Disjunctures, Divides, and Disconnects: The Promise of Local Government in Development

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ABSTRACT

This paper begins by positioning the changing nature of local government within a global perspective. Here the reform process and the forces impacting the local level are tracked so as to situate local governments in a more global change perspective. Then, three critical disjunctures are profiled which are identified in the development field generally and which confront the local policy community more specifically. It is argued that the local level of government, often neglected in development discourse, is strategically positioned as a pivotal actor to mediate these disjunctures which include: the contested poles between global competitiveness and local needs; the divide between formal state structures and civil society; and, the disconnect in policy deemed to be "local economic development" which is in fact insulated from the actual workings of the local and household economy of the majority low-income residents.

INTRODUCTION

Local governments throughout Africa, Asia and Latin America are confronting new development challenges which necessitate the adoption of amended roles, immersion into new task environments and engagement with new sets of actors. Local government mayors and councillors, senior officials, bureaucrats and local planners are increasingly being required to mediate global-local dynamics; to address pent-up demand for service delivery made persistent by enduring urbanization pressures; to balance local economic development policy aimed at both urban competitiveness and poverty alleviation; to take on poverty as a result of senior levels of government seeming incapacity to operationalize strategic interventions; to engage in more open, transparent and mutually respectful state-society relations; and to forge new and reformed intergovernmental relationships. These significant roles are being added to the existing and extensive functions performed by local governments, and there are increasingly higher expectations being placed on local government officials to perform efficiently and creatively in this new task environment.

These developments are the subject of this paper, and are examined within a frame of reference which embodies critical development disjunctures which it will be argued, acutely characterize the current space in which local actors and stakeholders in cities must operate. These disjunctures can be identified as existing between global competitiveness and local needs; between formal state structures and civil society; and, between the policy approaches for local economic development and the actual workings of the local and household economy of low-income residents. It will be argued that these disjunctures (which are highly interrelated) represent a set of challenges that strategically position local government as a pivotal actor in development. However, local government, often the "neglected third tier" in development studies (McCarney 1996b), also seems to be a missing or silent element in the current discourse on economic development. Hubert Schmitz and Khalid Nadvi, in a recent Special Issue of *World Development* (September 1999) address, by presentation of a rich set of case studies on clusters in developing countries, the emerging connection between global competition and local industrial cooperation. They conclude that

> where conflicts arise public agencies have an important function as mediators. This implies a more strategic concern with *local governance*. Future research will need to make clearer what such local governance means, how feasible it is in globalized sectors, what the respective roles are of public and private agencies ... (we are reminded that) local governance is a matter for political, and not just economic, analysis (1999, 1510).

The subject matter of this paper, in defining local governance and in positioning local government within the framework of these critical disjunctures, is one step towards such an analysis.

Local government capacity to function in an effective and responsive manner in addressing these challenges, is however limited in most of the developing world. Weak capacity in local governments results from their limited resources and power in an intergovernmental setting characteristic of highly centralized states. Even in countries like South Africa, where strong local governments have been constitutionally mandated to operate as an effective third tier of government, and in other countries where decentralization processes have been undertaken (or are in process), and where serious attempts have been (and are being) made at strengthening local governments more generally, capacity issues are often still prevalent and local officials are at some disadvantage to perform to the high standards increasingly demanded of them. These weaknesses in local government pose serious limitations on the ability of local officials to respond to these challenges posed by the dual features of urbanization and globalization and the goals of improved governance, local economic development and poverty alleviation.

This paper is divided into two parts. The first will, by introduction, position the changing nature of local government within a global perspective. Here the reform process and the forces impacting the local level will be tracked so as to situate local governments in a more global change perspective. These include deliberations on the role of the state, reforms associated with decentralization, and the heightened demands placed on local governments as a result of globalization, urbanization, post-modernism, and notions of governance. The second part of this paper will profile three critical disjunctures which can be identified in the development field generally and which are confronting the local policy community more specifically. Here, an argument is formulated that these disjunctures in development represent a set of challenges that, once recognized, strategically position local government as a pivotal and promising actor in development. The need to bring local government into mainstream development discourse has never been greater. It is the local level of government that is positioned to mediate the contested poles between global competitiveness and local needs; the divide between formal state structures and civil society; and, the disconnect between policy deemed to be "local economic development" (or "LED") but insulated from the actual workings of the local and household economy of the majority low-income residents. Seeing these new development goals (for example creating globally competitive cities, and striving for improved governance) and old development debates and challenges (for example the role of the state versus market, inward versus outward oriented development, job creation and poverty alleviation) through a local lens is central to our understanding in formulating effective local economic development policy and in ensuring that poverty alleviating strategies, proven to be elusive in the past, are made operational.

