

ENHANCING URBAN PRODUCTIVITY IN AFRICA

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While cities in advanced economies contribute 85% of Gross Domestic Product (GDP), cities in low income economies, including Africa, contribute only 55% of GDP (Tibaijuka, 2006). It may be trite to say that low productivity and economic growth are characteristic of the urban economy of the developing world.

This paper has four sections: section one explains 'productivity' and describes the main sources of urban productivity; section two discusses urban management in Africa, using Ghana as a case study; section three analyses how urban productivity can be promoted in Africa and the major constraints on city managers; the paper concludes with section four, suggesting that real changes are possible.

SECTION 1

Productivity is generally defined as output per unit employed. The main drivers of productivity in cities are economies of scale and agglomeration economies from the proximity of capital, labour and technology (Cohen, 1991).

To 'agglomerate' means to 'come together' and 'economies' refers to savings in cost (Henderson and Ledebur, 1972), thus 'agglomeration economies' are the reduction or savings in cost that a firm makes, by congregating with other firms in an area. By clustering together with other firms, a firm's average cost diminishes even with increases in production, at least for a period of time (Winger, 1977). Thus agglomeration leads to a more than proportionate increase (economies) in the firm's output, dubbed 'increasing returns to scale' (Hansen, 2002).

In order to properly discuss these economies of agglomeration, text writers (Henderson and Ledebur, 1972, O'Sullivan, 2003, Cohen, 1991, Hansen, 2002) usually use three heads, namely advantages that are internal to the firm, those that accrue to all firms in a locality (within an urban area) and the cost savings enjoyed by all firms in an area. By inference, then, there are three shades of agglomeration economies: Internal, Localisation and Urbanisation Economies.

Internal Economies of Scale is a designation for the inverse relationship between a firm's long-run average cost and its output over time

(Winger, 1977). In other words, when the cost per output of production of a firm falls, that firm enjoys internal economies of scale. How does this come about? In the words of Henderson and Ledebur (1972, p.48), '[i]ncreasing industrial size...results in economies to a firm'. An increase in industrial size could occur in terms of labour or capital. The logic is that, with an increase in size, a firm can break the production process into many stages and hence allocate specialists to each stage, so as to increase production. It also allows for expansion of the technical capacity of the firm (be it technical knowledge or advanced equipment) which also invariably increases production. Thus with increase in industrial size, a firm enjoys increasing returns to scale even with the same amount of inputs (as in changing from the use of machetes to tractor for clearing farm land). However, since these are internal to the firm, they accrue to firms irrespective of their location (Hansen, 2002).

Localisation Economies, on the other hand, are the fall in cost that firms in the same industry derive by clustering in an area (McCann, 2002). It must be emphasised that if firms producing dissimilar goods, say tomato-producing firms and computer manufacturing firms, agglomerate, localisation economies will not arise. Thus the semblance of firms is at the heart of localisation economies. Put in other words, localisation economies are 'industry economies' (Winger, 1977, p.20). O'Sullivan (2003) adds that these advantages occur in the form of sharing input suppliers, labour and knowledge. As if it were an after-thought, he adds that firms also benefit from marketing. With respect to sharing input suppliers, O'Sullivan explains that firms locate close to an input supplier if no single firm can provide a market for all the intermediate input that the supplier produces and when transportation costs would be too high if they located farther away from the supplier. Pogue (2000) explains that the assembly of mining activities in Gauteng, South Africa has caused a market to grow for producer services like air-conditioning designs for the firms in the mining cluster.

Urbanisation Economies, unlike Internal and Localisation Economies, accrue to firms not as a result of a cluster but because the entire urban economy is growing (Henderson and Ledebur, 1972). According to Winger (1977), these are the advantages firms get by way of a fall in average cost when a city increases in size. This means that these economies are enjoyed by firms from all sectors in a geographical area. What advantages are obtainable? Winger (1997) gives three, namely, the spread of risks of production over a wide area, the ability to buy and sell from a larger pool and the fact that more people bring new and diverse ideas.

