following principles form the framework for the Urban Governance Index:

Box 5: UGI principles

Effectiveness
Effectiveness comprises the principles of efficiency and subsidiarity. In addition it covers a city´s strategic vision.

Equity
Equity implies sustainability and gender equality as well as intergenerational equity.

Accountability
Accountability includes transparency, the rule of law and the city´s responsiveness to the needs of its citizens.

Participation
Participation covers the principles of citizenship, consensus orientation and civic engagement.

Security
The security dimension comprises principles like conflict resolution, human security and environmental safety.

Source: UN HABITAT (2004a : 16)

This approach does not necessarily have to be linked to the functions of local government. However, a focus is on the quality of relationships and processes between local key stakeholders. In doing so, the applied approach resembles the World Bank's Sustainable Cities framework. Here, the four domains making up the framework are livability, competitiveness, good governance/ management and bank ability (WORLD BANK 2000b : 46). In terms of data the UGI employs a quantitative approach whereas data is collected at the city level. Yet the core set of quantitative data can be supplemented with qualitative surveys.

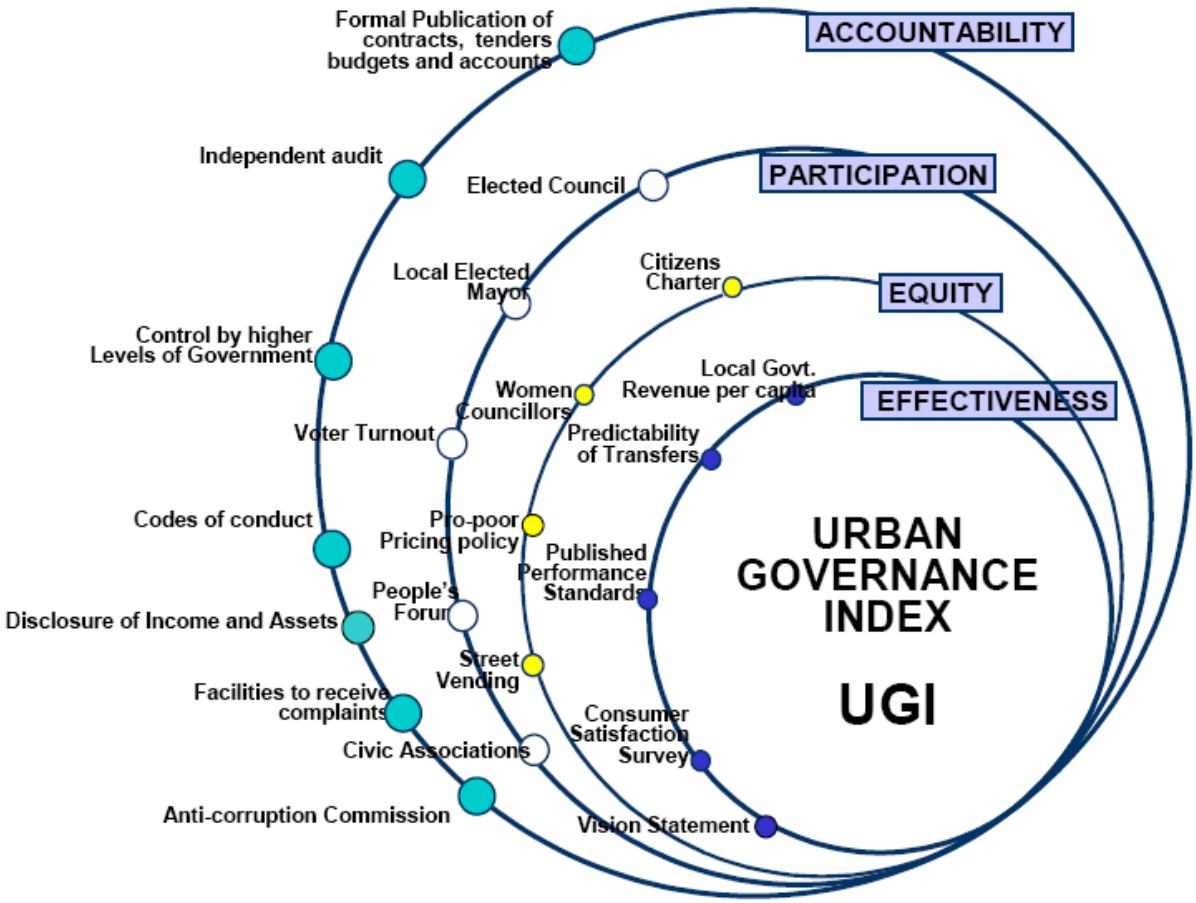

Fig. 11: The Urban Governance Index Framework
Source: UN HABITAT 2004a, page 1.

However, the UGI features some methodological loopholes. Thus the index utilizes proxy indicators as many governance issues are difficult to measure. Here, there is a risk of measurement errors and biased estimates. Another methodological weakness of the index framework is “unconfirmed causality”. This term means that the existence of a certain measure does not necessarily result in an effective governance process. In addition, as the UGI is on process indicators, the index focuses primarily on binary data. Yet with binary data it is hard to deduce the most relevant indicators and determine loadings to the variables since statistical techniques such as Principle Component Analysis are more credible when single numbers indicators are analyzed (UN HABITAT 2004a : 19). A Principal components analysis (PCA) of a set of variables extracts statistically independent linear combinations of the underlying variables which are most significant and explain the most variance in the data. As the UGI is a comparative index it aggregates indicators into

sub-indexes in order to simplify a variety of findings. Hence enough indicators need to be selected to cover all relevant issues of urban governance while at the same time too many indicators pose the risk of diluting the impact of changes to any individual indicator.

Given the two common approaches to designing index frameworks just as indicator systems, both a top-down as well as a bottom-up approach are employed in the UGI (UN HABITAT 2004a : 19,10). While top-down foresees the design of a conceptual framework just as the identification of indicators that fit, it poses the risk of oversimplifying reality. In addition, it might identify irrelevant or impractical indicators as well as it might be difficult to sustain. Moreover, such an approach runs the risk of finding no acceptance locally. On the other hand, a bottom-up approach focuses on participation of local stakeholders thus guaranteeing local ownership in order to make sure that collected data is locally relevant and used in decision-making. Both approaches have been utilized in the index framework since a first stage of developing the index focused on a desk study, identifying indicators. Subsequently a second stage comprised two rounds of field test for selected indicators at which participatory collection and evaluation were imperative (UN HABITAT 2004a : 20). As aforementioned, the selection of indicators for the UGI is based on the principles framework comprising five principles of good urban governance. However, the methodology for arriving at the final index is shown below.

Initially the principles of effectiveness, equity, accountability, participation and security provide the basis for the proposal of indicators. Against the background of their ability to meet the five criteria mentioned above, a number of indicators have been selected. As already mentioned, the number of indicators to be selected is essential. Subsequently a field test gave a first impression of the index. Hence a second field test was undertaken to test the modified set of indicators just as the sub-indexes, after feedback from the participating cities was received. In the following, methodological issues like assigning loadings et cetera were handled and a UGI-formula was designed.

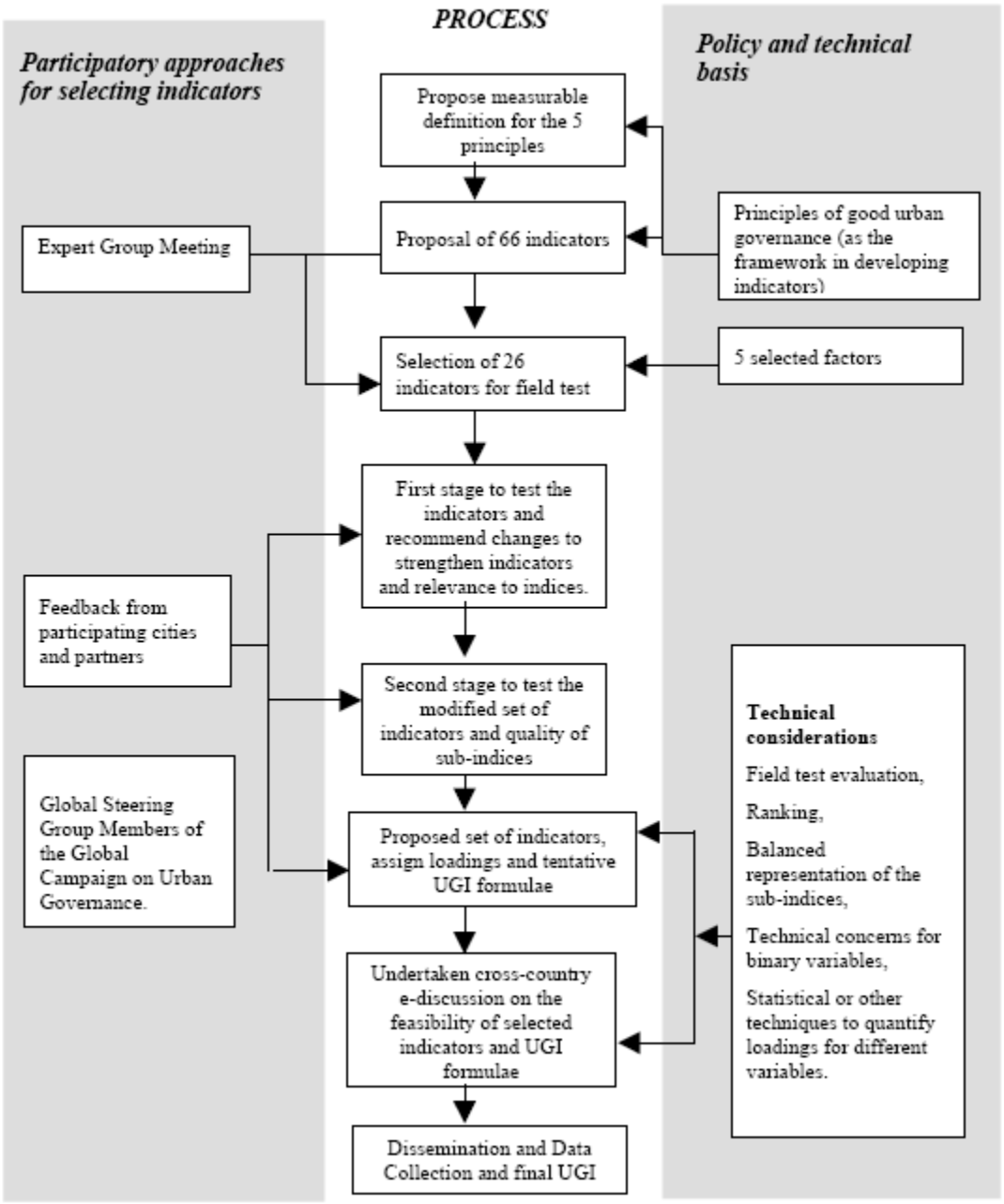

Fig. 12: Proposed methodology for arriving at the UGI
Source: UN HABITAT 2004, page 22.

4.3.3 UGI-field test

Two stages of field tests were undertaken in the course of the index-development. Stage one was conducted between March and May 2003, stage two between January and March 2004. As the tests were to evaluate the indicators and sub-indexes, the resulting feedback provided the basis for the second stage. At this, it was essential to refine the data in order to better evaluate the UGI. However, a modified set of indicators was collected in the second stage based on recommendations. While stage one gave first impressions on

specific indicators and the overall index-design, the second stage allowed for a final draft set of indicators making up the UGI.

In terms of sample size circa 30 cities were selected for the field test whereupon 24 actually participated. While all of them were UN HABITAT partner cities, it was aspired to account for a variety in the city sample *"taking into account geography, socio-economic status, political system and population size"* (UN HABITAT 2004a : 29). However, it has to be noted that sample cities feature a significant variation in their size and population. Thus Matale, Sri Lanka accounts for a population of approximately 37.000 inhabitants while Guadalajara City, Mexico has a population of circa 1.600.000 (core-city) and approximately four million (metropolitan region). In addition, one has to be aware of the fact that the collected population data does not differentiate between urban agglomeration, metropolitan and municipal areas. While Latin America and the Caribbean region featured the most representative sample with all five cities being located in different countries, Asia and the Pacific accounted for the largest sample. Yet except for Naga City, Philippines all Asian cities were from Sri Lanka. Besides, Africa and the Arab region were represented by nine cities while Europe only featured Pristina, Kosovo.

The total collection level of data sets answered to data sets presented was 93 percent and 89 percent for the first and the second stage respectively. Here, the lowest collection level became apparent for indicators that applied to the sub-indexes of effectiveness, equity and participation. However, due to their binary nature (Yes/No), most of the indicators referring to security, accountability and equity showed a high collection level.

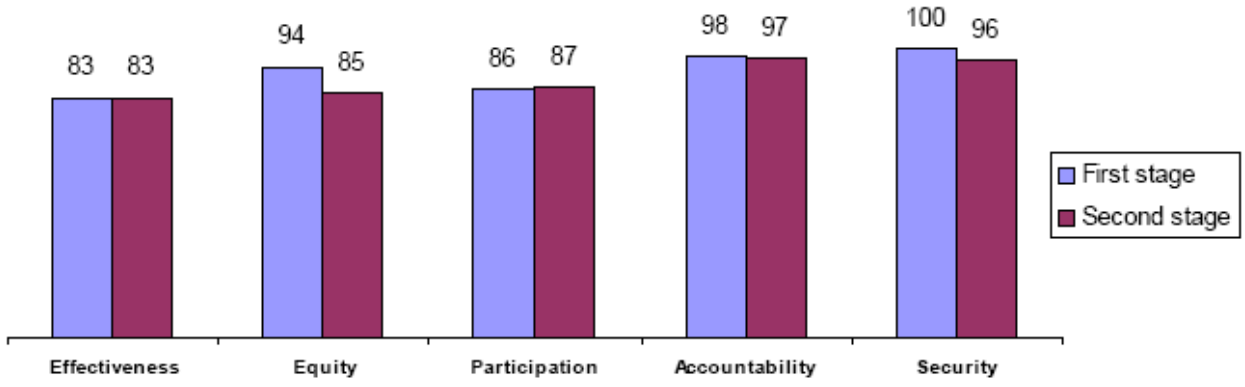

Fig. 13: UGI field test data collection level by indexes in percent
Source: UN HABITAT 2004a, page 31.