PART ONE:

THE CHANGING NATURE OF LOCAL GOVERNMENT IN GLOBAL PERSPECTIVE

Heightened debate during the 1990s on the role of the state in development has created a climate for government reform which has created pressure, and potential, for new forms of governing cities. Just as structural adjustment programming and the minimalist state advocates have initiated processes of civil service reorganization, privatization of services, and decentralization of functional responsibility to lower tiers of government, so also have the advocates of "re-invigorating" and "re-thinking" the state initiated programs of institutional reform aimed at improved state capacity to better serve its citizens and designed to "bring the state closer to the people" and redress the "public-private divide." In other words, both sets of forces, regardless of orientation in the debate on the role of the state in development, have impacted the local level of government. These reforms raise questions not simply of "governance" as it is often considered, merely in terms of national state structures and practices, but also of "urban governance" and the nature of local government in development studies (McCarney 1996a, 1996b). At a national level, many countries throughout Africa, Asia and Latin America are taking transitional steps towards

democratization, and some are implementing extensive programs of state reform and structural adjustment. These initiatives have all recently introduced dramatic changes within the urban territories managed by local governments in the developing world. As a result, the role of local government is being reformulated and specified. The emergence of local government as an important actor has begun to receive more critical attention in development discourse (see for example Mawhood 1993; Goetz and Clarke 1993; Brillantes 1994; Davis, Hulme, and Woodhouse 1994; Fox 1994, 1995; ; Souza 1994; Tordoff 1994; Carvajal 1995; Medhi 1995; Nickson 1995; Evans 1996; Mamdani 1996; Manor 1997; Mohan 1996; Schonwalder 1997; Shah 1997; Tendler 1997; and Forrest 1998).

In part, this increased attention can be attributed to a decline in confidence in centralized approaches to governance, and the belief that local government offers, by reason of its proximity, a better means of relating to society. Countries throughout Africa, Asia and Latin America have undertaken extensive programming in decentralization, strengthening of local governments and local democratization. In recent cases for example in Latin America, it has been argued that stronger and more democratic local governments also strengthen democracy at the national level, by helping to eliminate authoritarian enclaves; by the adoption of more pluralist politics learned first at the local level; by the movement of strong leaders with successful records in democratic experience in local government upwards into national government; and, by assisting with the transition from traditionally paternalistic social policies, as a result of the partnerships forged with civil actors locally (Fox 1994).

Post-modernists also stress the need for a renewed focus on the local level as a way of ensuring protection of local ways of life, social communities and local culture. Local governments are interpreted, from this perspective, as a means by which people at the local level can "defend themselves from unwelcome aspects of development fuelled either by the centralized state or by potent market forces" (Manor 1999, 33).

Globalization has also fuelled attention to the increasing importance of strong local governments. The increasing role of transnational corporations operating in urban centres of the developing world, the construction of newly integrated trading blocs, the globalization of economic and socio-cultural development spheres, and the persistence of international debt and the attendant austerity measures, all find expression in the city. The global context in which local governments now find themselves as key actors, is being altered by the creation of new trading blocs and new post-industrial alignments. North-South trade patterns were originally concentrated around resource extraction and later industrial and manufacturing industries, which relied heavily on port and other transport facilities and heavy infrastructure. However, with the emerging post-industrial alignments and integrated South-South and North-South trade agreements, we find local officials increasingly concentrating on the production of new modern office towers, planning new commercial free trade zones and enterprise development areas, all of which are increasingly connected by sophisticated information systems and global telecommunications. In order to attract and retain multinational and transnational corporations, increased pressure is placed on local governments to provide a high standard of services which will improve the efficiency of, and quality of life in, their cities.