The above confirms O'Sullivan's submission that, differences notwithstanding, Urbanisation Economies are the same as both Internal and Localisation Economies because they arise for the same reasons (O' Sullivan, 2003). We argue that Urbanisation Economies reflect the sum of private and public investments in cities. Public investment in infrastructure, communications and environmental services support private economic activities and encourage new private investment (see also Cohen, 1991). With the concentration of people and economic activities in an area, cost per unit of output lowers and welfare of the population increases. Thus investment in one area can result in costs or benefits to others. In any case, the positive externalities that result from the combination of economies of scale and agglomeration economies include the increased efficiency arising from greater access to information, education and public services such as police and fire protection. These and many more positive externalities result from spatial proximity. In contrast, the negative externalities manifest themselves in the form of crime, traffic congestion, and pollution, among others.

In order to enhance urban productivity, city managers in Africa will have to maximise these sources of agglomeration economies whilst minimising the diseconomies of scale. Below, we first give an overview of urban management in Africa, using Ghana as case study, and then identify some possible levers for enhancing urban productivity in Africa.

SECTION 2

An overview of Urban Management in Ghana

Urbanisation in Ghana has been rapid. In 1931, only 9% of the population lived in urban areas¹. This percentage increased to 28.5% in 1980 and 38.3% in 1990. In 2000, the percentage of people living in urban areas rose to 44% and soared to 48% in 2005. At an urbanisation rate of 4%, Ghana has one of the fastest rates of urbanisation in West Africa (Department of Economic and Social Affairs [DESA], 2005, Poverty II, 2005, Konadu-Agyemang, 2001).

The country has ten regions, five cities, thirty six town councils and one hundred and eighty-five designated urban areas. Accra is the capital and largest city and the Greater Accra Metropolitan Area (GAMA) embraces both the city of Accra and Tema (World Bank, 2002). In 2005, 18.7% of the urban

population was resident in Accra², while the second largest city, Kumasi, contained 14.3% of the urban population. Together, Accra and Kumasi contained 33% of the urban population and about 16% of the total population. Between 2000 and 2005, Accra grew by 3.38% annually; whilst Kumasi's annual growth around the same time was 4.90% (DESA, 2005). Regionally, about 60% of the urban population is concentrated in Greater Accra and the Ashanti and Eastern Regions, all three of which are located in Southern Ghana. GAMA accounts for approximately 20% of GDP and employs about 10% of the national work force (one-third of the national urban work force). Accra and Tema house the majority of Ghana's industries, from micro enterprises to large plants. Major financial institutions, government ministries, parastatals, and multinational corporations have their head offices in Accra (World Bank 2002).

The 1993 Local Government Act – Act 462 – entrusts the management of all districts, within which are cities and towns, into the hands of local authorities, or district assemblies. This is in line with the decentralisation policy of the government of Ghana. Among these district assemblies are the Kumasi Metropolitan Authority, Accra Metropolitan Authority and Cape Coast Municipal Authority. These, through Act 462 (section 10 sub sections 1,2,3,4 and 5), execute legislative, deliberative and executive functions of Government. The functions of the Accra Metropolitan Assembly, for instance, are adumbrated in the Legislative Instrument (L.I. 1500) and include: the provision of sound environmental sanitation and health; educational infrastructure for some first and second cycle schools; provision of markets and lorry parks within the metropolis; and the general planning and development control of all infrastructure within Accra. They are also responsible for peace and security within the metropolis and provision of public safety and comfort. In short, these institutions are the highest political, administrative, planning and rating authorities in their respective districts.

At the apex of the national development planning system is the National Development Planning Commission (NDPC), charged with the responsibility for ensuring consistency and continuity in the framing and execution of development policy for the entire country.

We now evaluate the performance of these institutions, using the performance of their cities as proxy.

¹ Urban areas in Ghana are settlements with 5,000 or more people.

² The capital city and the largest city in Ghana

Assessment of Urban Management in Ghana

Healey (1997) distinguishes five main kinds of planning theory: economic planning; physical development planning; policy analysis and planning; interpretative planning; and collaborative planning. In the light of the above functions of these urban management institutions, we will limit our assessment to economic and physical development planning of the cities in Ghana. Within these broad spectrums, we will look at urban slums and urban poverty trends. We will also look at the logistics of these institutions and their financial health. Our assessment of urban management remains within these parameters because of two reasons: first, no other definite official parameters exist for assessing local authorities in Ghana, and second, there exists a large body of knowledge on the economic and physical development of these cities which we can analyse.