4.3.4 Detailed analysis of the UGI

In the following each sub-index of the UGI together with its respective indicators will be scrutinized. However, as the Security sub-index was not recommended to be included in the overall-index, it will just be covered briefly at this point. Thus the Expert Group Meeting on the Urban Governance Index in 2002 identified crime, natural disasters, health, environment, security of tenure and conflict resolution as dimensions of security. Yet, as there was disagreement on the inclusion of a security dimension in the index, the following definition was recommended:

> "Security of governance implies that there are adequate mechanisms/process/systems for citizens' security, health and environmental safety. It also signifies there are adequate conflict resolution mechanisms through the development and implementation of appropriate local policies on environment, health and security for the urban areas."
> (UN HABITAT 2004a : 26)

At this, it was proposed to measure the level of security in different parts of the city via local level perception surveys. Such an approach was considered meaningful as even a high provision of inputs like the number of policemen or their capacity does not necessarily result in a higher level of security. However, the first stage of the field-test indicated a weak representation in addressing the security principle. Thus the identification of indicators on the processes and institutions addressing security turned out to be very difficult. Hence it was proposed to exclude most of the indicators and review other potential indicators for the second stage. Yet the second stage provided only mild improvement in the overall score of the sub-index as the majority of indicators received a low ranking. Here only one indicator ("Communities in conflict resolution") received high ranking as it addressed the four factors mentioned in the evaluation section alone.

However, the respective sub-indexes and indicators will be scrutinized in the following. At this the definition for each sub-index accounts for the selection of indicators, as it presents its linkage to policy objectives just as its significance to the principle of governance. Moreover, some indicators refer to the Global Urban Indicators Database (GUID).

Effectiveness sub-index and indicators

Effectiveness of the local government just as the quality and the cost of services it provides determine the functioning of the city to a large extent. At this institutional efficiency comprises subsidiarity of authority, sufficient resources, predictability of processes and institutions, autonomy to meet responsibilities as well as the management of revenue resources. In this respect effectiveness highlights the mechanisms (policies, standards, survey instruments, quality of administration) in place that ensure an effective delivery of public services just as responsiveness to the urban society. On this account the Expert Group Meeting on the UGI recommended to following definition of effectiveness:

> "Effectiveness of governance measures the existing mechanisms and the socio-political environment for institutional efficiency (through subsidiarity and effective predictability) in financial management and planning, delivery of services and response to civil society concerns."
> (UN HABITAT 2004a : 23)

Indicator 1: Local government revenue (LGR) per capita

This indicator measures the financial resources available to a local government via total income per person. In doing so, the indicator is defined as the total local government revenue annually collected (both capital and recurrent for the metropolitan area, in US dollars) per capita in a three year average. However, it has to be specified if the LGR refers to the municipal area or the metropolitan region. The indicator can be derived from various sources such as taxes, user charges, transfers from higher levels of government or loans. At this, taxes include municipal rates and levies or local taxes on property and business. User charges involve local government charges for services such as water or waste just as building permits. Transfers imply formula driven payments such as repatriation or income tax while other income sources cover revenues such as donations or aid (MEHTA 2004 : 1). The indicator is normalized using the maximum and minimum known values. Here the importance of local governments being able to collect revenues has to be noted. Thus *"in many countries, revenue has not kept pace with expenditure requirements"* (MONTGOMERY ET AL. 2004 : 373) since there is a gap between cities´ responsibilities and authorities.

Indicator 2: Ratio of actual recurrent and capital budget

Indicator 2 measures the estimated balance between the different budget sources (recurrent and capital). This balance presents an indication on the viability, independence and control over resources of the local government and is thusly a predictor of its financial sustainability as well as effectiveness. Here recurrent budget means the income derived on a regular basis such as taxes and user charges while capital budget refers to fixed income derived after allocation of funds from internal or external sources. However, as some cities in the South have irregular approvals of sources of revenue this indicator shows some limitations in terms of data collection.

Indicator 3: Local government revenue transfers

The extent to which local government is dependent on the revenue transfers from higher levels of government provides information on the viability and independence over financial resources (see figure 15). The indicator is of particular relevance as *"most local authorities (in developing countries are) dependent for up to one-third of their revenue on other levels of government"* (MONTGOMERY ET AL. 2004 : 373). At this it is assumed that the lesser the extent of revenue transfers, the more discrete and independent the local government is likely to be over financial resources.

The indicator is measured by dividing the income originating from higher levels of government by the total amount of local government revenues (transfers and non-transfers). Subsequently the result is multiplied by 100 to arrive at a percentage (MEHTA 2004 : 3). Scoring on the percentage of transfers is:

0-25% = 1.0 ; 25-50% = 0.75 ; 50-75% = 0.50 and 75-100% = 0.25

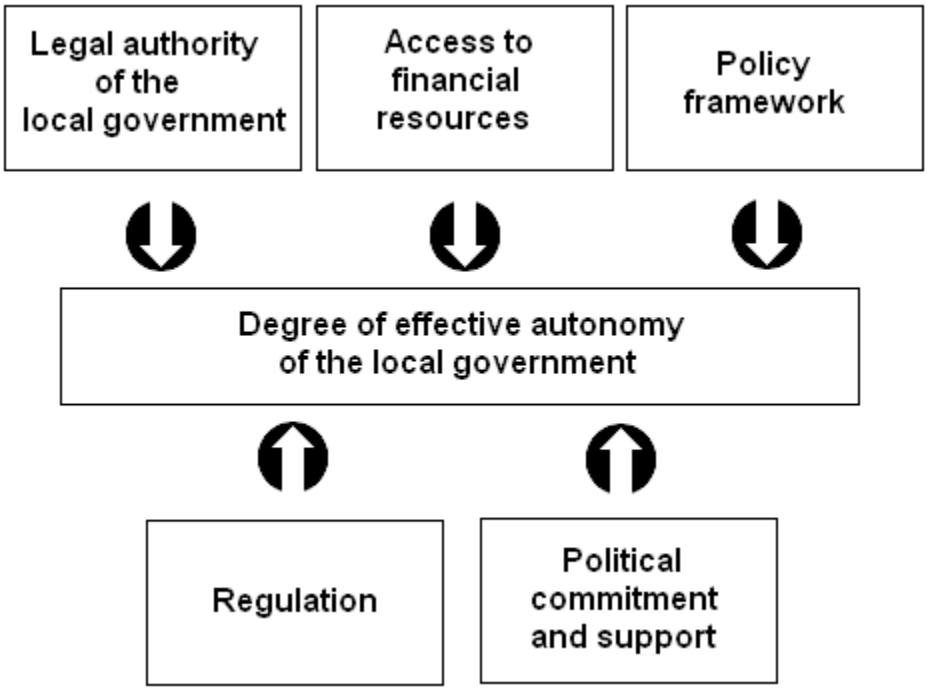

Fig. 14: Degree of effective autonomy of the local government
Source: modified according to VAN DIJK 2006, page 46.

Indicator 4: Ratio of mandated to actual tax collection

By measuring the rate of actual to mandated tax collection the indicator targets the efficiency in the tax collection system. In addition it is, to a certain extent, a proxy to the "willingness of citizens to pay taxes". Thus it is *"perceived as an important indicator to widen the principle of effectiveness and reduce its local government bias"* (UN HABITAT 2004a : 34).

Indicator 5: Predictability of transfers in local government budget

Indicator 5 addresses the quality of relevant institutions by measuring whether procedures exist that enable the local government to know the funds to be transferred in advance (intergovernmental fiscal transfers). In doing so, it provides information about the level of commitment, confidence and regular support by the higher level of government in local administration. This is an important issue in urban governance as it can foster effective planning and implementation of projects. Thus the indicator aims at detecting if the local authority knows well in advance (2-3 years) about the amount of budget and level of

consistency/regularity in receiving transfers from higher levels of government. However, in the course of the UGI field-test some cities reported shortcomings regarding the transfer mechanisms. Thus in some cases even the central government was not aware of their own budgets in advance while in other cases clear procedures of transferring funds were present indeed but funds were still not transferred (UN HABITAT 2004a : 35).

Indicators 1-5 are important for displaying a city´s financial autonomy. This of particular importance since a lack of capacity to meet service demands is highly linked to an inadequate financial situation.

Indicator 6: Published performance delivery standards (PPDS)

The indicator addresses the institutional quality of cities by measuring the existence of mechanisms required for efficient delivery of various basic services. That way published standards demand the local government to be efficient in the delivery of services just as accountable to the targets the local government has set for itself. In order to make up the indicator the following questions have to be addressed:

- Is there currently a formal publication of performance standards (PPS) for key services delivered by the local authority? (Yes/No)
- If yes, what is the number of key services for which the PPS is present (S)?
- What is the total number of key services for which PPDS should be present (T)?

Published performance delivery standards (PPDS) are then calculated by multiplying PPS with the quotient of S and T. At this, key services comprise water supply, electricity, sanitation, solid waste management, health and education services. Notwithstanding the indicator´s binary nature, the formula allows for intermediate scores. Thus its credibility as well as possibilities to monitor progress over time are enhanced.

Indicator 7: Customer Satisfaction Survey

The customer satisfaction survey provides information on the willingness of the local administration to receive critical feedback from its citizens. In addition it indicates, if the local government is willing to modify existing systems, which fosters responsiveness to

citizens needs and thusly effective urban governance. Moreover, by asking for feedback from its citizens the local administration is holding itself accountable (MEHTA 2004 : 5).

Indicator 8: Existence of a Vision Statement

Indicator 8 addresses the mechanisms in place for an effective articulation of a city's goal. Thus the existence of a vision statement demonstrates commitment of the local authority towards the welfare of the urban population. If such a vision statement is articulated in a participatory process it increases accountability as well as ownership. At this, in order to arrive at the indicator result, the following questions need to be addressed:

- Is there a vision statement (VS) developed for the cities' future by the local government? (Yes/no)
- If Yes, has the vision statement been drafted through a participatory process (PP) involving local government, civil society and the private sector? (Yes/No)
- Vision statement (VSE) = 0.5 (VS + PP)

However, the first stage of the UGI field-test displayed limitations of the indicator in addressing the criteria of credibility since it failed to measure progress in realizing the very vision statement. Yet, as the indicator measures the participation level, it provides intermediate scores to the binary variable thus improving its significance.

Equity sub-index and indicators

Equity in urban governance means that all sections of the urban society have access to basic services. Recognizing UN HABITAT´s goal of achieving "inclusive cities", the following definition of equity in urban governance is proposed:

> "Equity implies inclusiveness with unbiased access (be it for economically weaker sections, women, children or elderly, religious or ethnic minorities or the physically disabled) to basic necessities (nutrition, education, employment and livelihood, health care, shelter, safe drinking water, sanitation and others) of urban life, with institutional priorities focusing on pro-poor policies and an established mechanism for responding to the basic services."
> (UN HABITAT 2004a : 23)

As equity of governance is envisaged to focus on the policies, process, tools or mechanisms present for access to basic services, equity in decision making is another important aspect of the sub-index. In addition, equity implies the sustainable management of urban areas as cities need to balance their social, economic and environmental needs.

Indicator 9 : Citizens' Charter: right of access to basic services

This indicator addresses the institutional accountability of a city towards its citizens in providing equitable access to services. Thus it is queried if a signed, published statement (charter) from the local authority exists which acknowledges citizens' right of access to basic services. At this the Citizen Charter may have been drafted by the local authority or representative people's associations (MEHTA 2004 : 5). In order to measure the indicator, the following questions have to be answered:

- Is there a signed, published statement (charter) from the local authority which acknowledges citizens' right of access to basic services (CC)? (Yes/No)
- If yes, what is the number of key services for which the CC is present (S)?
- What is the total number of key services for which CC should be present (T)?

Citizen charter for basic services (CCS) is then calculated using the following formula:

(CCS) = CC x S/T

Again, key services include water supply, electricity, sanitation, solid waste management, health and education. In addition, it is queried what medium is utilized in order to publicize the charter (newspaper, radio, Internet etc.). While testing the indicator in the first stage, many cities reported mechanisms similar to the citizen charter. However, due to different names these were not included just as some cities although featured such mechanisms while these were anchored at the state level but applied locally (UN HABITAT 2004a : 37). Hence the indicator was modified in the second stage to respond to these shortcomings.

Indicator 10 & 11: Proportion of women councilors & of women in key positions

While indicator 10 addresses gender equity via representation of women involved in local government decision-making, indicator 11 aims at detecting the actual influence of women on local decision-making. As indicator 10 expresses the number of women councilors, both

elected and nominated (in the last election) as a percentage of the total number of councilors in the local authority, the following equation is used to construct the indicator:

$$X = \frac{(We + Wn) \times 100}{T}$$

Moreover, the percentage of women councilors in key positions can be addressed via:

$$Y = \frac{Wk \times 100}{T}$$

with X for the percentage of women councilors, We for the number of women councilors elected, Wn for the number of women councilors nominated, T for the total number of councilors in the last elections, Wk for the number of women in key positions (Mayor, Deputy Mayor etc.) and Y for the percentage of women in key positions. As additional information improves the credibility of both indicators, the date of the most recent election held just as the frequency of local elections are queried.