In addition, urbanization pressures exert another layer of intense demands on local governments. The twenty-first century will be our first "Urban Century" with the majority of the world living in cities. In just a few years, by 2005, the world will become predominantly urban and the population will cross the so-called rural-urban divide. By 2025, more than three-fifths will reside in urban areas (United Nations 1995). It is also expected that the developing world will become predominantly urban by the year 2016 (UNDP 1998). While the majority of Latin Americans are already urbanized -- as of 1994, 74 percent of the population were living in cities -- Asia and Africa will cross the rural-urban population divide by about 2020. It is predicted that by 2025, 53.8 percent of all Africans and 54.0 percent of all Asians will be urbanized (United Nations 1995, 23).

In a UN ranking of city agglomeration by population, it was found that in 2000, there will be 28 mega-cities (defined as 8 million (United Nations 1995, 6) in the world, of which only six will be found in the developed countries. From this ranked list, the 22 cities located in the developing world are tremendously large, relative to most major cities of North America and Europe, and even relative to most

countries -- ranging for example from the highest on the list being over 20 million in the case of Mexico City and Sao Paulo to the lowest few on the list being over 8 million in the case of Tehran, Bangalore and Lima.[i] These urban populations of the developing world are also growing considerably faster than in the developed world. Whereas the average annual growth rate of the urban population in the developed world is currently 0.68 percent, this same rate of urban growth in Latin America is 2.30 percent, in Asia it is 3.23, and in Africa it is 4.29 percent (United Nations 1995 Table A.6).

Enormously large cities and rapid rates of urban growth have introduced enormously large problems in urban development, particularly with respect to urban service delivery, function, and maintenance. As well, these demographic changes are occurring in a context of low economic growth, escalating debt and acute urban poverty. In addition to the persistent and rapid growth of third world cities, urban violence, worsening poverty and other social costs all are aggravated by the adjustment process (Cohen 1990; Halfani 1997). This situation has led to the seemingly perpetual incapacities of local governments to meet the rising demand for basic infrastructure. Worldwide, it is now estimated that "at least 170 million people in urban areas lack a source of potable water near their homes, and the water supplied to those who have access is often polluted. Access to basic sanitation, collection of solid wastes, and urban transport, as well as education and health services, pose similar problems" (World Bank 1995, 1). As discussed below, while these massive service failures have been instrumental in shaping the responses by groups in urban civil society, they also point to the need for improved local government fiscal capacity and management efficiency, accountability and legitimacy vis a vis its citizenry.

However, this does not argue for a return to the particular urban management approach which dominated the urban policy community in the 1980s. Indeed it demands a reconsideration of the urban management paradigm, and expansion of the frame of reference in which the effective development of cities can be considered. By focusing on fiscal management and effective delivery of urban services, arguably a more top-down approach, the urban management paradigm has tended to marginalize the role of groups active in urban civil society. In addition, urban management represents an approach dominated by technical and administrative models and tools for what are also highly political and social problems in cities. In a similar vein, and with regards to the profession of city planning in particular, Mike Douglass and John Friedmann have argued that planning must be recognized as more than simply a state regulatory process (1998). Instead, the challenge is to move beyond state-centrism in local development efforts. Many such efforts seen in the 1990s to 'bring civil society in' should however by no means imply any inherent weakening or minimizing of local governments. Instead, the need for strong, effective and visionary local governments to support the effort is essential to this governing relationship.

Attention to the need to empower the local level of government stems from recognition of weak capacity associated with the limited resources and powers of local governments in an intergovernmental setting characteristic of highly centralized states. Governments in many parts of Africa, Asia and Latin America in the late 1970s and 1980s began examining ways to decentralize more responsibility to the local level. The 1990s have witnessed even more extensive decentralization programming. The World Bank reports that the decentralization effort has become far-ranging. Of the 75 developing countries with populations over five million, all but 12 have initiated some form of transfer of power to local governments (World Bank 1995, vii).

The record of successful decentralization strategies is however limited. Whereas functional responsibilities have been transferred downwards, control over financial revenues necessary to carry out the new responsibilities have been slower to follow, both in terms of senior government transfers to local government and local capacity and powers to generate their own revenues, the latter including fiscal powers as well as local autonomy and capacity to access alternative revenue sources. This aspect of decentralization programming associated with mismatched financial authority and functional responsibility is a common trait in much of the developing world's collective decentralization

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[i] For simplicity, cited here are approximations of data drawn from the UN Department of International Economic and Social Affairs (1991) as cited in Yeung (1995).

experiences.[ii] Without this requisite power, local government suffers a profound legitimacy crisis in its evolving relationship to civil society.