Unemployment

The unemployment rate denotes the proportion of the economically active population which is not working but is available and able to work (Ghana Living Standards Survey 4th round [GLSS4]). For the entire country, the rate of unemployment for adults is 8.2%. The rate of urban unemployment is 13.9% for males, and 13.0% for females.

Table 1: Unemployment distribution in Ghana

	Accra	Other Urban	All	Rural Areas	Ghana
Males					
15-24	29.4	23.6	25.3	8.1	12.7
25-44	16.5	13.3	14.4	3.2	7.3
45-64	8.9	6.3	7.0	3.8	4.8
All	16.4	12.7	13.9	4.3	7.5
Females					
15-24	31.7	23.3	25.9	14.8	18.7
25-44	14.8	10.4	11.7	5.2	7.5
45-64	8.7	5.9	6.6	3.5	4.5
All	16.8	11.5	13.0	6.4	8.7
Both sexes					
15-24	30.8	23.5	25.6	11.5	15.9
25-44	15.7	11.7	12.9	4.3	7.4
45-64	8.8	6.1	6.8	3.6	4.7
All	16.6	12.0	13.4	5.5	8.2

Source: GLSS4, 2000

The capital city, Accra, has an unemployment rate of close to 30% for the age group 15-24, whilst other

urban areas like Sekondi-Takoradi, Cape Coast, Kumasi and Tamale together, have rates above 20% for both males and females. Table 1 also shows three significant attributes of unemployment in Ghana. First, unemployment is more pronounced in the 15-24 age group, the so called 'youthful population' bracket. Second, unemployment is an urban phenomenon, since 13.2% of active adults are unemployed whereas only about 4.8% of adults in rural areas are unemployed. Third, the unemployment rate is similar for both males and females.

Slum Population

Slums are a multidimensional concept involving aspects of poor housing, overcrowding, lack of services and insecure tenure (UN-Habitat, 2003). In Ghana, the percentage of urban population living in slums was 80.4% in 1990. Even though this has reduced since then, the percentage of slum dwellers as of 2001 remains as high as 70%. This means that 7 out of every 10 urban dwellers live in slums. More alarming is the close association of urban growth rate (3%) and the slum growth rate (2%). So harrowing are the conditions of slum dwellers in Ghana that the Fadama Slum, for instance, has been nicknamed, 'Sodom and Gomorrah'.³

Urban Poverty

Poverty in Ghana as a whole dropped from about 52% in 1991/92 to about 40% in 1998/99 and about 29% in 2006. In Accra, however, poverty reduced from 23.1% in 1991/92 to about 4% in 1998/99. This increased, however, to 11.8% in 2006 (Ghana Statistical Service [GSS], 2000, GSS, 2007). Generally, urban poverty reduced from 28% in 1991/92 to 19% in 1998/99. In rural areas, poverty, has dropped from its peak of 64% in 1991 to 50% in 1999 (GSS, 2000).

These figures bring to the fore two facts. First, poverty in Ghana remains a rural affair; however, the rate of poverty reduction in rural areas is faster than in urban areas. Second, urban poverty is still high and gives cause for concern given the high rate of urbanisation. The irony is that greater effort is given to rural poverty amelioration while it is presumed that poverty is peripheral to urban areas (Poverty II, 2005). The statistics above, coupled with the fact that 20% of urban dwellers in Ghana have no

³ This slum is located in Accra, the capital city of Ghana. 'Sodom and Gomorrah' refers to settlements/cities which according to the Bible were involved in so many evil activities that God had to destroy them (see the book of Genesis).

access to pipe-borne water (GSS, 2000), is ample testimony that all is not well with every urban dweller.

Municipal Finance

Mabogunje (1968) writes that one of the most serious problems of urban management is the lack of municipal finance. He is of the view that the finance of most third world local authorities comes from grants-in-aid from national governments, minor fees and licenses.