Indicator 12: Pro-poor pricing policies for water

Water is definitely a governance issue since it affects the whole urban population with poorer sections often facing problems in access to this basic service. Hence the term "water governance" can be utilized to refer to *"[…] the range of political, social, economic and administrative systems in place to develop and manage water resources and the delivery of water services at different levels of society"* (ROGERS & HALL 2003 : 7). In this context "pro-poor water governance" describes the course of action of such systems to provide water for the poor sections of urban dwellers (CONNORS 2005 : 202). Pro-poor policies signify the local governments commitment and measures for equitable distribution of basic services with water being a key service. In doing so the indicator emphasizes on whether there is a policy that takes into account the needs of the "water poor" (ALLEN ET AL. 2006). This policy would in turn result in lower water-prices for urban poor in comparison to other urban dwellers or business/industrial consumption. Moreover, the proportion of households with access to water provides a proxy to its affordability just as accessibility. At this the pro-poor policy can be evaluated in terms of its content and the actions undertaken through the policy (MEHTA 2004 : 7):

- Is there a pro-poor pricing policy for water? (Yes/No)
- Percentage of households with access to water supply (within 200m)
- Median price of water (supplied by the local authority):
  a) Informal settlements (poor households) (Wi)
  b) Other residents (Wr)
  c) Difference in the median water price = Wr-Wi

However, in the absence of data on water prices, it is queried if the water price in informal settlements is cheaper or identical to the one in other residential areas. In addition the indicator aims at detecting the city´s water supply delivery mechanism and/or the policy's key features such as subsidies or cross-subsidies. Regarding this indicator the average price of water is defined as the cost per hundred liters of water in US dollars at the time of year when water is most expensive. Yet the first stage of the field-test revealed limitations in the indicator´s universality, ease of collection and to some extent its credibility (UN HABITAT 2004a : 37). Thus measuring the sheer existence of a pro-poor policy towards water resulted in skewed results since in a variety of cities in developing countries water is not the responsibility of the local government. Furthermore sometimes there is no official record of informal or poor settlements. Moreover, various informal settlements are not endowed with a water supply system and dwellers are forced to buy expensive drinking water from water containers or from the informal market. This is because marginal settlements are oftentimes located on the outskirts where public tabs or borewells are not existent (CONNORS 2005 : 206, 207). Against this background it is meaningful to measure the extent to which policies are pro-poor via querying to what extent water is provided. In case there is no provision of water, the urban poor will not benefit. Thus the "proportion of households with access to water" provides a proxy to the affordability and the level of accessibility for such cities, even if it is an output indicator.

However, as mentioned above, water is not necessarily the responsibility of local authorities. Thus a variety of cities in the developing world tend to shift responsibilities to state-run or parastatal agencies, lacking adequate mechanism of accountability to local citizens (DEVAS 2001 : 992). Assuming that *"pro-poor policies are possible with transformation in city governance"* (MITRA 2008 : 97), some authors point at the fact that such pro-poor orientation requires a certain authority of the local government over water

issues. In addition, if water is in fact a responsibility of a city authority, this does not inevitably indicate that the poor access their water via this authority. As Allen et al. state:

> "Failure by the public and private sectors to support […] water [...] provision often means that […] the poor, are left to their own devices in accessing these essential services. As their needs and practices often remain "invisible" to the public sector, policy changes aimed at improving the efficiency of formal water […] provision frequently do little to ensure better access […]."
> (ALLEN ET AL. 2006 : 349)

Indicator 13: Street Vending (Incentives for informal businesses)

Indicator number 13 reveals the the endeavors of the local government in *"providing equal opportunities for informal businesses to participate in the economic sphere of the society"* (MEHTA 2004 : 7). Thus the indicator exposes the presence of specific plots in the central retail areas of the city where small scale or rather informal street vending is not allowed or submitted to particular restrictions. As most of the urban poor earn their living via the informal sector, this "economy of the poor" being "*the original urban economy"* (TANNERFELDT & LJUNG 2006 : 50) has to be acknowledged as an inherent part of cities in developing countries. Recognizing that the informal economy sometimes also does not have a say in urban policy, a variety of authors argue for interventions made by local governments to create opportunities and incentives for the informal sector (FRIEDMAN, HLELA & THULARE 2005 : 66).

Box 6: The informal economy
Following a still widely used definition by the International Labour Organization (ILO), the informal sector is characterized by: ease of entry, reliance on indigenous resources, small-scale operation, family ownership and labor-intensive methods of production.

Bearing this in mind, the local government

> "has to set the institutional framework for business and the rules of the game, and ensure that enterprises receive appropriate incentives to facilitate efficient performance. Such interventions have potential for mainstreaming the informal economy alongside larger formal enterprises."
> (MITULLAH 2005 : 177)

Initially named “Street Vending” the indicator showed limitations in addressing similar incentives for informal businesses in the first stage of the field-test. Consequent upon its shortcomings in addressing universality and credibility it was modified in order to cover other incentives given for street vendors. Being renamed “Incentives for informal business”, the indicator comprised two variables in the second stage. The first one covered street vending restrictions as well as incentives like information public markets and municipal fairs. The second one asked for the number of protests or confrontations regarding street vending within the past year. As a result of the field-test almost all cities provided the relevant incentives. However, the number of protests was not easily collectible just as results were absolute values since the first variable was binary in nature. The existence of pro-poor policies for water as well as incentives for informal trading are definitely indicators of an urban policy targeting marginalized sections. Yet it has to be noted that *“improving urban conditions requires not just water, sanitation, health care, adequate shelter, or transportation, but all of these services combined, in addition to jobs”* (RUBLE ET AL. 2006 : 69).

Participation sub-index and indicators

Given its complex nature, the sub-index of participation was defined by the principles of representative democracy and participative democracy. However, in order to ensure that the respective indicators are in line with the campaign´s policy objectives, the following definition of participation was taken as a basis for the sub-index:

> “Participation in governance implies mechanisms that promote strong local representative democracies through inclusive, free and fair municipal elections. It also includes participatory decision-making processes, where the civic capital, especially of the poor is recognized and there exists consensus orientation and citizenship.”
> (UN HABITAT 2004a : 24)

Here civic capital is referred to as *“the collective civic capacities of a community”* (POTAPCHUK & CROCKER 1999 : 175). Drawing on Robert Putnam´s work on Social Capital, the authors argue that civic capital moves this concept to the institutional level as different stakeholders in urban governance act based on norms and trust in order to achieve certain goals (POTAPCHUK & CROCKER 1999 : 176). At this, civic capital is incorporated in the concept of representative democracy, which is defined by competitive

elections based on universal suffrage just as secret ballots. In addition, elected representatives act on behalf of the public just as they are accountable to the electorate. However, participatory governance is an essential factor of representative democracy as it relies on *"mechanisms such as interest group meetings, hearings, and community involvement in budgeting and planning"* (UN HABITAT 2004a : 24). Moreover, the information of the local public as well as its involvement in key decisions are significant features of representative democracy, similarly being criteria of civic capital. That way *"citizens generally participate in decisions that affect their quality of life"* (CENTRE OF GOVERNANCE AND DEMOCRACY 2000 : 12). Yet it is also important that local governments are responsive to and interactive with urban citizens, thus determining the level of participative democracy. However, sound participation may not always result in positive outcomes as there is evidence on certain cities where outputs such as urban services are high despite a low level of participation (UN HABITAT 2004a : 24).

Indicator 14: Elected Council

Indicator 14 measures if the local governing council is elected via democratic processes. At this an elected council refers to a body of local government officials with an administrative, advisory or rather representative function at the city level. However, these officials need to be chosen by the local population by means of organized voting. Thus it is argued that if the local council is elected in an unbiased and free process, firstly the local population is involved in identifying the personnel most suitable for governing the city and secondly such a council is more responsive to its citizens needs (MEHTA 2004 : 8). In this respect the indicator is considered a robust measure of representative democracy. While it received a high ranking in the first stage of the field-test, modifications were still put on in order to cover both "elected" and "appointed" councils. In doing so the value "0" is assigned for appointed councils while "1" is assigned for elected ones. However, due to its binary nature, the indicator shows limitations in measuring progress over time.

Indicator 15: Election of the Mayor

This indicator measures the way in which the mayor is elected, namely directly elected, elected amongst the councilors or appointed. Utilizing a simple Yes/No distinction, the following scores are assigned (UN HABITAT 2004a : 40):

- directly elected (1.0)
- elected amongst councilors (0.75)
- appointed (0.50)

In doing so, intermediate scores can be applied towards the indicator. As the way in which the mayor is elected demonstrates the involvement just as the participation of the urban population in decision-making (MEHTA 2004 : 8), the indicator is relevant to governance institutions and addresses representative democracy. Yet the scoring is carried out according to a research paper on urban governance (DEVAS 1999). While every system bears strengths just as weaknesses, a directly elected mayor is associated with the greatest level of local participation.

Indicator 16: Percentage of Voter turnout

The participation of the urban population in political processes is an essential factor determining urban governance. As such the percentage of voter turnout highlights the level of urban representative democracy, reflecting in faith, interest as well as involvement in the election process. Thus, in order to arrive at the indicator, the total voter turnout of both male and female (in percent) in the last election is measured. Initially named “Voter participation by Gender”, the first stage of the UGI field-test exhibited some shortcomings in ease of collection as only 4 out of 12 cities reported data (UN HABITAT 2004a : 40). Hence it was modified to the current nomenclature.

Indicator 17: People´s forum

While the indicator only received moderate ranking in the first stage due to its lack of universality, it was modified for the second stage. At this it is able to address analog participatory arrangements and alternate forms of people’s councils such as public neighborhood committees, city consultations or people’s assemblies. This was important as different cultural urban contexts may feature such forms while not being incorporated. However, the existence of a public forum indicates whether informal or formal mechanisms are at hand for urban citizens to express their wants and needs. In addition, a people´s forum enables the local population to engage in the development and review of local

policies and budgets. Thus institutional structures must allow for city leaders holding public meetings and hearings as well as organize referendums. In doing so, the local government is expected to *"publish […] budgets for greater transparency and encourage the citizenry to examine them critically"* (RACELIS 2005 : 86). Again, a binary query is employed using a Yes/No distinction.

Indicator 18: Civic Associations per 10.000 population

Indicator 18 aims at detecting the vibrancy of urban civic life via the level of civic engagement. At this it is assumed that organized groups and civic associations are essential to fostering a sense of community. However, a greater number of civic associations is believed to increase the likelihood of vulnerable or marginalized groups to be better represented in urban governance processes (MEHTA 2004 : 9). Apparently it is debatable if the sheer quantity of CSOs and NGOs is an expression of vulnerable urban dwellers making their voice heard. Thus Mitlin, based on a study of ten cities in developing countries, gives evidence of NGOs showing barely any commitment to their role in advocacy and poverty alleviation (MITLIN 2005 : 137). Yet the indicator is constructed by measuring the number of registered civic associations per 10.000 people within the local authority's jurisdiction. In doing so, the total urban population is divided into clusters of 10.000. First the number of registered civic associations is multiplied by 10.000. Subsequently the product is divided by the total urban population. Hence the following equation can be utilized to arrive at the indicator:

$$C = 10.000 \times N / Y$$

with C being the number of civic associations per 10.000 people, N being the number of civic associations and Y being the total urban population. However as mentioned above, the ability of civil society organizations to act on behalf and - even more important - in the interest of the poor, may be narrow. This can be explained by three factors (MITLIN 2005 : 143):

- Leaders of civil society organizations might not represent the interests of the urban poor and marginalized.
- Competition between various organizations might result in a loss of effectiveness.

- CSOs and other groups might not be in the position to get in touch with important key stakeholders involved in the city development process.

Accountability sub-index and indicators

Accountability is probably one of the most established attribute of good governance. Referring to “good urban governance” in this regard, accountability is one of the five principles constituting the Urban Governance Index. At this, the local government just as the private sector and civil society organizations are obliged to be accountable to the public and to their institutional stakeholders. Yet decision-making and decision taking proceeding internal or external to an organization/institution determines who is accountable to whom.

Fig. 15: Framework for analyzing the relationship between the local government and its environment
Source: modified according to VAN DIJK 2006, page 45.

However, commonly an urban organization/institution is accountable to those sections of the population, who are affected by its decisions or actions taken. Thus accountability is considered the basis for a well functioning local governance process (UN HABITAT 2004a : 25). Based on these assumptions, accountability in urban governance is a given if:

> “Mechanisms are present and effective for transparency in the operational functions of the local government; responsiveness towards the higher level of the local government; local population and civic grievances; standards for professional and personal integrity and rule of law and public policies are applied in transparent and predictable manner”
> (UN HABITAT 2004a : 25)

As the definition is the basis for the identification of UGI indicators, a distinction is drawn between transparency, responsiveness as well as integrity. In doing so, transparency is characterized by:

- an open information process with free availability and accessibility to the urban public
- decision-making and decision-taking being geared towards rules and regulations
- directly accessible processes, institutions and information

Hence transparency is considered measurable by the level of regular, organized and open consultations of citizens on urban fiscal issues or other relevant matters. Here, the process of participatory budgeting can serve as an example of transparent politics. Moreover, actors in urban governance need to be responsive to all affected stakeholders, bringing about mechanisms allowing for communication between *"the government and the governed"* (McCARNEY, HALFANI & RODRIGUEZ 1995 : 95, 96). Such mechanisms can be hotlines, complaint offices, citizen report cards and procedures for public petitioning and/or public interest litigation. Yet transparency is also an essential factor determining the implementation of urban projects such as housing upgrading programs. If such a project is based on the participation of the local population, e.g. via a negotiated contract, freely available information on responsibilities and duties is the pivot of the whole process (TANNERFELDT & LJUNG 2006 : 94).

Finally, integrity is a crucial element of accountability in urban governance as it demonstrates the manner in which public officials execute their duties and feel obliged to their electorate. Recognizing that the election process is only one part of influencing decision-making, yet it has to be noted that the level of accessibility and accountability especially to the urban poor, is another crucial element in urban transparency (DEVAS 2002 : 212). Thus a well functioning system of checks and balances provides a basis for trust of civil society into the urban administration. At this, corruption control mechanisms, regular independent audits just as independently executed programs to test public officials integrity may be adequate measures to this end (UN HABITAT 2004a : 25). Recognizing the aforementioned principles of accountability, the following indicators make up the sub-index.