Lessons from past experience are directing increased attention to ways of strengthening local government in broader terms than simply administrative and financial capacity. Not only are the structural, legal, administrative, fiscal and financial aspects of decentralization important to address, but even when these are in place, local government is not necessarily politically effective, nor representative. Overcoming this state-centrism in local government reform and strengthening exercises represents a significant turn in this field. In this sense, the notion of governance as it has evolved during the 1990s, offers a critical opening. However, governance has evolved along different trajectories. The notion of governance, when disentangled from the more global definition associated with the World Bank, and conceived of locally, offers a state-society framework for local government to function within effectively and creatively (McCarney 1999).[iii]

The World Bank's work on governance is often interpreted within a framework of efficiency, sound public management and "good government" practices, having to do with transparency and accountability (World Bank 1989; 1992; 1994; 1997a; 1997b). However, this same work has also been critically interpreted and has been argued for example to be but another element of a global hegemonic neo-liberal discourse (Rosenau and Czempiel 1992 *;* Schmitz 1994; Leftwich 1993; George and Sabelli 1994).[iv]

The discourse on governance outside the World Bank has tended to be broader in scope, defining governance as more than just government, and has been concentrated at the national level (Rothchild and Foley 1983; Hyden 1988; 1989; 1990; 1992; Carter Center 1989; Lofchie 1989; Hyden and Bratton 1992; Bratton and Rothchild 1992; Leftwich 1993), usually remaining silent on local government in general and urban governance in particular.[v]

Governance, when conceived of locally, offers a critical framework for moving beyond this global discourse to a local reality, and conceiving of a citizen politics which encourages meaningful engagement of citizens in the decisions affecting the development course of their localities. When governance is cast within the realm of local government discourse, and while remaining cognizant of the global approach, instead of rejecting the notion of governance as but an element of neo-liberalism, it becomes a conceptual framework for political change and progress in the local arena -- whether that be achieved by meaningful engagement between civil society and the state in planning, decision making and project initiatives around issues of land, housing and services; by involvement of citizens with local government in broader policy discussions on municipal budgets and taxes, or socio-economic questions of urban poverty, employment creation, enterprise support, and local economic development initiatives; by political participation in the form of voting; or by political action in the form of policy negotiation, public consultation, participatory planning, or urban protest.

[ii] See for example Laleye and Oyo, 1987; Cheema and Rondinelli 1983; Siew Nooi 1987; Rondinelli et.al. 1989; and on Asia - Shah and Quershi 1994; Medhi 1995; Kokpol 1996; Tapales 1996; on Latin America - Morris and Lowder 1992; Souza 1994; Carvajal 1995; Carrion 1996; Massolo 1996; Rosenfeld 1996; and on Africa - El Sammani 1989; Kulaba 1989; Laleye and Olowu 1989; Stren 1989; Mawhood 1993; Tordoff 1994; Attahi 1996; Masuko 1996.

[iii]3. Reference here is to a more detailed analysis of the evolution of the term governance inside and outside of the World Bank which tracks the definitional evolution of the term, in "Thinking about Governance in Global and Local Perspective: Considerations on Resonance and Dissonance Between Two Discourses" McCarney (1999).

[iv] For other critical discussions of the World Bank's definition of governance, see also Goran Hyden (1992) and Mark Swilling, Karen Johnson and Oscar Monteiro (1995).

[v] The main exception to date has been the work of a network of developing country scholars, the Global Urban Research Initiative (GURI), which focussed on urban governance research under the support of the Ford Foundation from 1992-1998. See for example, Halfani, McCarney and Rodriquez (1991); McCarney, Halfani and Rodriguez (1995); a collection of papers on urban governance prepared by the GURI network at a global level (McCarney 1996a); and in regional collections by the network members including: Africa (Swilling 1997); Asia (Islam and Khan 1997); and Latin America (Rodriguez and Winchester 1995).

