



WorkingPapers

**From Master Plans to Stimulus Packages:
Reflections on Urban Assistance to Rich and Poor Countries**

Michael Cohen
The New School, New York

International Affairs Working Paper 2009-07
November 2009

A Paper Submitted to 30th Anniversary Seminar, ADP-Villes en Developpement, Paris,
France, September 4, 2009

Copyright 2009 by Michael Cohen

From Master Plans to Stimulus Packages: Reflections on Urban Assistance to Rich and Poor Countries

Graduate Program in International Affairs
The New School
International Affairs Working Paper 2009-07
November 2009
www.gpia.info

ABSTRACT

The intensive efforts of the World Bank and other urban lending programs focused on the immediate physical needs of housing and urban services rather than considering cities as sites of value creation, income generation, or productivity—an urbanization model of high urban population growth shaped this focus. Such urban planning and policy need to be considered in terms of its intention and how objectives implicitly and explicitly address the issue of context. Moreover, lessons of policy and program assistance practice should be reflected in urban lending program design; their evolution and use suggest the need for more attention to context.

Michael Cohen
Graduate Program in International Affairs
The New School, New York
cohenm2@newschool.edu
www.gpia.info

**From Master Plans to Stimulus Packages:
Reflections on Urban Assistance to Rich and Poor Countries**

By

Michael Cohen¹

A Paper Submitted to 30th Anniversary Seminar

ADP-Villes en Developpement

Paris, France

September 4, 2009

I. Introduction: Two Points of Departure:

From 1970 to 2000 the international community provided assistance to more than 11,000 cities and towns in developing countries. This assistance included aid for housing, water supply, sanitation, transport, social services such as health and education, environmental management, and municipal management. The World Bank's urban lending program included about 7,000 of these urban areas while the other multi-lateral and bi-lateral agencies reached another 4,000. This rough estimate was based on a review of the assistance programs of about 40 agencies working in this field.² Although there have been some efforts to assess the short-term impacts of this extensive program – which might be characterized as one of the largest social experiments of the 20th century – there have been almost no efforts to understand its longer-term impacts in the specific cities and countries in which it occurred.³ The impact of this portfolio on the cities in which they occurred in general remains un-examined.

In 1995, the French anthropologist Annick Osmont published a book entitled: *La Banque Mondiale et les Villes: de Developpement a l'Ajustement*⁴ in which she argued that World Bank-assisted urban projects in francophone Africa - in Burkina Faso and

¹ Professor of International Affairs and Director, Graduate Program in International Affairs, The New School.

² Michael A. Cohen, "Urban Assistance and the Material World: Learning by Doing in the World Bank"; Environment and Urbanization, Volume 13, No.1, April 2001; pp.37-60.

³ An exception is the study of the Senegal Sites and Services Project, the first World Bank-financed urban project approved in 1972, undertaken by New School University graduate students in 2006. Its findings are reported in Michael A. Cohen., "Aid and Density: Anticipating Dakar", in Built Environment, June 2007.

Senegal among others - had less impact on the urban conditions of these countries than the structural adjustment programs which the Bank had recommended and financed in these countries. This strong argument, with clear political implications, articulated what many people in these countries could feel and which many “experts” could observe, but was largely ignored by many “professional urbanists”, including myself, because it expressed the uncomfortable tension between a conventional view of urban practice involving housing and infrastructure and a broader, less invested understanding of what was actually happening in these cities. How could it be that our intensive efforts to address immediate physical needs of housing and infrastructure were somehow less significant than the distant abstract policy recommendations of heartless macro-economists?

The thrust of the argument of this book was even more revolutionary, because it demonstrated that the World Bank’s “urban” entry to cities, indeed the entry of most actors in the international community, had been through “the house and the bathroom” rather than through the workplace and the economy. The focus of architects, urban planners, urban environmentalists, and urban finance specialists had been on housing and urban services rather than to consider cities as sites of value creation, income generation, or productivity. The former approach, while fully within the bounds of conventional urban practice, made sense, given a demographically-driven model of urbanization which focused on high urban population growth, whether from migration or natural increase, increasing the demand for housing and infrastructure. The most important contribution of Annick Osmont’s work was, therefore, to reinforce the need to reconsider the meaning of “context”, a truly anthropological preoccupation.