Indicator 19: Formal Publication of contracts/tenders, budgets & accounts (CTBA)

Taking into account the need for an open flow of information, this indicator highlights the willingness of the local authority to be transparent in conducting its activities. Besides, a

formal publication of operations provides the basis for control of corruption. At this, the indicator is arrived at by querying if there is a formal publication of:

- Contracts and tenders (CT)? (Yes/No)
- Budgets and accounts (BA)? (Yes/No)

Again, while Yes is assigned “1”, No is assigned “0”. Subsequently the following equation is utilized to calculate the indicator score:

$$CTBA = \frac{CT + BA}{2}$$

Since the indicator received a high ranking and all cities were able to report data, it was included in the UGI despite its binary nature. However, as it comprises of four variables intermediate scores can be applied thus increasing its potential for comparison and monitoring trends

Indicator 20: Control by higher levels of Government

This indicator measures the control of higher levels of government such as national or provincial by closing the local government or removing councilors from their office. As such, it shows the direction of accountability since the central authority´s ability to close the local government will tend to move councilors accountability more upwards instead towards the citizens. At this the indicator is split into 2 variables, the first addressing the urban governments independence and autonomy, the second addressing its responsiveness:

Variable 1 (independence/autonomy): Control of higher governmental levels (CG)
Can higher levels of government:

- Close the local government (CLG)? (Yes/No)
- Remove councilors from office (RC)? (Yes/No)

$$CG = \frac{(CLG+RC)}{2}$$

Variable 2 (responsiveness): Local governments authorities (LGA)

Can the local government, without permission from higher governments:

- Set local tax levels (SLT)?
- Set user charges for services (SUC)?
- Borrow funds (BF)?
- Choose contractors for projects (CP)?

$$LGA = \frac{(SLT+SUC+BF+CP)}{4}$$

Indicator 20 is then constructed using the following equation:

$$\text{Indicator 20} = \frac{CG + LGA}{2}$$

Indicator 21: Codes of conduct

Indicator 21 measures the codes of conduct applied at the local level thusly addressing the local authority´s commitment towards the integrity of its officials (MEHTA 2004 : 10). In doing so it detects the existence of a signed published statement of standards of conduct that citizens are entitled to from their elected officials and local government staff. However, it is important to analyze if the very codes are applied at the local level to cover different institutional arrangements.

Indicator 22: Facility for citizen complaints

In order to cater to the principle of responsiveness, a city should feature a facility to respond to and receive complaints. Again, the standard procedure of assigning scores of “1” and “0” is employed when querying the following variables:

- Presence of any facilities/mechanisms to receive complaints from citizens? (Yes/No)
- Presence of an official appointed to receive and respond to complaints against public authorities? (Yes/No)

Indicator 23: Anti-corruption Commission

As the existence of an anti-corruption commission is regarded being evidence of the urban administration´s commitment towards integrity, the indicator is selected. However, since it is binary in nature it fails to measure any form of progress made by the city.

Indicator 24: Disclosure of income & assets (DIA)

This indicator investigates if locally elected officials are obliged to publicly disclose their income and assets just as the ones of their family before taking office (MEHTA 2004 : 11). Again, the standard method of assigning scores is applied:

- Are locally elected officials required by law to publicly disclose their personal income/assets (PIA)? (Yes/No)
- Are locally elected officials required by law to publicly disclose their family income/assets (FIA)? (Yes/No)
- Are local officeholder´s incomes and assets regularly monitored (IAM)? (Yes/No)

Indicator 24 is then arrived at via:

$$DIA = 0.75 \times \frac{(PIA + FIA)}{2} + 0.25 \times IAM$$

Indicator 25: Independent audit

Since the city´s budget is an issue that the total urban population is affected by, the last indicator measures its very existence in order to present the local government´s accountability towards its electorate and its transparency in resource allocation and use (MEHTA 2004 : 12). The indicator turned out to respond well to the factor of ease of collection, as all cities participating in the field test were able to report data.

When reviewing the individual indicators, a certain degree of local government bias becomes conspicuous. Thus a lot of indicators address local authorities or issues related to them. Recognizing this bias, indicators have been revised in the course of the field-test

(UN HABITAT 2004a : 59). Here the local government bias refers not only to defining governance but also to the selection of indicators. In order to counter this effect, other participatory indicators were incorporated as well as indicator-loadings were adjusted (balance of loading between various principle objectives).

4.4 The City Development Index

As aforementioned, urban indicators became a means of urban development policy at the latest since the Habitat II conference. As certain resolutions of UN HABITAT called for a mechanism to monitor global progress in the implementation of the Habitat Agenda, the Global Urban Observatory (GUO) designed an indicators-system comprising of 30 key indicators and 9 qualitative data (UN HABITAT 2000 : 3). In the process this system is considered the minimum data required for reporting on shelter and urban development in line with the twenty key areas of commitment in the Habitat Agenda. However, following the Habitat II conference, the first Global Urban Indicators Database Version 1 (GUID I) collected key urban indicators in 237 cities, the year of reference being 1993. In the course of the ensuing statistical analysis of that data, the City Development Index (CDI) was derived. At this, its purpose was to rank cities along their level of development as well as providing a baseline for comparative display of indicators revealing urban conditions (UN HABITAT 2002b : 1). Originally developed in 1997, the CDI has been modified in reaction to the Global Urban Indicators Database Version 2 (GUID II), the year of reference being 1998. Furthermore the utilization of the index for the Asian Development Bank´s Cities Data Book (coverage of 18 Asian cities in 1999) just as the 2002 Human Development Index added to its modification. However, while the CDI is based on the five sub-indexes of City Product, Infrastructure, Waste, Health and Education, it is still assumed to be the best single measure of the level of development in cities (UN HABITAT 2002b : 3).

4.4.1 Measuring urban development

The notion of urban development is a wide and complex one. This cognition comes to the fore in the multitude of international agencies and programs addressing the very issue. Recognizing that *“urban development requires an approach that is even more integrated - across the physical environment, infrastructure, finance, institutions, and social activities”* (WORLD BANK 2000b : 5), there is also a wide range of concepts that are used to

express city development. One conception often applied to depict a city´s development is urban poverty. However, while poverty is definitely a component of development, it is difficult to measure since it compasses a variety of impacts and dimensions as seen in figure 16.

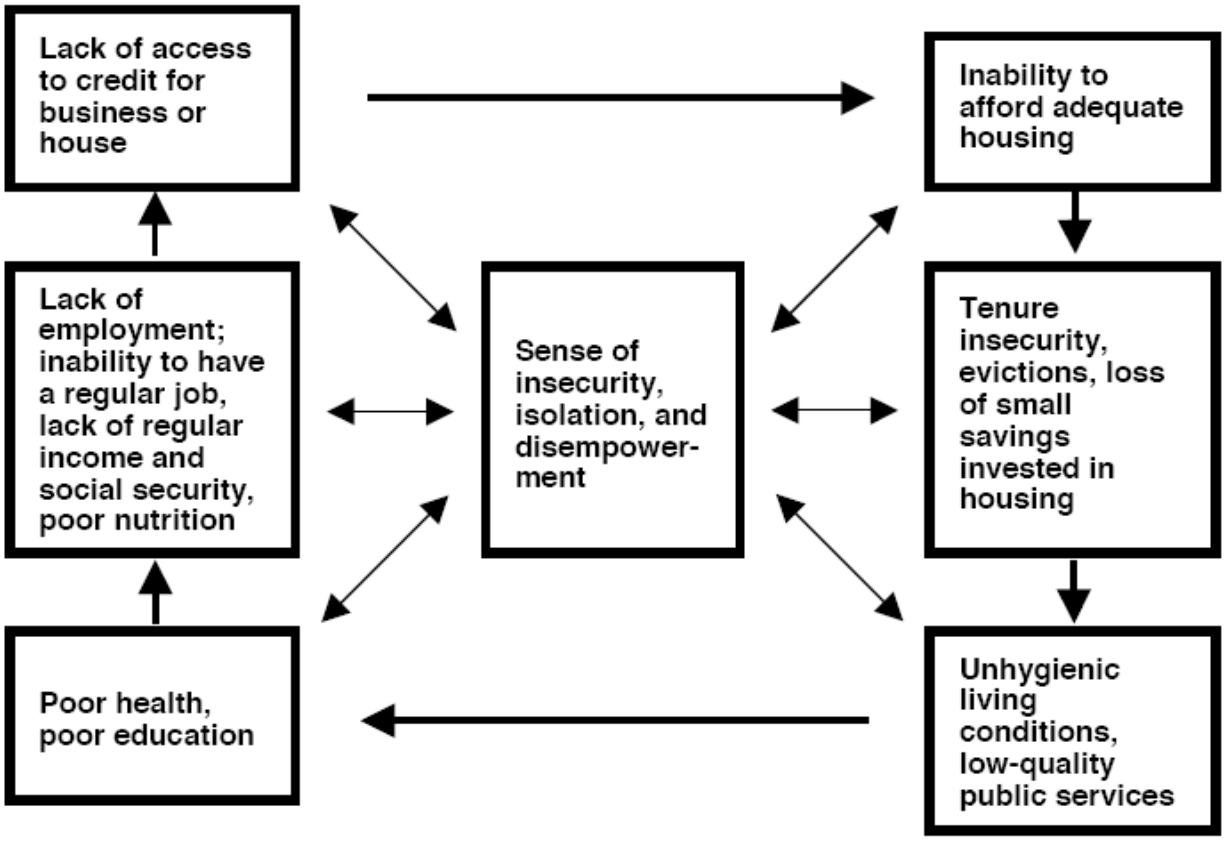

Fig. 16: Cumulative impacts of urban poverty
Source: BAHAROGLU & KESSIDES 2002, page 127.

Bearing this in mind, a measurement of urban poverty would have to capture income/consumption, assets, time costs, shelter, access to basic services, social safety nets, protection of rights just as political voice (MONTGOMERY ET AL. 2004 : 165). However, poverty in cities is typically being measured by using unidimensional income-based poverty. Yet another approach of measuring urban development is analyzing the level of social polarization or rather inclusiveness. While inclusiveness is an undeniable factor of development, again it is hard to measure and no standardized scale units exist on those parameters. However, since development is to be geared towards the concept of sustainability, sustainability indicators are more and more considered a sound measure of a city´s performance (WEILAND 2006 : 243). In this context sustainability is considered to

express the broad spectrum of economy and society just as environmental issues. Taking this as a basis, one possible framework for sustainability indicators is shown below.

Fig. 17: Sustainable Development Indicators Framework
Source: ASIAN DEVELOPMENT BANK 2001, page 27 based on
NASA, Working Draft Framework for Selecting Sustainable Development Indicators

One example of urban sustainability measurement is the ecological footprint. This index calculates the amount of space a city uses to survive on a global level since cities are material and energy consuming (WACKERNAGEL ET AL. 2006). However, the index is limited in terms of informative capacity and accuracy as it focuses on the extent of the environmental impact from an urban agglomeration. Yet it is *"the foot of development that leaves the print; and economic development cannot take place without cities"* (TANNERFELDT & LJUNG 2006 : 62). Moreover, a wide range of cities has designed sustainability indicators. However, these indicator sets cater to specific local settings. While this matter of fact is meaningful in principle, such indicators do not allow for a comparison of cities though.

One major attempt to measure global urban conditions and trends was undertaken by the Global Urban Observatory (GUO) in order to develop and apply policy-oriented urban indicators, statistics and other urban information. Collecting data on these issues in 1993 and 1998, the GUO aimed at analyzing and comparing urban development on a global scale. At this indicators focused on the following data:

• Housing • Urban population • Employment / unemployment • Transport • Local Government revenue	• Water • Waste management • Health • Education • Crime
plus nine qualitative data sets	

Tab. 2: Data for Global Urban Indicators Database II
Source: The author according to GUID II

When looking at the “development” of a city, oftentimes the City Product per person is taken as a measure of performance. While it is still regarded an important measure of city development, by now there is broad consensus on the City Product not being an effectual indicator of urban standards as it only corresponds to the economic output. Another indicator of effectual development in cities is regarded to be the level of waste management. As inadequate waste management results in high pollution-levels and health problems (BOADA ET AL. 2003 : 2.1), municipalities need to develop a strategic vision of how to meet these challenges. This holds especially true as between one-third and one-half of solid waste generated in most cities of the developing world are not collected, resulting in illegal dumps on streets, open spaces and wasteland, blocking drains and contributing to flooding (SHARMA 2000 : 3). Moreover, the healthcare system of a city is oftentimes used in order to express its capacity of providing its population with adequate services. Given that access to health services is essential for urban prosperity, indicators such as the number of doctors present for a certain spatial area, the number of hospitals or under-5 mortality are employed for that purpose. Further indicators for urban health might be incidence of chronic diseases or air quality. In addition, the quality of urban infrastructure can be measured. However, at this juncture infrastructure can comprise a variety of functions and institutions. Hence it has to be agreed on what is to determine urban infrastructure thus determining what is to be measured as well. Yet urban infrastructure is commonly regarded to consist of basic physical and organizational structures such as piped water connections, sewerage, electricity supply or a sound network of streets.

4.4.2 The index framework

As mentioned above, the CDI was constructed as a result of the GUID II. Recognizing broad consensus on the fact that urban development is a complex concept, there have been initiatives to statistically measure the performance of cities in particular fields of development in the past. However, there exists a variety of concepts regarding cities just as urban development that *„although complex and multifaceted, are meaningful and desirable to measure“* (FLOOD 2001 : 1). Such conceptions comprise the urban development level, livability, sustainability, relative disadvantages or rather poverty, congestion as well as inclusiveness. Yet, bearing in mind the multidimensionality of these

ideas, a single indicator is not able to cover such ideas. Hence a combination of indicators, namely an index, is needed in order to address the diverse facets of city development. Up to now, the two urban indexes considered most useful, are the City Product per person and the City Development Index. Expressing the Gross Domestic Product at the city level, the City Product is a measure of urban economic output. However, urban GDP is regarded an inadequate measure of city development since *„GDP only offers the physical basis for the development of a city but is far from enough“* while *„many problems involving healthcare, housing, education and employment are yet to be settled“* (XIAOYING 2007 : 10). By contrast, the CDI is to be a measure of average well-being and access to urban facilities. As it is to express the level of depreciated total expenditure over time on urban services and infrastructure, the index can be utilized as a proxy for the human and physical capital assets of the city. Intended to serve as a broad policy-based indicator system, the approach of the CDI is a threefold:

- Holistic, as it analyzes the health of cities and sectors as a whole
- Inclusive, as it covers areas beyond the realm of a single management structure
- Pluralist, as it intends to foster and inform a dialogue between different stakeholders involved in urban development.