Governance, considered at the local level, and defined as the *relationship* between civil society and the state (Halfani, McCarney and Rodriguez 1991, p.6), shifts thinking away from an equation with good government and, more generally, from state-centered perspectives which have predominantly focused on effective bureaucracies and urban management. It includes elements which, in conventional terms, are often considered to be outside the public policy process, but nonetheless are instrumental in the socio-economic and cultural development of third world cities, and highly responsible for shaping the urban landscape and built form of cities. These include civic associations, "illegal" operators, "informal sector" organizations, community groups and social movements, all of which in fact exert an indelible impact on the morphology and development of urban centers (Castells 1983; Mabogunje 1990; Turner 1990). In the case of Lima, Peru for example, the more informal aspects of urban development activities constitute exceedingly large portions of the urban process: 83 percent of the markets are informal sector ones; 95 percent of the public transport is run by the informal sector; and, between 50 and 75 percent of the housing occupied by urban dwellers is informal (De Soto 1989). These magnitudes are typical of cities in other parts of Latin America and in Asia and Africa where the bulk of housing, transportation, employment and trade takes place outside formal state institutions (Mangin and Turner 1968; Peattie 1969; Abrams 1977; Linn 1983; Drakakis-Smith 1981; Gilbert 1986 ; Hardoy and Satterthwaite 1989; Lee-Smith 1989; McCarney, Halfani and Rodriguez 1995; Macharia 1995; Gugler 1997).

In response to state incapacity to address local demands and service needs, including low-cost housing, water, sewerage, sanitation services, electricity, local economic development, urban employment and accessible city transit services, organizations in urban civil society, demonstrating remarkable resiliency, have entered the void, often out of necessity, and have organized to meet these un-met needs and demands. In urban Tanzania for example, the role of local voluntary organizations during the economic and fiscal crisis in the 1980s, became critical when the state was less able to meet social and economic demands of civil society (Tripp 1992). Under apartheid, civic organizations in South Africa became highly sophisticated organizations, particularly within the former black townships, filling a void left by weak or non-existent or illegitimate local authorities. In Dhaka, in addition to over 100 registered NGOs, a number of civic groups, including CBOs, social organizations, citizens' forums, and women's groups have initiated action in infrastructure services and solid-waste disposal in hundreds of slums and squatter settlements, and organized community policing in the city, where governments have failed to provide (Islam et.al. 1998). In studying the slums of Caracas, where government was not providing low-income residents with affordable housing and urban services, residents invaded every patch of vacant and undefended land to build their own houses and seek their own water, electricity, sewerage services and other needed urban infrastructure through whatever informal means they could access (Peattie 1969). Such examples are no exception. The circumstances which have produced these local organizations and configurations are common to most cities of the developing world -- they are the product of a lag in the development of institutions of the state, relative to immediate and pressing needs of groups in civil society. The actions of the latter in organizing to "take matters into their own hands" vis a vis weak state institutions for planning, financing and building affordable housing for the urban poor, is a reality of cities in development.[vi] Once we recognize that the bulk of housing activities, transportation, infrastructure, land development, employment creation and commercial trading takes place outside the management and control by formal state institutions, the traditional management paradigm becomes something of an anomaly. In this sense, the notion of governance as defined here in terms of state-society relations, can fill a critical gap in the field of local government. This is particularly so when this definition of governance draws on Michael Lofchie's important discussion on the locus of power, which allows us to move outside government in order to situate political authority. As Lofchie argues, governance allows us to range widely and not necessarily situate power within the formal institutions of

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[vi] The literature documenting these informal settlement processes over the past three decades is vast and need not be listed here - suffice it to identify two early benchmark pieces: Mangin and Turner (1968); and Peattie (1969) which spawned decades of successive work by scholars.

the state. By not 'prejudging the locus of real decisional authority' (1989), we are allowed space in our considerations for the inclusion of groups in civil society which are actively shaping the urban landscape of cities in the developing world.[vii]

The global perspective from which local government has been examined here, is thus characteristic of a highly dynamic context. Deliberations on the role of the state in development and the associated execution of administrative and institutional reforms, including far-reaching decentralization exercises, have impacted the local level of government in significant ways. In addition, profound movements and trends in terms of globalization and urbanization have also drawn attention to the need for stronger and more effective local governments. Finally, the increasing currency of ideas associated with governance have also allowed new space for reformulating and respecifying state-society-market relations in the local context, as well as the potentials inherent in the local governing relationship. This context is a critical base for understanding and addressing the development challenges now confronting local governments.