II. The Shifting Relationship between the Definition of Context and the Choice of Appropriate Instruments to Address Urban Issues

With the above points of departure in mind, one of the most interesting changes in urban practice in the post-World War II period has been the shifting perception and use of appropriate instruments for addressing urban issues. These changes have reflected some of the dynamics of urban growth in both rich and poor countries, including in both the reconstruction of Europe after World War II and the decolonization of countries in Africa and Asia. Context has influenced instruments, but so too have instruments reinforced definitions of contexts.

Rather than proceed through an orderly chronological explanation of these changes to make this point, the process is well-illustrated by a fast-forward view of the recent

⁴ Annick Osmont, *La Banque Mondiale et les villes: de développement a l’ajustement*, (Paris: Karthala, 1995).

consequences of globalization for urban practice in the last two decades. Rather than focus on the *barrio* or *quartier*, much current attention is devoted to the linkages of urban spaces to the broader global economy. Seminal analytic work such as The Global City by Saskia Sassen and many others extended the urban vision towards a larger scale and higher degrees of complexity.⁵ It is now widely accepted that economic, political, technological, and media processes at the global level have direct, immediate impacts in cities. The speed and quality of communication has increased the speed and quality of understanding.

From this perspective, then, it is worthwhile to consider the various instruments of urban planning and policy in terms of what instruments were intended to do and how those objectives both implicitly and explicitly addressed the issue of context. The instruments considered in this paper include master plans, projects, strategic investment plans, urban policies, contracts, and more recently, in the face of the current global economic crisis, stimulus packages. Each of these instruments has been used by the World Bank and other multi-lateral and bi-lateral agencies providing urban assistance.

Master Plans

The use of master plans in the 20th century reflected the perception that urban areas could be ordered, planned, and managed by the organization of their spaces. These plans were largely spatial plans, reflected in their multi-color presentations in which different colors represented different uses. They were essentially two dimensional plans and while they sought to be dynamic representations of urban growth and change, they in fact were more frequently static. They explicitly asked professionals and the citizenry alike to fit their aspirations and their desired physical forms into the plan. The plan was the context. Whatever lay “outside the plan” was indeed outside. In many urban areas, what was outside the plan was by definition also illegal and thereby subject to demolition by public authorities.

By the mid-1970s, there were strong criticisms of the master plan approach, particularly in developing countries, due to its inability to capture the dynamics and startling pace of urban growth. Master plans were regarded as expensive exercises, long in preparation, and frequently out of date by the time they were completed.

Projects

Within the physical framework of the master plan were sites which were identified for specific projects. These sites had well-drawn boundaries and linkages to other parts

⁵ Saskia Sassen, The Global City, (Princeton: Princeton University Press, 1990).

of the plan. Projects were intended to embody the physical objectives of the plan in built urban forms, whether housing, infrastructure, or social services. Projects were by definition narrowly circumscribed and often ignored what was on the perimeter and/or periphery of the site. A French observer of World Bank practice in Dakar once noted that the World Bank was interested in “sites” but not “land”, an important distinction. This included the dynamic pressures of the land market: who was able to have access to land and at what price, and how sites contributed to the broader urban form of cities. The context of the project was deliberately excluded in maps in which neighboring areas were often colored white, as if nothing was there or if there was something, it had no material bearing on what was included inside the project.

Over time projects were also criticized as overly focused interventions in urban areas, usually lacking sufficient attention to the wider geographical, environmental, and institutional contexts. By the early 1980s, it was clear from a sample of some 60 World Bank-assisted projects that these interventions were “projectizing” the city, dividing rather than integrating, and creating differences in living standards and norms which could become sources of economic, social, and political conflict.⁶ This same narrow approach is evident in the dozens of slum upgrading projects financed by the Inter-American Development Bank in Latin American countries, particularly in Brazil, Chile, and Mexico, where the focus has been on infrastructure and benefits within communities, with no attention to their potential wider economic, social, and environmental impacts outside communities. This is most apparent in the lack of attention to employment which might be generated from these projects in the surrounding urban areas.⁷

Strategic Investment Plans

A third urban instrument which emerged in the 1970s was the strategic investment plan in which a series of projects were linked together as instruments intended to address a broader set of urban issues than individual projects bounded in individual sites. In some sense, these strategic investment plans were the first step towards recognizing the city was a “space of flows,” as described by Manuel Castells,⁸ which implied that the projects were intended to help in directing, channeling, and managing

⁶ Michael Cohen, Learning by Doing: World Bank Lending for Urban Development, 1972-82, (Washington: The World Bank, 1983).