We side with this view because, while municipalities in the highly industrialised countries generate US \$2,906 per capita in revenue per year, municipalities in Asia obtain about \$153 per capita in revenue per year and Sub-Saharan African municipalities obtain just US\$14 per capita in revenue per year (UN-Habitat, 2001). Bintim (2003) notes that even though urban growth has been increasing by 4% per annum in Ghana, local authorities do not have the finance to provide infrastructure for the increasing urban population. In Ghana, more than 80% of all the revenue for district assemblies come from grants made up of mainly the District Assembly Common Fund and funds from NGOs (Mensah, 2005), hence municipal finance accounts for 1% or less of GDP (Kessides, 2006). Bird (1995) asks: 'Why do we know so little about local authority finance?'. Answering the question himself, he writes that because 'no one is really asking for improvement other things seem much more important'. Diagnosing the problem, Amis (1997, p.100) notes:

All urban governments have a tendency to be caught in a scissors between an increased demand for services and an inability to meet them; the result being an almost endemic tendency towards urban fiscal weakness. The demands for urban services are income elastic; they increase rapidly as incomes, population and expectations rise. Demand for water, sanitation or waste management will probably increase faster than the rise in incomes and populations. The problem however is that, with few exceptions, urban services have very small, if any, economies of scale in their delivery. For example, the provision of education, health and solid waste are very labour intensive with very few economies to be achieved through large scale delivery. These two trends result in a tendency towards an almost endemic problem with the finances of local and/or municipal government.

He adds that the cuts in government funding, especially during structural adjustment, is yet one more cause of this fiscal weakness. Amis is of the opinion that financial weakness of the local authority is an inevitable problem. The Cities Alliance has been championing the idea of municipal bonds; one

notable weakness of this, as Amis records, is that municipal authorities are not perceived to be credit worthy.

We reject the notion that slum growth is the result of so-called over urbanisation. An examination of the components of the definition of slums shows that the key indicators of what a slum is – housing, lack of services and insecure tenure – fall within the responsibility of the institutions described elsewhere in this paper. Thus policy/institutional failure and the lack of political will, more than population explosion, have been the main causes of slums in Ghana and indeed the continent.

To Mabogunje (1968, p. 317), 'the single most important problem of these cities is that of urban management'. Mabogunje's statement is credible because, whilst the percentage of people in urban areas in Africa was 38.3% in 2005, Europe's percentage was 72.2% (DESA, 2005), yet it enjoyed better infrastructure and higher employment rates in its cities. The city economy, like every organisation, can be measured and managed, thus '[b]laming the population for its afflictions has the merit of exonerating government and comfortable citizens from responsibility' (Harris 1998, p 12). Governments have failed to manage cities as generators of economic activities.

Moser et al., 1993, Sahn et al., 1997, Logan et al., 1995 and others have suggested that the globalisation of the monetarist orthodoxy in the name of structural adjustment programmes has caused retrenchments in the public sector, higher cost of education and health, the influx of Transnational Corporations (which among other things may cause pollution and capital flight) and withdrawal from public housing (which has led to slums). This approach has also led to high prices and widening income inequality gaps, generating an urban hierarchy and increases in informal employment which stood at about 84% and 88% between 1984 and 1992. Even though the share of the informal sector in total employment has reduced, it is still the biggest employer especially in urban areas (ISSER, 2003). It goes without saying then, that the causes of urban poverty are poor urban governance and the adoption of neoliberal thinking to development which emphasises the minimalist state. In the next section, we examine some ways of enhancing urban productivity in Africa.

SECTION 3

Enhancing Urban Productivity in Africa

'Urban Management is concerned with the policies, plans and practices that seek to ensure that

population growth is matched by access to basic infrastructure, shelter and employment' (Davey, 1993, p.2).

In this section, we explore some practical ways in which African city managers can enhance the productivity of their cities.

Service Promotion

The service industry already contributes the largest percentage of GDP of almost every economy, with percentages ranging from 44% in Antigua (the island) to 93% in Antigua and Barbuda (the country) (Riddle, 2002). Many cities, especially in developing countries, are under the false impression that, save tourism, they have no other service to export. It is argued that the promotion of business and professional services takes only one form: the emigration of doctors, nurses and other professionals to work abroad. Thus economists conclude that the single most important benefit of the liberalisation of the services industry in developing countries is the creation of an environment good enough for the attraction of foreign direct investment (FDI) (Riddle, 2002). To Riddle, there are two major causes of this problem: a lack of knowledge within national government about the services industry, and a propagation of misinformation by the international community. An example of the propagation of misinformation by the international community is the International Monetary Fund's recent economic review, which placed so much emphasis on banana exports when, according to Riddle, only 23.5% of the St. Lucian population are employed in agriculture, and 81.9% of all exports are in the form of services.