PART TWO:

THREE CRITICAL DISJUNCTURES IN DEVELOPMENT

Given the foregoing, it is in this dynamic and complex context that local government must be seen as being pivotally placed to address three critical disjunctures in development. Each characterizes the current space in which local actors and stakeholders must operate and represents a set of challenges that strategically position local government in development These disjunctures exist between global competitiveness and local needs; between formal state structures and civil society; and, between the policy approaches being developed for local economic development and the actual workings of the local and household economy of low-income residents.

1. **Disjuncture # One –**

   Between Global Competitiveness and Local Needs

In a recent report, "Globalization, Uneven Development and Poverty: Recent Trends and Policy Implications" the United Nations Development Program (UNDP 1999) has challenged the assumption that poverty was to be largely addressed through the vast expansion of labour-intensive growth which was to be a by-product of converging economies. Instead, divergence between the developed and the developing worlds seems to have been intensified. According to the UNDP, this divergence is due to: I) new trade regimes which skew benefits away from primary goods and labour-intensive manufacturing; ii) constraints in labour mobility and the tendency of locational decisions to increasingly favour capital intensity over labour costs; iii) the continued predominance of portfolio and speculative investments over Foreign Direct Investments (FDIs) coupled with the often high social and developmental costs associated with efforts to secure FDIs; iv) the limited extent to which technology transfers actually support local

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[vii] It need be, due to space restrictions, at least noted here that these conditions, under which civic actors take matters into their own hands and operate outside of formal municipal government structures, are not solely a solution found in the developing world cities. Examples in North American cities are evident, for example in housing solutions for the homeless, in the creation of informal artist's housing in warehouses, and in "giant squats" described to me by Lisa Peattie and currently underway in old derelict buildings and joined by citizens cooperative redevelopment projects in the New York City suburbs of the Bronx and Brooklyn.

production processes and; v) a fundamental difference between national realities in the developing world and globalization processes. These factors pose a serious dilemma for nations in the developing world that must decide where to best target their scarce investment resources that are under intensifying levels of contestation. More directly, they face the issue of deciding how to balance their developmental goals aimed at creating competitive city-regions while also targeting poverty alleviation for citizens living within these same boundaries.

However weakened or limited state capacity might be in an era of adjustment and globalization, the state, by virtue of its fundamental role to secure the basic well-being of its citizens, must assume a fundamental responsibility for the existence of poverty within its national boundaries. However, the pressures of globalization need to be factored into this equation when acknowledging this fundamental responsibility of states for poverty within their bounds. This debate, reminiscent of inward vs. outward oriented development debates of previous decades, has recently emerged in Africa, where it has been argued that acknowledging the state's responsibility for poverty "detract(s) from the severe constraints under which African states, in particular, operate within a global arena. But such an acknowledgement recognizes that the ability and legitimacy of states to deal effectively with that global arena and its concomitant international institutions is constrained by its own abnegation of the manoeuvrability it does have in the disposition of available resources" (African Poverty Reduction Network - Poverty Communique, 1999).

Despite this argument which offers potential convergence of the two positions, national leaders are increasingly tending to look outward. Thandika Mkandawire, Executive Director of the United Nations Research Institute on Social Development (UNRISD) has suggested for example that most former African leaders were deeply committed to development issues, but that a new generation of leaders are more attentive to their positions within an international arena than to domestic players and issues (1998).

The ability of state institutions nationally to engage with local governments and the myriad of local institutions and social forces in cities is important if state insulation from poor citizens and their actions on the ground is to be overcome. This can also help to ensure that poverty alleviating policies are not formulated simply as technical strategies (and aimed at abstract statistical indices) to address what are essentially political and social problems. However, in addition, understanding the role of local governments as pivotal actors in mediating this global-local divide is also critical for informed policy nationally.

This more integrated perspective is not necessarily a priority though, since national governments are increasingly looking to cities as not only their engines of growth, a common idea of the 1980s, but as crucial platforms for global competitiveness in the 1990s. The currency of ideas globally on the need to create competitive city-regions (Sassen 1991; Porter 1995; Kanter 1995; Duffy 1995; Oatley 1998) is rising rapidly. However, this globalized perspective of cities as mere 'touch-down points' for global capital in the form of transnational corporations, when viewed from the local context being elucidated here, reflects an under-theorized localism in these global analyses. In addition to the reality of cities in the developing world and poor citizens shaping what is argued here to be a predominant urban morphology, another layer in understanding this more nuanced local context for the "globally competitive city" concerns degrees of agency in cities. Urban projects and corporate location must be seen on a complex map of deal making and heavy contestations over local space. This complexity is vividly displayed and documented by Bernard Frieden and Lynne Sagalyn (1989). In their detailed tracking in the life of urban projects, they reveal the intense role played by immeasurable decision-making bodies, how these projects entail unexpected crises and take acute turns into unplanned territory, all complicated by the engagement of multi-interested actors - banks, planners, real estate agents, land owners, resident activists, state and national approval agencies, and various departments often in competition. This complexity is important to understand on the ground when considering transnational corporations as magical touch down points with cities having little or no control.