⁷ See paper by Michael Cohen and Pamela Hershey, “IADB Urban Upgrading and Employment Generation: A Conceptual Approach and Methodology for Selecting and Conducting Case Studies”, (New York: New School University, September 2008).

these flows to assure than basic needs were met but that other urban objectives could also be achieved. The latter included objectives like increasing the efficiency of the urban transport system or developing areas of the city in an “integrated” manner which included both housing and residential infrastructure along with so-called productive investments such as industrial parks or factories. The strategic investment plans actually acknowledged that the urban area was larger than a project area, that some spaces had higher priority than others, and that “strategy” meant making choices in space. Choosing therefore implied both positive and negative space, both of which were part of context.

This approach ran into trouble during the macro-economic difficulties of the 1980s – both in Africa with structural adjustment and in Latin America with its debt crisis. In both places this heavily public-sector strategy was also criticized by the changing political views of the time towards a greater role for the private sector. This critique of public institutions was in part also an excuse for not being able to provide the needed public investment resources to carry out strategic planning.

Policies

A fourth instrument was the use of policy and regulations to guide urban behavior and not only to allocate investment resources as was often the case in projects and strategic investment plans. Policies shifted attention towards desired outcomes – what was needed – by assuming that actors would follow rules of behavior: in design, construction, and use. The challenge therefore was to determine which rules might encourage behavior in specific directions and what were the so-called “enabling conditions” required for desired outcomes to be achieved.

The challenge for policy instruments was the lack of institutional capacity to actually implement and enforce policy. Just as the local building codes had little effective control over the spread of squatter settlements in many cities in developing countries, grand policy pronouncements had little impact in many cities. In Cote d’Ivoire in 1969, the then Minister of Urbanisme, Michel Goly Kouassi, had declared: “Construct big, beautiful, and forever”, but this approach did not stop the spread of bidonvilles in peripheral areas of Abidjan.⁹

Market-Oriented Policies

⁸ Manuel Castells, The Informational City: Information Technology, Economic Restructuring, and the Urban Regional Process. (Oxford, UK; Cambridge, MA: Blackwell, 1989).

⁹ Michael Cohen, Urban Policy and Political Conflict in Africa: A Study of the Ivory Coast, (Chicago: University of Chicago Press, 1974).

A fifth type of instrument, market-oriented policy, was an important variant of policy itself. The difference lay in the assertion that market-oriented policies were intended to affect not only individual actors, but the whole pattern of behaviors of all actors, individually and in the aggregate. Context in this sense meant not only spaces, sites, and flows, but also all the interactions between actors which helped to determine supply, demand, and price.¹⁰ These policies presumed to affect everything within a specified geographical area. Yet they did not presume that their outcomes would necessarily order spaces, sites, and flows in any particular shape or location, except to assert that these relations would somehow maximize individual welfare, and in so doing, also maximize collective welfare. This assertion – that the pursuit of individual benefit would maximize social benefit – is in fact more of a hypothesis than a fact and indeed has been repeatedly disproven in many contexts.

One of the great failures of market-oriented policies was the assumption that both buyers and sellers had perfect and equal information and therefore the outcome of sales would reflect optimum prices. In reality numerous cumulative asymmetries exist in these relationships, particularly so in poor communities in poor countries.¹¹ What these policies did achieve was to reinforce income and wealth differences within the urban population and in many cities actually worsen the urban income distribution. The extreme version of this outcome is seen in metropolitan Buenos Aires with its more than 450 gated communities housing about 500,000 people and which occupy more than 1.6 times the area of downtown Buenos Aires with 3.5 million people.¹²

Contracts

A sixth type of urban instrument was the contract, normally between an urban public institution and a set of private providers of service. The use of contracts was widespread in France and was adopted in the AGETYPES projects whereby public institutions entered into contracts with private companies promising to provide heretofore public services. Contracts focused on the issue of agency within the city and how responsibility for “public” services could be transferred to “private” agents within a given context. In this sense, “context” is in fact institutional context related to jurisdiction.