In doing so it is largely driven or integrated with the process of establishing urban strategies and policies. While the CDI is usually constructed to reveal development outcomes, it can also be applied in order to identify development deficits rather than achievements thus highlighting sectors that need investment. In this respect the index can serve as a planning tool for urban development strategies such as IDP or CDS.

Box 7: IDP and CDS
IDP (Integrated Development Planning) promotes horizontally integrating several departments into urban planning. In doing so it links a statement of purpose with plans, sector policies, performance targets and monitoring mechanisms. In turn, a CDS (City Development Strategy) incorporates livelihood issues such as household income or service delivery into the formalized planning process. For more information see CITIES ALLIANCE 2007.

Amongst other reasons, UN HABITAT assumes the CDI to be the best single measure of the level of development in cities (UN HABITAT 2001b : 116). However, being a composite index as well as the UGI, the City Development Index consists of five sub-indexes:

City Product
The City Product is a pure qualitative measure giving the economic output of a city.

Infrastructure
The sub-index measures urban facilities such as water connections, sewerage, availability of electricity and telephone connections.

Waste
The sub-index expresses the city´s approach to waste management measuring wastewater treated and the existence of formal solid waste disposal.

Health
Life expectancy is used as a measure of health since there is a strong correlation with child mortality and infant mortality. In addition, data on these issues is more easily available and more consistent across various cities.

Education
This sub-index measures the quantity of literacy among the urban population plus the number of enrolled people in the city.

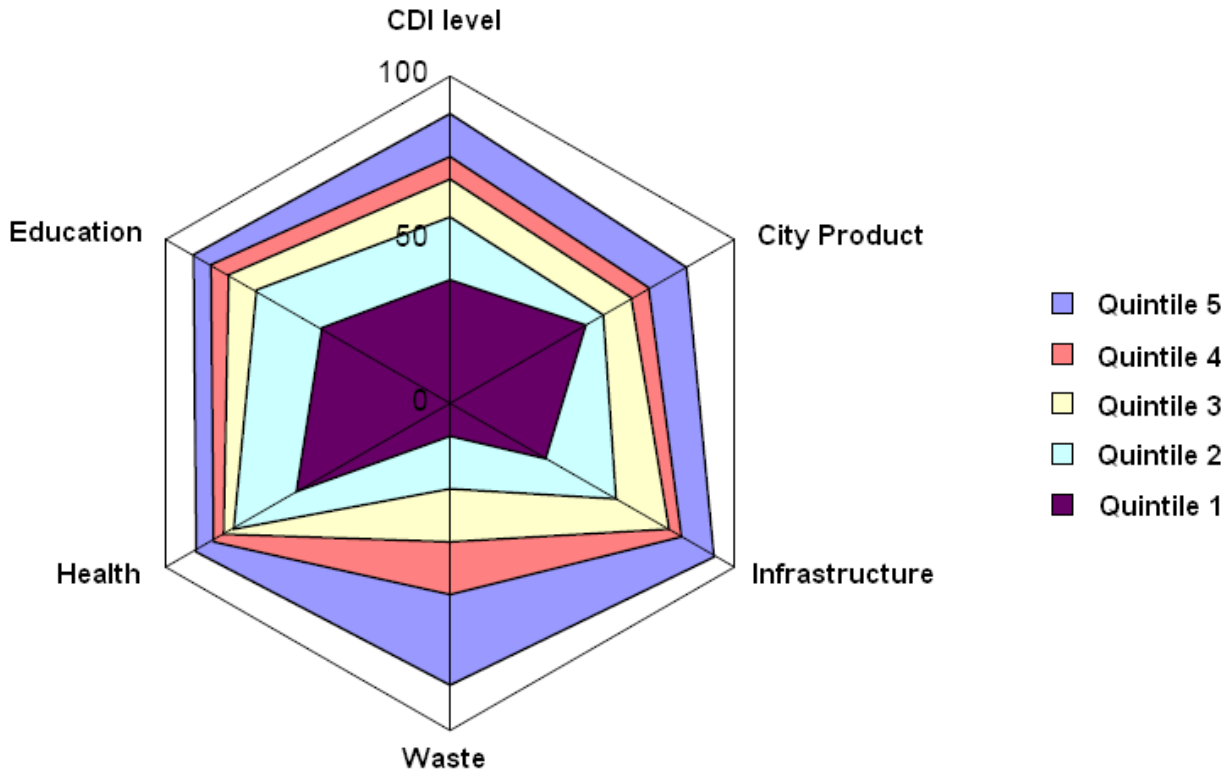

Fig. 18: The City Development Index Framework
Source: FLOOD 2001, page 4.

Figure 18 shows the index framework according to Flood. The radar graph of the CDI plots each sub-index on its own axis radiating from the centre-point. In this figure all cities for which CDI data is at hand, are divided into quintiles according to their CDI values (FLOOD 1997b : 13). Each quintile contains 20 percent of all cities in the database, arrayed from lowest to highest CDI values following a scale ranging from 0 to 1. At this it becomes present that the five sub-indexes increase at different rates as the CDI increases. Thus the two best performing sub-indexes are the areas of health and education, both being components of the Human Development Index as well. As satisfactory levels of performance are reached on the health index for all but the bottom 20 percent of cities and for the education index above the bottom 40 percent, the strong emphasis being placed on social areas is highlighted. In turn, waste management is the weakest area as it is also a sector that requires high investment (FLOOD 2001 : 2). The CDI also correlates well with the national Human Development Index. However, as there are considerable variations between cities in every respective country just as there are differences between rural and urban settings, the CDI provides a better measure of city development. For example, the city of Niamey, Niger suffers from inadequate infrastructure such as waste management and severe poverty. While Niger scores 0,3 on the Human Development Index, Niamey just scores 0,2 on the CDI due to its aforementioned problems (see figure 19).

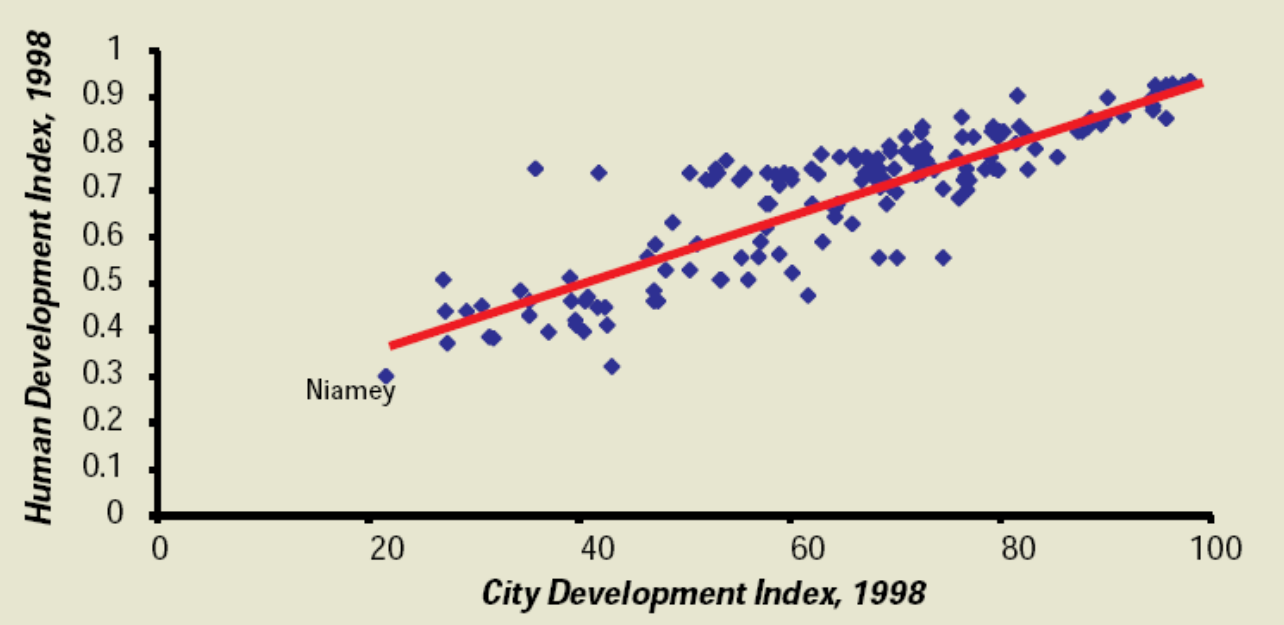

Fig. 19: City Development Index versus Human Development Index
Source: modified according to UN HABITAT 2002b, page 117.

However, it has to be noted that composite indexes such as the City Development Index can not replace strategic city information and data on trends such as urbanization or urban growth.

4.4.3 Detailed analysis of then CDI

The following section scrutinizes the five sub-indexes making up the CDI. In doing so, particular indicators are presented in order to illustrate their relevance for the respective sub-index.

City Product sub-index

Apparently the economic output of a city is a clear sign of its performance. As such, the City Product defines that very performance. Moreover, it allows for an interpretation of urban fiscal capacity as it:

- determines the urban administration´s financial resource base
- expresses the ability and authority of a city to collect revenues such as taxes etc.
- gives a general account of urban dwellers financial endowment

Being of a purely qualitative nature, the City Product can help in preparing municipal budgets. However, it fails to capture other dimensions of growth such as investment, competitiveness, exports, employment, house prices or local inflation. Yet finance is a significant criterion of urban development and how it is geared towards marginalized sections, as it determines the management of public expenditures and financing of infrastructure. Hence the City Product is a meaningful indicator of city performance. While it is assumed that the rate of public-sector expenditure accounted for by municipal governments particularly in developing countries is relatively low, data on local finance is scant though (STREN 2001 : 107). Given that a city´s economic growth is generally assumed to be a means of countering urban poverty, the following questions determine this supposition (DEVAS 2003 : 3):

- How can city governments mobilize the resources required to meet the service and infrastructure needs of marginalized urban sections?

- How do local taxes and other revenue sources impinge on the poor?
- How can marginal sections influence budgetary decisions and resource use?

In addition, it has to be clarified, in how far marginalized sections have a share in the City Product. However, while a variety of consumption variables such as square-meters of housing per person, local government income or city expenditure on infrastructure correlate strongly with the City Product, it is in fact “a composite index in its own right” (FLOOD 1997b : 10) as it covers expenditure on these items already. The correlation between City Product and housing size (as an indicator of social prosperity) is given in the figure below:

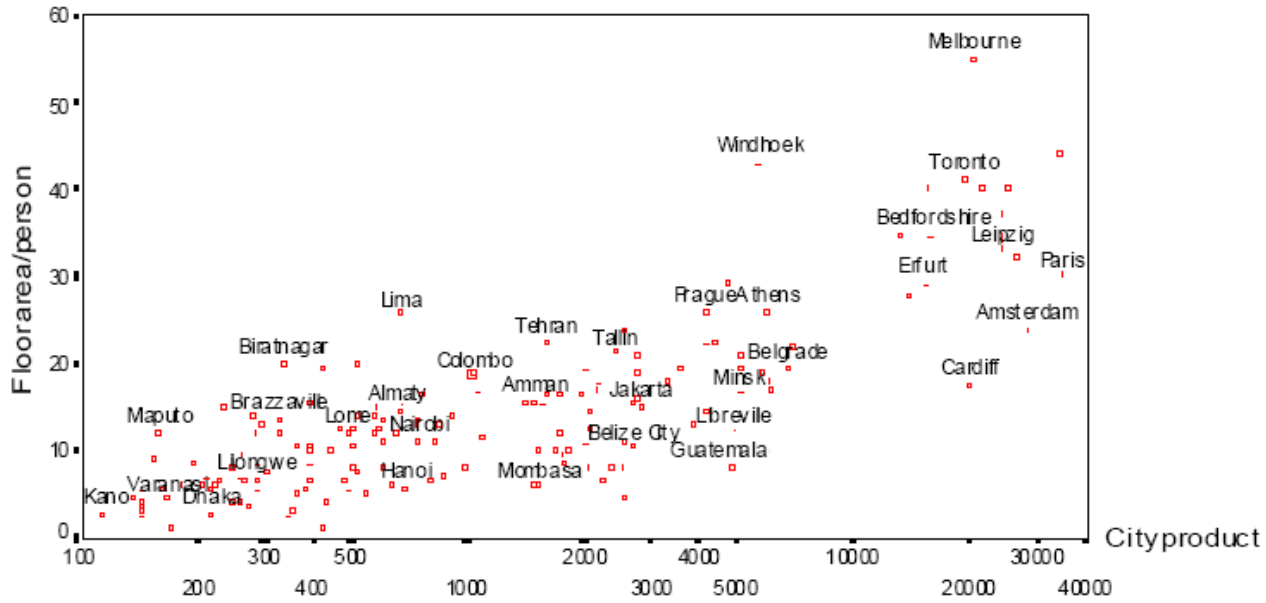

Fig. 20: City Product versus housing size
Source: FLOOD 1997b, page 34.

While the product was initially drawn up by a logarithmic function, its formula was changed to include the components of residential density and urban population (see section on CDI formula and calculation). These elements are added in order to cater better to conditions such as metropolitan regions, peri-urban regions, megacities etc. Yet it is difficult to assign values to the above mentioned phenomena, as administrative borders and actual borders are in many cases not in line just as official and factual urban populations are not. As the City Product is only one value in the function determining the total product, it is calculated according to the following formula, with GNP referring to the Gross National Product:

City Product = GNP * number of households in the city * average household income in the city (total national household income, from national accounts)

Infrastructure sub-index and indicators

The CDI defines the level of urban infrastructure by the proportion of dwellings with piped water on property, a connection to the sewerage system, a telephone in the dwelling and the existence of electricity supply. In doing so, the indicators refer to data collected in the course of GUID II.