There is also a dearth of information about the service industry. Riddle adds that the non-recognition of professional qualifications abroad, unnecessary visa requirements of professionals, the high cost of doing business in developing countries (caused by, among others, poor infrastructure, weak land administration system and a weak financial services sector) have also inhibited the performance of the service sector.

This paper therefore recommends that the research units of municipal authorities begin collecting and collating data on the service industry in their municipalities. This will serve as a starting point for the planning and promotion of services. Beyond this point, unnecessary red-tape in registering businesses should be reviewed. In addition, information and communication technology (ICT) and power generation should be actively enhanced. Columbia, for example, has segmented areas in municipalities into zones based on which cost of

electricity and water is calculated. Thus high income areas pay more to subsidise low income areas. While we do not recommend this as a wholesale approach, we believe that some variation of it could be adopted by city authorities.

This paper also recommends the harmonisation of professional qualifications across countries so that professionals in a city can compete for jobs internationally. In addition, a relaxation of visa requirements by embassies and high commissions for professionals is encouraged. The role of city governments in this direction is that they could partner professional bodies and governments to negotiate and implement these recommendations.

Place Marketing, Managerial Cities and Entrepreneurial Cities

Hall and Hubbard (1998) explain that with the increasing 'diseconomies' in cities culminating in poverty, a new solution is the 'entrepreneurial city'. Such a city would demonstrate business-like attitudes in its management and organisation. Lovering (1995, 110) adds:

If key local economic and political actors...can get their acts together...and if urban management focuses on economic regeneration rather than on 'welfare' issues that have unfortunately preoccupied policy makers in recent decades, a new era of urban economic development may be anticipated.

African cities should enter into private-public partnerships to more effectively deliver municipal services. To this end, a city should be actively advertised, by means of both print and electronic media, both within its own state and to the 'outside world', that it is viable and prepared to receive FDIs in reasonable doses. There should be periodic performance measurement and ranking of cities, and a reward system adopted to encourage good performers while calling to order poor performers.

Related to this, we emphasise good urban governance, which is typified by the innovation of the city authorities in the Indian city of Gujarat, whose authorities went all the way to the World Economic Forum and lobbied the Chief Executive Officer of General Motors to locate a plant in Gujarat. We also mean, by the phrase 'entrepreneurial city', that it is the customers, the city dwellers, who must be satisfied. To this end, we emphasise effective participation by city dwellers to the extent that they will actually be heard by city governments. This way, good governance may lead to poverty amelioration (Gilbert, 2006). We also recommend the establishment of job centres in the local authorities which will disseminate job information to the local

residents, as we find in local authorities in the United Kingdom and elsewhere.

Infrastructure

Urban economic activity depends on infrastructure such as power, roads and water supply. It has been established that a 1% increase in infrastructure gives a 1% increase in GDP (World Bank, 1994). Similarly, the health of urban populations living in high densities is dependent on sanitation and clean water supply. Some activities, such as urban transport, are particularly complex because of their effects on settlement patterns and congestion.

Possible sources of funding for greater infrastructure investment lie in public-private partnerships and on a Build-Operate-and-Transfer (BOT) basis. Related to this is the maintenance of this infrastructure. Sinking funds⁴ may have to be set aside for planned periodic maintenance.

Industrialisation through Clustering, Industrial Technological/Scientific Parks, Export Processing Zones and Techno Poles

Economists use the term 'industrial' or 'enterprise' cluster to refer to an assembly of firms or enterprises that are involved in the production of the same or related things (McCormick, 2003). McCormick explains that information sharing, specialisation and learning from one another are some of the main advantages of clustering. O'Sullivan (2003) and others call these advantages agglomeration economies. They add that firms that cluster expand more quickly because of localisation, internal and urbanisation economies which cause firms to expand and hence allow such firms to employ more people while attracting smaller industries to provide input facilities and services for them. Studies by McCann and others have shown that clustered firms have better access to technologies, information and markets than dispersed firms. However, it has to be stressed that the advantages that accrue to firms in a cluster are not automatic. According to McCormick, even though there are industrial clusterings at Suame (Ghana) and Kamukunji (Kenya), such firms do not benefit from their individual clusters because as far as they are concerned, they are competitors and each does not share anything significant with the others.