When cities and their local governments are cast in this role of desperately competing to attract the investment needed to fuel these engines of growth, both with other cities within the same nation state

and with other world cities of comparable stature, these communities are assumed to forfeit control over both the content and location of production. In tracking where this assumption comes from, Logan and Molotch argue that because neoclassical economics has taught us that free markets determine what is to be produced and the same hidden hand determines best where and how production should occur, the legitimacy carried forward in these doctrines allows communities to forfeit control over both the content and location of production. It is also being assumed that winning these investments are unquestionably positive for the city as a whole. Local governments thus "invite capital to make virtually anything - whether buttons or bombs, toasters or tanks - in their own back yards. Aggregate growth is portrayed as a public good; increases in economic activity are believed to help the whole community. Growth, according to this argument, brings jobs, expands the tax base, and pays for urban services. City governments are thus wise to do what they can to attract investors . . . Contrary to (such) arguments . . . we are certain that local economic growth does not *necessarily* promote the public good . . . Development projects that increase the scale of cities and alter their spatial relations inevitably affect the distribution of life chances" (1987, 33).

What is significant about this argument, is not so much the "anti-growth" posture, since a flourishing local economy is critical, but the call to recognize the nature and scale of that growth and how it affects the advancement of citizens disadvantaged by their poverty and who are operating in small scale enterprises, often household based.[viii] Similarly, Manuel Castells has identified a conflict between what he refers to as "the logic of the space of flows" which involves the rapid movement of capital, technology, labor and information and the "logic of the space of places" which involves horizontal relationships between people who live in local spaces but "because function and power in our societies are organized in the space of flows, the structural domination of its logic essentially alters the meaning and dynamic of places" (Castells 1996, 428).

The scale of external firms locating in cities is critical to consider in terms of the reality of the local economy of many cities in the developing world where small scale production processes exist and where thriving industrial clusters, based on practices of 'flexible specialization' (Piore and Sabel 1984) are striving for competitive positions locally, nationally and globally. For example, a superbly detailed study by Khalid Nadvi (1997) on the surgical instrument cluster in Sialkot, Pakistan demonstrates the global competitiveness of this industrial cluster, having captured an estimated 20 percent of the total global trade in this sector and serving the more developed markets of North America and Western Europe. This sophisticated and globally competitive production takes place largely in some 350 small (employing less than 20 people) firms which are family owned and managed, and which have spurred the presence of over 1500 task-specific subcontracting units which are even smaller, usually unregistered (and thus considered 'informal') (Nadvi 1997, 11). This cluster is no exception - such cases are increasingly well documented. For example, from a compilation of cases reviewed by Nadvi and Hubert Schmitz (1994), a few can be cited here as presented by these authors to demonstrate the significance of this phenomenon. With Brazil ranking third internationally among leather shoe exporters, the industry is clustered in the Sinos Valley and includes some 1500 small enterprises, with over 700 being located in household workshops. Similarly, a low-income neighbourhood in the city of Trujillo, Peru is home to more than 1,000 small and micro enterprises engaged in a thriving shoe industry accounting for 33 percent of the country's domestic shoe market, out-competing larger shoe firms and now exporting within the regional market. Ludhiana, a small city in India's Punjab houses 47,000 small manufacturing units which account for 95 percent of the woolen hosiery produced in India, 85 percent of its sewing machines, and 60 percent of its cycles and cycle parts, the latter two sectors successfully penetrating export markets. In fact, Meenu Tewari has presented findings recently on Ludhiana, and Punjab more generally, where small firms are found to contribute more to exports than do large firms. Small firms in Punjab accounted for 61 percent of total industrial exports in value terms in 1988-89 compared to 39 percent by large firms

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[viii]7. The essence of this argument on the scale and form of local economic growth and development, is raised again, and in more detail, under the third disjuncture which is highly interrelated with this first one.