Indicator 1: Water connections

As there is broad consensus on the importance of water for every kind of development, the percentage of households connected to the water network is a central element of the infrastructure sub-index. Given that households in informal settlements are oftentimes not connected to a network, they are forced to buy water from vendors at enormous rates. Yet the quality and reliability of local services for water has a major impact on communities living in informal settlements, as they are particularly vulnerable to diseases and epidemics in the absence of such services (UN HABITAT 2000 : 17). However, a variety of major problems has to be overcome in order to ensure sound water supply and sanitation services such as:

- water scarcity
- high economic costs for water provision (establishing a network, building wells etc.)
- financing constraints (insufficient public funds, inadequate water pricing) and
- management problems (unclear responsibilities for water, e.g. variety of utilities and agencies)

Indicator	Delhi	Dhaka	Karachi	Bangkok	Jakarta	Manila	Beijing	Seoul
Population (millions)	13.0	13.2	10.4	7.2	11.4	12.6	10.8	10.0
Water coverage (percent)	69	65	83	75	35	70	95	100
Water service (hours/day)	7	6	4	24	19	16	24	24
Production (millions of cubic meters per day)	2.3	0.7	1.6	2.9	0.9	2.5	1.8	5.0
Unaccounted-for water (percent)	40	50	n.a.	37	52	58	7	38
Outlets metered (percent)	53	68	1	100	100	100	99	100
Liters used per day per person	145	120	124	240	157	116	190	198
Cost per cubic meter (dollars)	0.49	2.46	n.a.	4.72	7.60	3.70	1.64	5.29

n.a. = not available.

Tab. 3: Indicators of water resources in selected cities of the developing world
Source: LAQUIAN 2005, page 202.

Table 3 gives an impression of the urban water situation in some major cities in developing countries.

Indicator 2: Sewerage

As sewerage systems collect human feces in order to separate it from its producers, they are an integral element of preventing diseases and outbreaks. Recognizing that cities are concentrations of people, the quality and quantity of sewerage systems is essential for sustainable urban development.

Indicator 3 & 4: Electricity & telephone connections

Electricity provides the basis for electric light and a variety of other objects. Yet a telephone connection can foster information transfer thus facilitating job opportunities etc. Since the availability of electric light assists longer daytime, the quality of life is clearly improved by these factors.

Waste sub-index and indicators

The waste sub-index is composed of both indicators wastewater treated and garbage collection. Since in most cities of the developing world, municipal governments only have

the ability to collect from 30 to 80 percent of total waste (MACLAREN ET AL. 2007 : 215), the sub-index is of essential relevance for urban development. Thus different organizational forms (private or public responsibility) and capacities of cities have to be recognized. However, as solid waste management is in most cases a major responsibility of local governments, it is also a cost-intensive one. Given that significant percentages of municipal budgets in developing countries are spent on this issue, waste is a meaningful indicator of urban performance. Yet data on urban waste-management is not very reliable since many developing cities ignore informal disposal just as the informal sector.

Indicator 5: Wastewater treated

The indicator refers to the *"percentage of all wastewater undergoing some form of treatment"* (UN HABITAT 2000 : 27). Since water treatment reduces the incidence of a variety of waterborne diseases, an effective effluent treatment system is a significant indicator of the level of local development and of community health. Thus water pollution from human wastes can be minimized via sufficient investment in treatment systems. At this the rate of treated wastewater is a key indicator of water quality management (UN HABITAT 2000 : 27). Moreover, the indicator is helpful in discerning between levels of development in countries with higher income, as even developed cities do not necessarily feature adequate wastewater treatment.

Indicator 6: Solid waste disposal / households receiving garbage collection

As mentioned above, inadequate waste management causes high pollution-levels and serious health problems (BOADA ET AL. 2003 : 2.1). However, the generation of solid waste, especially in major cities of the developing world, exceeds their capacity of collection. Furthermore, even when municipal budgets are in line with collection requirements, safe disposal of collected wastes still remains a problem (UN HABITAT 2000 : 28). Thus the enormous landfills and waste disposal sites in cities like Buenos Aires or Chennai just as the incidence of open dumping are reminders of waste disposal practices and capacities in Third World Cities. Against this background the indicator depicts a city´s ability to meet the aforementioned challenges as a percentage of waste collection levels.

Health sub-index and indicators

Access to basic social services increases radically with development. As the City Development Index partially parallels the Human Development Index, though at the city level, health is employed as a part of the former. At this the sub-index comprises the indicators of life expectancy and child mortality (under-five mortality).

Indicator 7: Life expectancy

Life expectancy is used as a measure of health due to its strong correlation with child mortality and infant mortality. However, in developing countries data on life expectancy is not necessary at hand at the city scale. Hence such data is arrived at by the following procedure (FLOOD 2001 : 5, in order of priority):

- Data is replaced by another national city of similar size.
- National figures (or national urban if available) are used.
- Data of a nearby city or place at a similar level of development is used.

Indicator 8: Child mortality (Under-five mortality)

Being regarded a powerful indicator of the quality of life in cities, under-five mortality is directly correlated to evidence on low environmental development such as the level of wastewater treatment or sewerage and sanitation facilities. However, child mortality differs from infant mortality which provides information on the mortality of under-one year old infants (UN HABITAT 2000 : 18). At this, child mortality, defined as the percentage of female and male children who die before reaching their fifth birthday, is calculated by dividing the number of deaths for children below the age of five years during one year by the average number of live births during the last five years. This indicator provides reliable information on urban health since a huge number of deaths are the result of malnutrition and poor life conditions such as poor shelter, polluted water and inadequate sanitation. While it was initially considered to include the indicator of hospital beds per 1000 population, it was eventually excluded as many whole regions are served by hospitals located in smaller cities, thus featuring very high hospital bed ratios.

In addition, the indicator informs little about the overall quality of urban health care (FLOOD 1997b : 44).

Education sub-index and indicators

Education is a major determinant of development in general. At this the CDI education sub-index comprises adult literacy, the percentage of primary and secondary enrollment as well as the rate of graduates per 350 urban dwellers.

Indicator 9: Adult literacy

The indicator addresses the percentage of the adult population who are literate. At this literacy is defined as being “able to read and understand a simple paragraph in one´s first written language” (ASIAN DEVELOPMENT BANK 2001 : 63). As illiterate people will face problems in improving their economic or social situation, literacy is the precondition for urban prosperity. Yet a high illiteracy rate will result in a deficit of well trained urban dwellers for modern economic activity or administration.

Indicator 10: Primary enrollment

The indicator refers to the percentage of children of eligible age, by sex who are enrolled in primary school. Although enrollment ages vary between countries, they are generally estimated 6-12 years (ASIAN DEVELOPMENT BANK 2001 : 63).

Indicator 11: Secondary enrollment

Indicator 11 covers the percentage of children of eligible age, by sex who are enrolled in secondary school. Again there are country variations but age ranges are assigned from 6-12 years. As low school enrollment rates depict a lack of literacy and numeracy in the population, a city´s success in retaining children in school is regarded a major measure of social development as well as the capability of the urban society to maintain human resource investment (ASIAN DEVELOPMENT BANK 2001 : 63).

Yet it has to be noted that country variations exist in terms of enrollment rates for boys and girls, which holds especially true for secondary education. Hence cultural attitudes have an impact on access to educational opportunities.

Indicator 12: Graduates per 350 population

This indicator measures the level of higher education achievement just as human capital development. In doing so, it addresses the rate of male and female tertiary graduates in the adult population. At this the indicator is defined as the proportion of male graduates to all adult males, and female graduates to all adult females (ASIAN DEVELOPMENT BANK 2001 : 65). While tertiary graduates comprise graduates and diplomats from universities as well as other accredited tertiary level institutions, it does not usually cover graduates from vocational private colleges. Since low rates of graduates will minimize the pool of trained staff for management and technology, the indicator indirectly refers to urban productivity.

5. Case study: Ulaanbaatar – a third world city

5.1 General information on Ulaanbaatar

Ulaanbaatar is Mongolia´s largest city as well as it´s capital. It is located in the Tuul river valley in the north-central part of the country, with mountains and the Bogdkhan National Park forming its natural borders to the north and south. Lying at an altitude of circa 4.300 feet above sea level, the city is the world's coldest capital featuring a subarctic climate with an annual temperature range of 44°Celsius (minus) to 37°Celsius (plus). According to the Statistics Department of Ulaanbaatar, the city accounted for a population of 1.067.500 in 2008 (SDOUCG 2009).

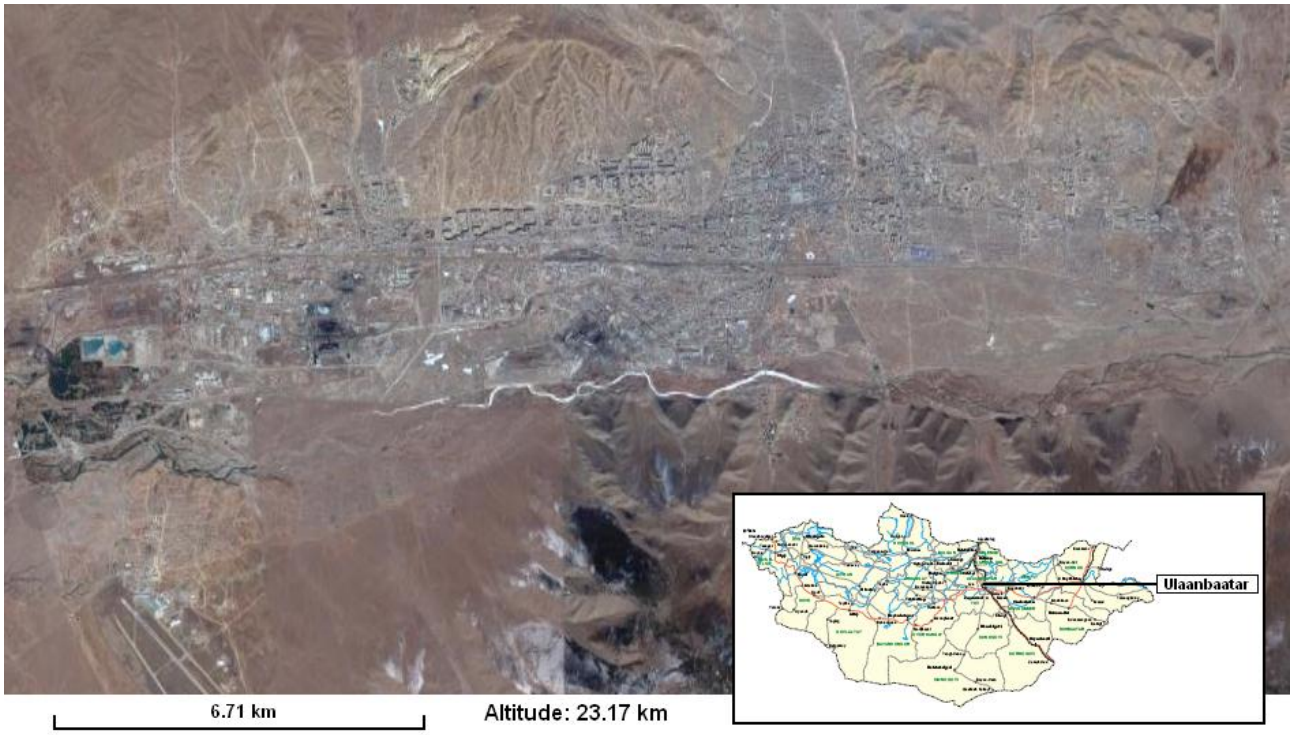

Fig. 21: Ulaanbaatar, aerial view
Source: Google Earth 2009, based on data of Scripps Institution of Oceanography, National Oceanic and Atmospheric Administration, U.S. Navy, National Geospatial-Intelligence Agency, General Bathymetric Chart of the Oceans [small map modified according to ASIAN DEVELOPMENT BANK 2008]

Initially founded as a nomadic Buddhist monastery in 1639, the city became a major manufacturing center in the 20th century. Since Mongolia is predominantly rural, Ulaanbaatar represents the country´s cultural, industrial and financial center, housing approximately 38 percent of Mongolia´s population.

5.2 Political structure

Mongolia is divided into 21 provinces (Aimags) and the nine administrative districts (Düüregs) of Ulaanbaatar, including six urban and three remote districts. The six urban districts are Chingeltei, Khan Uul, Bayanzürkh, Songino Khairkhan, Sükhbaatar and Bayangol. Although Nalaikh and Baganuur are separate cities they are administratively associated with the capital. Moreover Bagakhangai and Baganuur form a sort of exclave. While Bagakhangai is located in the Töv Province, Baganuur stretches between the Töv and Khentii provinces. Yet the three remote Düüregs are located 45-110 kilometers away from the city´s main built-up area. Moreover, all districts are subdivided into sub-districts (Khoroos) again. To date Ulaanbaatar features 132 Khoroos.

Ulaanbaatar is governed by a city assembly (Citizen's Representatives Hural) consisting of forty councilors, elected every four years. At this the mayor is nominated by the city council and is appointed by the prime minister who signs the contract for the mayor's tenure. In turn, the mayor appoints a deputy with the prime minister's approval. Besides he submits his performance report to the prime minister twice a year whereas the prime minister is able to cancel the mayor's decision in case that it does not comply with legal acts (ASIAN DEVELOPMENT BANK 2001 : 233). The legal organization of Ulaanbaatar´s city governments is shown in the figure below.