In order to make these clusters work, municipal governments and other stakeholders should actively promote co-operation and trust

among clusters by education, insisting that micro credit is only available to 'co-operating' clusters and providing the needed municipal services in the form of infrastructure (like electricity) for firms in clusters.

This paper recommends active promotion of industrialisation through clustering because the existence of a cluster allows Non-Governmental Organisations (NGOs), Community Based Organisations (CBOs), the financial sector and even municipal authorities/government to deliver needed services more easily than when these services are dispersed. This prescription is also consistent with Mosser's approach of using the assets the poor have (i.e. clusters are already in existence among the poor) to ameliorate poverty (Moser, 1998).

Poverty Amelioration

The World Bank, in its 2000/2001 Report, prescribes the provision of security, empowerment and opportunity as the most effective means to reduce poverty. Others like Moser (1998) argue that the most effective means to ameliorate poverty is to identify the assets of the poor and embark on policies to enhance these assets. To Moser, these assets are social capital, human relations, labour, human capital and housing.

As noted elsewhere in this paper, the thinking that the state should withdraw from the provision of social services and instead allow the market to operate through structural adjustment programmes has, among other things, caused unemployment in the public sector, increase in the cost of education and health and the withdrawal from public housing causing slums. This paper therefore suggests the increase of urban productivity to achieve pro-poor growth (which means labour intensive growth to favour the poor), provision of housing for the urban poor and the pursuit of socio-environmental and legal development strategies as necessary conditions for the amelioration of urban poverty. In agreement with Webster, poverty is multifaceted and hence cannot be solved by any one strategy (Webster, 2000). The framework adopted in this paper is therefore merely a matter of convenience. The sections that follow, describe each of these strategies in turn.

Urban Housing

Globally, slum population is set to grow at a rate of 27 million people per year (Terra Daily, 2005). In Sub-Saharan Africa, 70% of all urban dwellers live in slums with a slum growth rate of 4.58%, correlating to the urban growth rate of 4.53%; in South Asia, 57% of all urban dwellers live in slums with a slum

⁴ A nearly risk fund set aside for the maintenance of capital projects.

growth rate of 2.89%, correlating with an urban growth rate of 2.20% (UN-Habitat, 2006/2007, Terra Daily, 2005). Clearly there is an urgent need for intervention, to prevent the global slum population from reaching three billion people by 2030 (Tibaijuka cited in Terra Daily, 2005). Two main issues relating to urban housing are security of tenure and housing finance for the urban poor.

The Washington-led approach to enhancing security of tenure has been to register land titles. However, land title registration has done very little to promote security of tenure (Talinbe, 2006). The case of Ghana is highly illustrative of this point. Starting with registration in the 1980s the National Land Policy, 1999 states that there are still problems with security of tenure. The defect of the title registration approach to improving security of tenure is that it assumes that the mere recording of titles in registers will automatically enhance security of tenure. What promotes security of tenure as noted by Talinbe and the UN-Habitat are: recognition of individual land rights by the community; availability and effectiveness of land rights enforcement institutions; clear boundary demarcation of land; and duration of property rights to land (UN-Habitat, 2003, Talinbe, 2006). Efforts should be made towards strengthening these areas, whereupon a register of all title to land could be opened.

With respect to housing finance, micro credit has been the most potent of measures. This means the giving of small credit/insurance to low income households in urban areas (UN-Habitat, 2003). The Build Together Programme of Namibia is a case in point. This scheme, which is operated on a self-help basis, has benefited 11,187 families since 1992. The interest payment pattern is as follows: 5% at the beginning and, with an increase in salary, the compound interest rate increases to 9%. It has a repayment term of 20 years. This adoption of a Graduated Payment Mortgage pattern very likely pushes the poor away. As it stands, Sweat Equity, which is also a micro-finance and self help project, may be a better option. Under this scheme, all that beneficiaries have to pay at the end of the month is the purchase of one bag of cement. These bags of cement are then used to build other houses for the poor. Since its inception in 1987, 3,064 families in Ghana have been beneficiaries (Agyemang, et al., 2005).