This approach assumed that private companies could operate and maintain urban services better than public institutions. This assertion is also a hypothesis. In some cities

¹⁰ Stephen K. Mayo and Shlomo Angel, Housing: Enabling Markets to Work, (Washington: The World Bank, 1993).

¹¹ See the work of Nobel Laureate Joseph Stiglitz on information asymmetries.

¹² Margarita Gutman and Jorge Enrique Hardoy, Buenos Aires 1536-2006. Historia de la region metropolitana, (Buenos Aires: Ediciones Infinito, 2007).

in the United States, such as Phoenix, public workers actually won back the privatized contract in terms of price and quality of work. Similar results have occurred in cities in Latin America.

Stimulus Packages

A seventh type of instrument is the notion of a stimulus package which is the current response to the global economic crisis which originated in the United States sub-prime mortgage market in 2008 and has now affected all countries in the global economy through the channels of finance, demand for commodities, and prices of commodities. Global contraction has meant contraction of local urban economies as well, with immediate consequences for investment, savings, employment, and secondary impacts through reduced revenues reflecting reduced economic activity, and tertiary impacts through reduced public expenditures.

The core instruments of stimulus packages are public expenditures which are intended in a pure Keynesian fashion to stimulate demand for goods and services by putting more money into circulation and into the hands of consumers. The speed of public expenditures is to be reflected in the speed of creating new demand and hence economic recovery.

The most interesting aspect of the application of stimulus packages as responses to the economic crisis, given the fact that urban areas account for more than 80 percent of global GDP and more than 60 percent of all GDP in all developing countries, is that “stimulated demand” is not defined in relation to either urban spaces, urban sites, or urban flows. The stimulus packages which have been adopted in most countries are non-spatial and non-physical, yet they are expected to stimulate economic behaviors which occur in cities by financing a set of physical investments. As packages of these investments, they seem to have been designed without regard for negative externalities such as environmental impact or positive externalities such as bundling of infrastructure services. In a sense, they have been designed without regard to fifty years of professional learning about the social, environmental, political, and cultural dimensions of urban infrastructure and the built environment more generally.

July 2009 reports in The New York Times indicate that significant proportions of spending in the United States have gone to rural infrastructure, a destination which has little to do with short-term stimulus of economic multipliers. This outcome reminds me of the story of the man looking for his eyeglasses under the street light even though he knows that he has lost them in a darkened corner. When asked why he is looking under

the light, he replies, “That’s where the light is.” This outcome demonstrates an absence of concern or awareness of context.

Another interesting example has been the transfers of funds from the Chinese central government to provinces and cities, particularly in the interior of China, in order to create employment and stimulate demand. In many cases, local municipalities have not had the capacity to spend the increased funds, so the funds have either remained unused, or used to pay off municipal debts. In both cases, this result demonstrates that the eagerness to allocate public monies has ignored capacity constraints.

III. Refocusing Instruments to the Context

The above brief descriptions of the evolution and use of urban assistance instruments suggest the need for more attention to context. If, in the current situation with stimulus packages, there is an urgent need to stimulate demand and to get poorer people working again, three foci seem appropriate:

- Focus on cities, not rural areas. Cities have more dense populations and economic activities, hence more powerful multipliers.
- Focus on cities with higher numbers of people in slums, i.e. the sites of highest vulnerability.
- Focus on cities with high shares of employment in the informal sector, where multipliers work quickly and reach the poor.

IV. The Relevance of Instruments to the Real World

Some observers of internationally-supported urban assistance projects remarked in the 1970s that some projects seemed to want the context to more closely resemble the projects rather than the projects more closely relating to the real world. This criticism seems appropriate again today in the world of stimulus packages. Economists have defined stimulus packages as huge catalysts of economic and social behavior, without taking into account the contexts in which they would operate.

Lessons from several decades of practice of policy and program assistance should be reflected, rather than obviously ignored, in the design of these programs. Indeed, rich countries can learn from the experience of giving aid to poor countries. Context matters and in every case, context wins in the end. This is the very definition of sustainability.