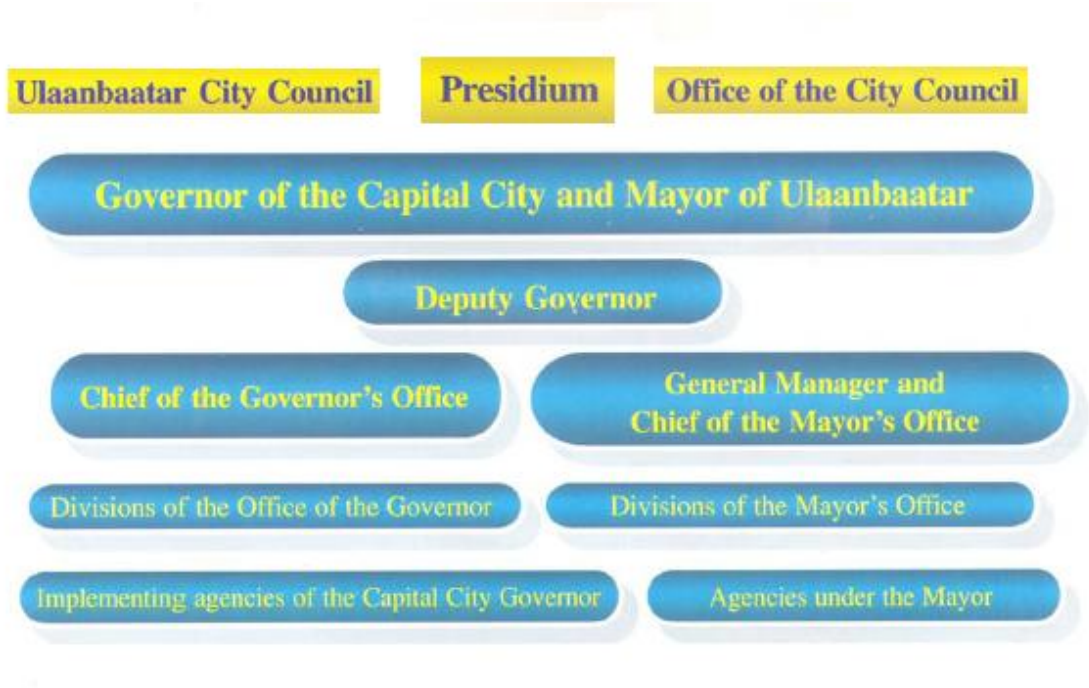

Fig. 22: Organization of Ulaanbaatar city government
Source: modified according to UNDP 2006, page 13.

Since Mongolia has undergone a democratization process following the 1990s, the central government began to decentralize state powers to local governments. In the course of this, administrative accountability and transparency were to be consolidated. However, as it has often been described before, the ratio between duties and authorities has been inadequate (ASIAN DEVELOPMENT BANK 2001 : 234).

5.3 Urban challenges and poverty

After having undergone a market-oriented transition in 1991, urban development processes have intensified particularly because of migration into the cities. Thus most notably rural families come to the urban centers in search of employment opportunities and better living standards, as harsh climatic conditions make it very hard for them to safeguard their livestock. However, while secondary cities such as Erdenet or Darkhan also see such processes, the capital still being the center of the country has to absorb enormous rates of migrants. At this, the net inward migration from other parts of the country is estimated to account for circa 45 percent of Ulaanbaatar´s population growth (ASIAN DEVELOPMENT BANK 2001 : 234). Yet these processes place a burden on the city´s infrastructure, with enormous migratory flows into the capital resulting in uncontrolled settlements in peri-urban areas. These settlements, called Ger areas, are urban slums expanding throughout Ulaanbaatar. However, they lack adequate basic infrastructure such as piped water, electricity, a street network or drainage just as general basic services and safety nets. Yet these Ger areas account for about 60 percent of Ulaanbaatar´s population (approximately 135.000 households). At this, Ger settlements are either composed of small traditional nomadic Gers (generally 25 square-meters) or small houses (circa 24-32 square-meters) that are mostly informally constructed (ASIAN DEVELOPMENT BANK 2008 : 5). However, major growth takes place in that very informal settlements, although such housing does not comply with the city governments regulations (ASIAN DEVELOPMENT BANK 2001 : 234, 235). It is estimated that 47 percent of the city population live in Ger areas. Here earnings just as living conditions are particularly lower than in the core city. Moreover, these areas, accounting for high numbers of Ulaanbaatar´s street children, are prone to flash flooding as they are situated on flood plains and hill slopes. Apparently such urban conditions have a serious impact on the incidence of poverty. Thus the rate of Ulaanbaatar´s urban dwellers living below the official poverty line of 17 US Dollars per month was 20 percent in 2006 (ASIAN DEVELOPMENT BANK 2008

: 5). Yet some estimations refer to much higher rates of urban poor, pointing at the great number of unregistered migrants. At this most income is spent on food, indicating a high proportion of poverty (see figure 23).

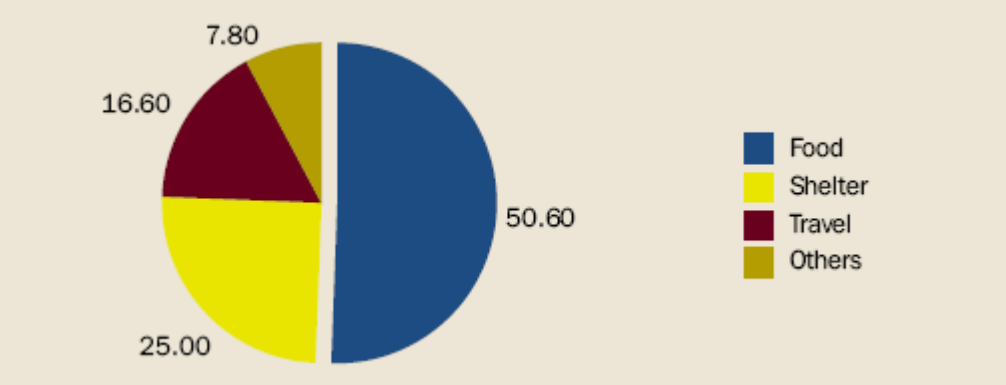

Fig. 23: Ulaanbaatar: Household expenditure in percent
Source: ASIAN DEVELOPMENT BANK 2001, page 67.

On the top of this comes the fact that due to the harsh climate, the operation of coal fired stoves and motor vehicles causes serious air pollution thus adding up to health problems. Moreover, urban infrastructure is declining as a result of inadequate recovery of costs. This involves water supply, electricity, sanitation and urban transport. In addition, the urban environment suffers from water pollution via surface water (untreated sewage) just as groundwater (prevalence of pit-latrines). Besides, the urban economy of Ulaanbaatar is to a wide extent affected by an informal sector, comprising predominantly of retail trading, transport and services.

5.4 Provision of municipal services

The city provides basic services such as water, heating, sanitation and electricity. However, there are differences between the formal areas and the Ger areas. As the former are serviced by Ulaanbaatar´s formal network, Ger areas feature on-site sanitation while water is bought from kiosks. Yet the city´s supply infrastructure is in need of maintenance and renovation. Moreover, profound varieties in urban consumption levels exist between formal and marginal settlements. While water consumption in formal apartment blocks accounts for up to 200 liters or more per day, the majority of urban dwellers consume approximately eight liters per day. Although the water supply by tankers to the city´s kiosks is being replaced through underground pipes, there are only scant individual connections

to the water supply network. Hence the rate of individual water connections just as water unaccounted for amounts remains very high.

Similar urban disparities exist in terms of sewerage. While the city's formal areas are connected to the sewerage system being connected to a treatment plant, Ger areas mostly depend on drainage pits (ASIAN DEVELOPMENT BANK 2001 : 234).

Heating is considered a basic service due to Ulaanbaatar´s harsh climate with three forms of heating systems being present in the city. While a district heating system connects the city´s thermal power plants to the formal built-up city, coal-fired stoves are utilized in Ger areas for heating just as cooking, yet adding up to environmental problems (ASIAN DEVELOPMENT BANK 2001 : 234). In addition, boiler houses heat single or groups of buildings. Since thermostatic controls are not very common, energy conservation and maintenance remain a challenge to utilities. However, recognizing these issues, the Asian Development Bank has conducted the Ulaanbaatar Heat Efficiency Project between 1997 and 2007 in order to address numerous shortcomings in the city´s heat supply.

5.5 UGI application in Ulaanbaatar

Effectiveness

Ulaanbaatar´s local government revenue per capita was 36.9 US Dollars (total average local government revenue between 2002-2001 = 32.096.100; official total city population = 952.410) in 2006. Yet, bearing in mind the huge number of unregistered migrants in the city, the revenue is likely to be considerably lower. The capital´s revenue consists of 12.2 percent of transfers by the central budget. Moreover, the actual transfer was reduced between 2003 and 2004 since some public entities now receive their budget from their respective ministries. In addition, the city does not receive any subsidies from the central state. There are public performance delivery standards designed by the respective ministries and agencies. These standards are developed locally and comprise for example water provision, electricity, hygiene, waste removal, health, and education services. Information brochures of standards also exist and are sold to citizens and business entities. However, Ger district residents do not necessarily receive this information since they may not participate in these channels. In addition, a consumer satisfaction survey is

carried out every year at the capital city level. Yet this survey is not widely distributed and not broadly established among the city population (UNDP 2006 : 5). Ulaanbaatar also features a general plan for the development of the capital city up to 2020 (existence of a vision statement). While there are and have been consultations on different spatial urban levels on this issue, it is still not known by the whole population. At this, it has to be noted that especially the urban poor and the informal society face problems in access to the formal political process of the city, even if NGOs are active in information distribution. Against the background of the above mentioned aspects, Ulaanbaatar scores relatively high on the effectiveness sub-index (0.77 out of 1.0) as most criteria for the corresponding indicators are met (see table 4).

No.	Indicator	Value
Effectiveness Sub-Index		
1	Local government revenue per-capita (LGR)	0.11
2	Ratio of recurrent and capital budget (RRC), Recurrent Budget = R, Capital Budget = C; R = 27261050 , C = 1907360	0.11
3	Local Government revenue transfer (LGT)	0.10
4	Ratio of Mandated to Actual Tax collected (TC)	0.10
5	Predictability of transfers (PoT)	0.00
6	Published performance delivery standards (PPDS)	0.15
7	Consumer Satisfaction Survey (CSS)	0.10
8	Vision Statement effective (VSE)	0.10
	Effectiveness Sub-Index	**0.77**

Tab. 4: Effectiveness sub-index, indicators and values for Ulaanbaatar
Source: UNDP 2006, page 9.

Equity

In terms of equity, the city shows the lowest UGI score. This is due to the fact that Ulaanbaatar does not correspond too well to the sub-indexes indicators as presented in the following. There is no published citizen's charter present, informing on residents rights such as the right to basic services. Although there are some arrangements between dwellers of apartments and the apartment service entities covering basic services, only 50 percent of the city population lives in apartments. As aforementioned, cultural differences oftentimes determine the level of access for females to various institutions. This is

particularly true for Ulaanbaatar, with only few women councilors in the Capital City Citizen's Representative Khural as well as few female district governors. However, the UGI revealed some explanations for that, indicating shortcomings in gender equality. Hence Mongolia has no quota system for women just as women are usually not endowed with sufficient financial resources to run for public office (UNDP 2006 : 11). In addition, Mongolia´s capital does not feature a pro-poor policy for water provision. Dwellers of informal settlements pay a multiple of the prices charged in formal residential areas. Thus, while the price per cubic meter in formal areas is around 0.05 US Dollars, it is 0.58 US Dollars at water distribution kiosks and 1.16 for water truck deliveries in the Ger areas (ASIAN DEVELOPMENT BANK 2001 : 421). Given these facets, the capital provides particular areas in the central districts, where small scale informal street vending is allowed and submitted to particular restrictions though (incentives for informal businesses). Moreover, Ulaanbaatar´s city government supports informal activities of providing information on markets and fairs by citizens. Against this background the equity sub-index for Ulaanbaatar is very low as seen in the table below. An issue most striking is that even though the city is in charge of basic service provision (electricity, water, sanitation), there is no document guaranteeing access to these. This is particularly a drawback since the incidence of urban poverty in Ulaanbaatar is very high.

No.	Indicator	Value
Equity Sub-Index		
9	Citizens' Charter for Basic Services (CCS)	0.00
10	Percentage of women councilors (WC)	0.06
11	Percentage of women councilors in key positions (WK)	0.03
12	a. Existence of pro-poor water policy (PPC)	0.00
	b. Percentage households with water connection (HH wat)	0.14
	c. Is water price cheaper for poor settlements? (WP)	0.00
13	Incentives for informal market (IM)	0.15
	Equity Sub-Index	**0.39**

Tab. 5: Equity sub-index, indicators and values for Ulaanbaatar
Source: UNDP 2006, page 9.

Participation

Just as effectiveness, the participation sub-index presents a relatively high score. At this the city corresponds well to the indicators addressing the respective principle. Thus the city councilors are directly elected and there appears to be a high voter turnout in municipal elections. Yet, members of the Citizen's Representative Khural are not necessarily full-time jobs with councilors often holding senior positions in the city government or with the private sector. Apparently there may be conflicts of interest due to this (UNDP 2006 : 6, 7). Furthermore, while the high number of civic associations adds up to Ulaanbaatar´s high participation score, evidence shows that only 20 percent of registered NGOs are in fact operational. Hence a multiplicity of civic organizations uses the registration for tax or other purposes (UNDP MONGOLIA 2006 : 70). Moeover, in Ulaanbaatar the mayor is not directly elected by citizens but is appointed by higher level government. Yet there are frequent meetings and consultations taking place in the capital city. The respective values for participation are presented below.

No.	Indicator	Value
Participation Sub-Index		
14	Elected Council (EC)	0.15
15	Locally Elected Mayor (LEM)	0.00
16	Voter Turnout (VT)	0.17
17	People's Forum (PF)	0.15
18	Civic Associations per 10,000 population (CA)	0.21
	Participation Sub-Index	**0.68**

Tab. 6: Participation sub-index, indicators and values for Ulaanbaatar
Source: UNDP 2006, page 9.

Accountability

Although the city disseminates formal information about contracts, tenders, budgets and accounts via newspapers, radio, the Internet and notice boards, that very information is not always available to Ger residents as they lack access to those channels. As higher levels of government can terminate local government operations just as they can remove members of the city council, there is a strong control by higher governmental levels. Furthermore, the local government is bound to higher level government in terms of setting tax levels. Yet Ulaanbaatar scores average on the sub-index as seen in table 7.