One problem, that is all too common, is that local authorities are hesitant to provide municipal services in low-income housing areas. Gilbert (1997) explains that in Bogota the local authorities have no pleasure in providing services to low income areas, since they do not get commensurate fiscal revenue from them.

Whereas moralistic arguments are usually made in response to such problems – and therefore moralistic solutions of ‘ensuring that such local authorities provide such services to such low income areas’ are posited – our position is that it is ‘he who pays the piper that calls the tune’. It is the taxes that are paid to municipal authorities that are used to manage waste and maintain municipal infrastructure. Thus such recommendations are as impractical as they are unsustainable.

We recommend the adoption of a Tie Bout Hypothesis: a local authority for such areas composed of people from the area and its services paid for by people from low income areas (Mills, 1980). This approach also has the advantage of being a good starting point for NGOs and CBOs to donate cash and other non-monetary resources to these local authorities.

Municipal Finance

King and Watt (2005) explain that overcoming the thorny issue of municipal finance is dependent on what role local authorities play. According to them, local authorities could either be autonomous, in which case they should be allowed the luxury of setting their own tax rates, or they could just be agents of the central government, in which case they should rely on central government transfers. It appears that the literature on development has some preference almost always for a middle-of-the road solution as seen in Martinussen’s Mixed State.

Given the popularity of decentralisation and the results of studies that show how beneficial it is, we propose that local authorities should be autonomous and hence set their own tax rates. King and Watt, however, explain that property tax on its own is not buoyant enough to give the needed revenue for the delivery of municipal services. We therefore side with Watt and King that property tax should be paired with some form of income tax administered by local authorities in order to adequately deliver municipal services. It has to be stressed that the floating of municipal bonds being pursued by the Cities Alliance is not useless. However, there will be the need for sub-national governments to keenly pursue the place marketing recommendation made above and seek a kind of guarantee and other risk reduction strategies like full and partial guarantees (Petersen et al., 2005). Many urban economists also advise the establishment of local authority business in order to bring in more revenue.

The above notwithstanding, it should be acknowledged that the city manager faces serious constraints in enhancing urban productivity, the over-

riding constraint being the Macroeconomic Context of Urban Growth. Macroeconomic management establishes the economic environment within which urban economic activities occur. Macroeconomic policies affecting interest rates, incentives for manufacturing and trade, pricing of key inputs such as energy and water, direct and indirect taxation, all influence the composition and productivity of urban investment. Financial sector performance and the health of banking systems are critical to industrial expansion and the development of commercial and tertiary services. The financing of national fiscal deficits absorb credit needed for productive investment, while also increasing interest rates and contributing to inflation. Trade incentives have direct impacts on urban production, as the earlier policies of ISI demonstrated, by concentrating industrial investment and thus adding to the growth of port cities. Similarly, national strategies of human capital development through education and health have direct consequences on the quality of the urban labour force (Cohen, 1991).

The truth of the matter is that, despite the importance of these national strategies to the enhancement of urban productivity, they lie outside the control and precinct of the city manager. Any inadequacies in these strategies are, therefore, a constraint to the city manager.

SECTION 4

Using taxation, regulation, information, and personal influence, a city manager can enhance urban productivity largely by focusing on the major sources of productivity in cities – namely agglomeration economies in the nature of gains from trade, industrialisation, technology and infrastructure. However, the city manager is constrained by both the macro-economic context of urban productivity (like inflation and interest rates) over which he has no control, and the inadequacies of finance, which poses a stiff constraint to enhancing urban productivity. These raise concerns about whether the state, civil society or the private sector should be the vehicle for increasing productivity at the urban level. It will seem that a combination of the state and the private sector of the like found in London, in its Public-Private Partnership, is useful and the use of civil society, as in Porto Alagrae, for participatory budgeting is also useful. Thus a partnership of these three should go a long way to alleviating these constraints on the city manager's attempts to enhance urban productivity.

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