No.	Indicator	Value
Accountability Sub-Index		
19	Formal publication (FP)	0.20
20	1. Control by higher level of govt (CG)	0.00
	2. Local Government Authorities (LGA)	0.06
21	Codes of Conduct (CoC)	0.00
22	Facilities to receive complaints (FRC)	0.10
23	Anti corruption commission or agency at the local level (ACC)	0.00
24	Personal income and Assets (PIA)	0.00
25	Regular independent audit (RIA)	0.15
	Accountability Sub-Index	**0.51**

Tab. 7: Accountability sub-index, indicators and values for Ulaanbaatar
Source: UNDP 2006, page 9.

Most notably with regard to the principle of accountability is the fact that there is no anti-corruption commission as well as no independent audit. In addition, locally elected officials are not obliged by law to publicly disclose personal income and assets (UNDP 2006 : 8). However, Ulaanbaatar´s overall governance situation is presented in figure 24, charting the city´s strengths and weaknesses.

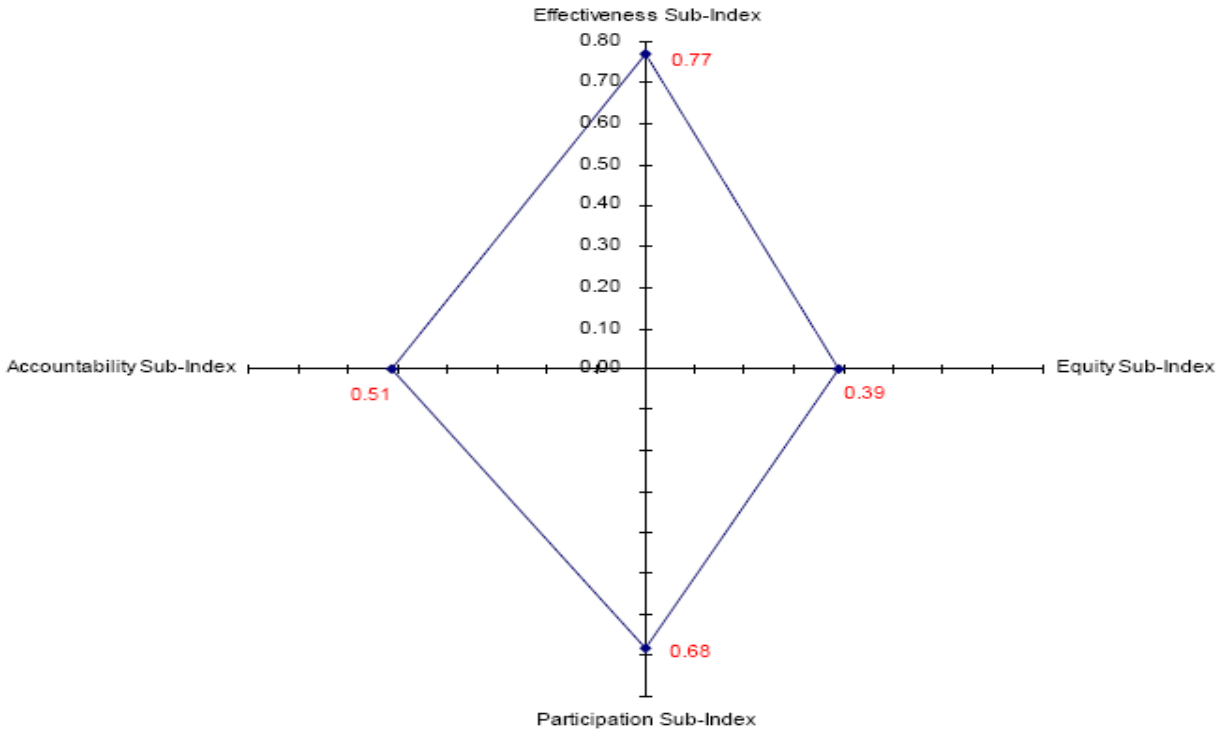

Fig. 24: Urban Governance Index for Ulaanbaatar 2006
Source: UNDP 2006, page 10.

5.6 CDI application in Ulaanbaatar

City Product

Ulaanbaatar´s City Product per capita was 505 US Dollars in 1998 (see annex 3) resulting in a CDI sub-index of 53,7 (FLOOD 2001 : 1). The index is essential for providing information on urban productivity. At this it can inform about the level that the city´s economic growth keeps pace with population growth. Given the considerable migration into the capital, this is of particular importance. Hence the informal economy of Ulaanbaatar has to be recognized as it has played an increasing role in the expansion of production in the city. In this regard Ulaanbaatar´s informal employment rate was approximately 55 percent in 2001 (ASIAN DEVELOPMENT BANK 2001 : 61).

Urban infrastructure

As aforementioned, it is difficult to give an account of the city´s infrastructure. Hence, although the majority of the urban population officially has access to basic services such as water, sewerage, electricity and telephone connections, there are still some constraints. Thus Ger area residents have the possibility to buy water from trucks and vendors (kiosks) indeed but prices for such a supply are far from average. Most notably, this procedure of getting access to a basic need does not fall under the classification of basic service supply. Yet half of the city´s population lives in informal Ger areas, facing immense difficulties in gaining access to basic services and urban infrastructure (e.g. no paved access roads). As a result Ulaanbaatar´s infrastructure sub-index score is 59,0.

Waste management

While waste management is generally a problem of cities in developing countries, Ulaanbaatar features a relatively proper system of waste treatment. Thus there are public solid-waste companies in each district.

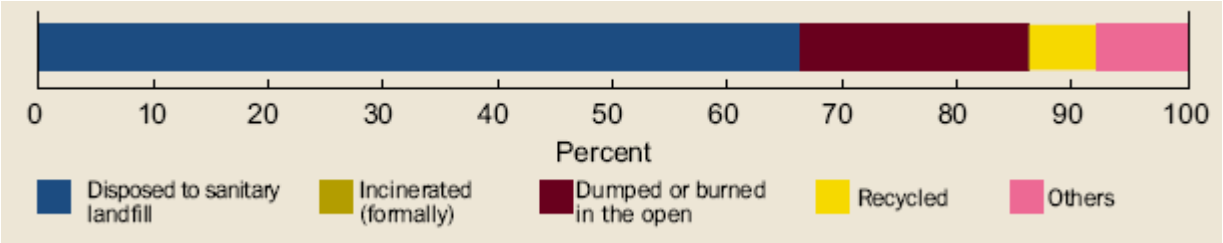

Fig. 25: Methods of solid waste disposal in Ulaanbaatar
Source: modified according to ASIAN DEVELOPMENT BANK 2001, page 80.

Besides, authorized intermediate solid-waste points are present in Ger areas where households can dispose their garbage. At this district solid-waste companies collect garbage from those points and transfer it to dump sites (ASIAN DEVELOPMENT BANK 2001 : 422). Hence Ulaanbaatar scores 90,0 on this sub-index.

Health

The city´s health sub-index score is relatively moderate with a value of 72,5. Thus under-five mortality was 4.25 percent as well as life expectancy was 63,9 for female and 59,7 for male respectively. However, due to Ulaanbaatar´s environmental problems mentioned above, the health sub-index could be seriously affected.

Education

As the Urban Governance Index already revealed a small proportion of women in higher governmental offices, in Mongolia women are generally over represented in higher education and well represented at mid senior management levels. However, they are severely underrepresented in higher political office (UNDP 2006 : 11). Figure 26 highlights these aspects by providing the indicators of the education sub-index resulting in a score of 66,7.

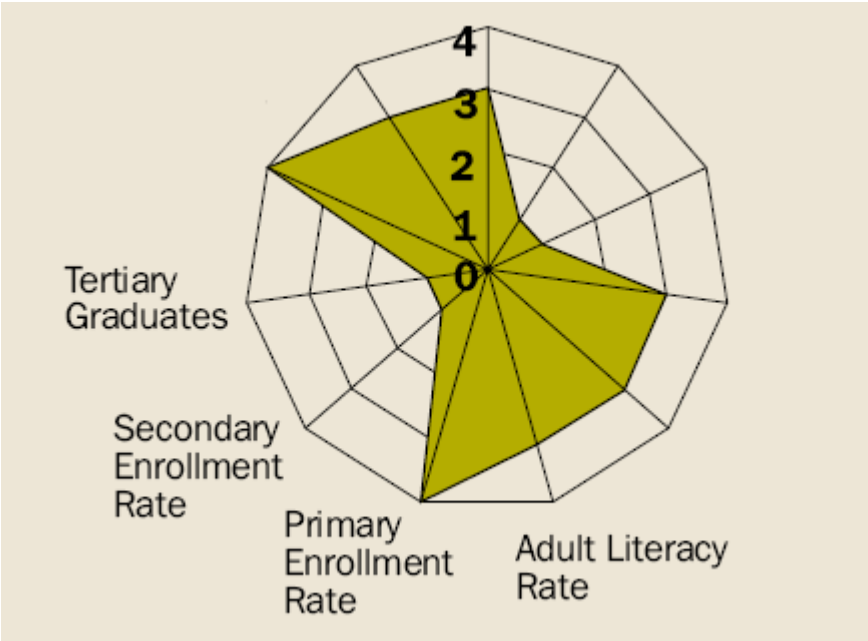

Fig. 26: Education sub-index indicators for Ulaanbaatar
Source: modified according to ASIAN DEVELOPMENT BANK 2001, page 63.

It is obvious that, while primary enrollment rates are consistently high, secondary enrollment is not that common. There may be various reasons for that, such as entering the workforce instead of attaining school or women becoming housewives and leaving school. While secondary enrollment is low, this is also true for the number of tertiary graduates. However, graduate rates have risen in recent years due to the liberalization of education policy in addition to the establishment of several private colleges (ASIAN DEVELOPMENT BANK 2001 : 419). The total CDI for Ulaanbaatar is shown below.

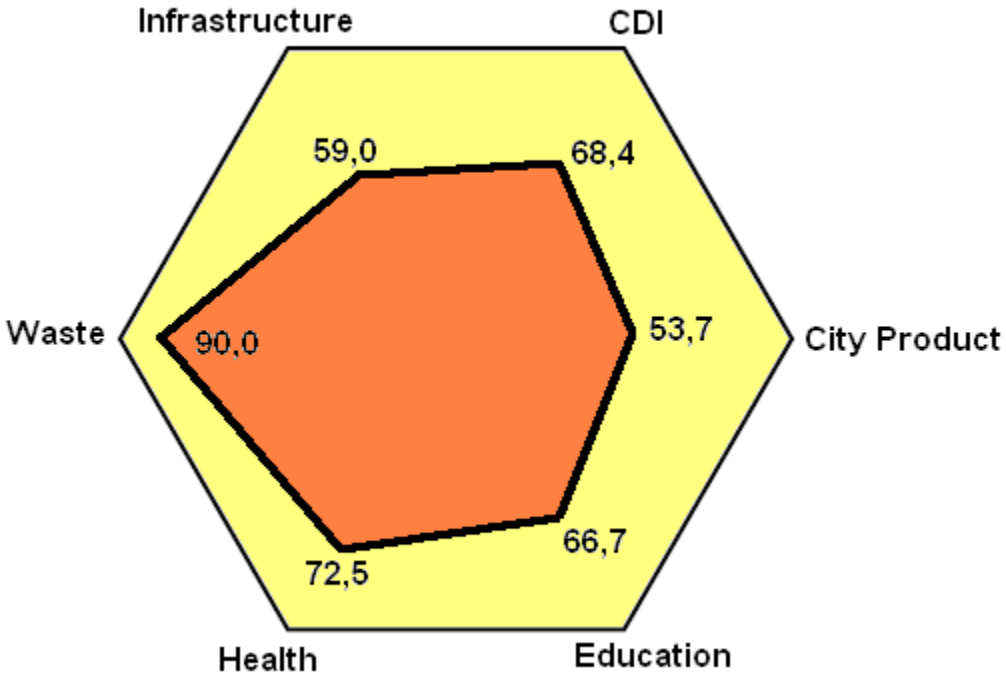

Fig. 27: City Development Index for Ulaanbaatar
Source: The author based on FLOOD 2001, page 1.

6. Conclusions: governing third world cities – does it affect development outcomes?

The present study has shown that both city development and urban governance are concepts that are difficult to measure. However, it is of utmost importance to keep doing it as data availability and reliability are major concerns in terms of measuring any type of urban progress, specifically in developing countries. Local leaders and decision makers need to be provided with guideposts on the state of governance in their cities and communities. Recognizing that phenomena like mass poverty, poor health conditions and insufficient education can hardly be ignored, the debate on governance – understood as a broad system of all stakeholders – has to be intensified. As the case of Ulaanbaatar has shown, a relatively effective urban government can positively impact on issues such as waste-management. However, the latter is relatively easy to achieve while endeavours to counter profound inequality or education requires much more fundamental changes. Here the low levels of accountability and equity manifest in poor scores for infrastructure, education and health care. Recognizing that particularly women and children are most seriously affected by such grievances, it is essential to foster attempts of good urban governance in third world cities. This statement is also confirmed by the interpretation of expert interviews, which formed the basis of the diploma thesis underlying this study. Decision makers need to take into account the needs of the excluded and disadvantaged. Here an inclusive governance approach will incorporate the informal economy, the socially disadvantaged and especially women as they are prone to a variety of discrimination thus holding key to a variety of development challenges. Bearing this in mind, development politics and particularly urban planning in developing countries has to recognize the inefficiency of top-down approaches. Hence taking the needs of the marginalized into account and integrating them into the decision making process is vital for sustainable urban development in the global south.

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„Governance" has become a dictum in the scientific world. More so, in combating poverty the term "good governance" has become the sina qua non of effective development. Despite difficulties in establishing its prerequisites and components, „Good Urban Governance" is nevertheless an essential determinant for successful and sustainably improving living conditions of the urban poor. Bearing in mind that more than half of the world's population now lives in urban centers, it is of utmost importance how cities are governed – who is involved in the decision making process and how the process functions. The present study by Frederik Lange highlights the interrelation between (good) urban governance and city development and points to the necessity of actively involving the poor in the urban development process.

Theory and Practice

World Vision Institute

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