(Tewari 1998). In Africa, the industrial "shanty suburb" of Kumasi, called Suame, is the base of operations for some 5,000 small workshops housing 40,000 craftsmen in carpentry, vehicle repair, metalworking and engineering sectors (Nadvi and Schmitz 1994). [ix] Nadvi and Schmitz, however are currently (1999, 1510) drawing attention to the need for local governance to assist the effort. Indeed, Nadvi points out that the continued success of the Sialkot surgical instrument cluster

> will rest in large measure on the issue of local governance. The type of governance determines the nature of inter-firm relations within vertical supply chains that link local suppliers and manufacturers to external markets, as well as the strength of horizontal relations that provide the basis for collective joint action within the cluster ... The increasing differentiation makes it difficult to rely entirely on the cooperation of private actors to solve these problems. Public intervention in partnership with private initiative is required to sustain the cluster's competitiveness (Nadvi 1999, 1624).

Similarly, Schmitz states that the failed attempt by enterprises in the Sinos Valley at upgrading the leather footwear in response to intensified global competition resulted not only because some leading enterprises put their alliance with a major global buyer above cooperation with local manufacturers, but also because "the state failed to mediate at critical moments between conflicting business associations and entrepreneurial alliances" (1999, 1627).

What this implies is a call to local governments to ensure that this quest for global investment to power a city's and a country's growth, is seen as impacting upon local economies operating at significantly smaller scales, and moreover which are, in some locations, producing sophisticated products already reaching globally competitive status. The quest to attract large corporate firms which are globally competitive, must be examined critically, since such incursions can be detrimental to this local economy, and, more generally, impact on urban politics and urban social and cultural life in fundamental ways. The essential challenge is for local governments to strive for cohesiveness in policy which is informed by this reality. This is not to deny the importance of promoting large firms to locate in one's city which can in fact offer effective entry points for fostering the upgrading of local suppliers (Schmitz and Nadvi 1999, 1509), nor to promote a singular local economic policy geared to small scale enterprise, but to examine carefully, and with a keen eye for timing, what combinations of promotional policies are positive for the city. Indeed, it is the interrelationship between the two potentially conflicting sets of actors which is an important, though yet under-researched factor, in the success of both. This challenge places local governments in a highly strategic position. It also challenges researchers to overcome the disciplinary boundaries which keep such investigations counter-productively divided, particularly in this case, economists, political scientists, local planners and sociologists.

A disjuncture arising in this context is one between building competitive global cities and improving the lives of the city's residents, in particular, the lives of the poor living within their territory. This duality often manifests itself between a set of demands externally driven by both foreign firms and national levels of government concerned with the creation of competitive cities for enhanced macro performance, versus a set of demands more internally driven by local constituencies in the city. The dilemma for local government policy makers, in the pivotal local space of urban politics, is to reconcile these broader pressures driven by international business interests and national governments, with their local political constituents, many of whom are poor. This policy disjuncture is also expressed internal to the city, illustrated by competing forces with the more sophisticated business interests seeking urban improvements for enhanced competitiveness on one hand, and organized low-income communities, small enterprise associations, and civic groups demanding improved access to basic services and livelihoods on the other. An urban governance framework as conceived of here assists the effort. As Warren Magnusson

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[ix]Reference is here made to the discussion further on in this paper under the third disjuncture and also to footnote number 12 below.

has argued, "world politics is urban politics in that it occurs within the hyperspace of the global city and ultimately produces the city in new forms" (1996, 296).

The global cities v. local communities disjuncture is reflected in the duality of performing as global centers of production which must compete internationally for corporate location, while at the same time, being the generators of local economic development opportunities for its citizens. This disjuncture is not well addressed. There are striking examples worldwide. For example, the disconnect was evident in Cape Town, when, in 1996 in the post-election period, LED policy was being framed less in terms of job creation and community development for the poor, but instead in terms of waterfront redevelopment schemes, Olympic bids, traditional dancing and other tourist-like attractions which did little to generate sustainable livelihoods for the poor. Similarly, this disjuncture is expressed by the outcry of the homeless in Bombay accusing the local municipality of exploitative hiring practices, to build luxury high-rises in the city targeting internationally competitive business interests while not providing them with shelter, and indeed evicting them from their dwelling places on the pavements. Many other cities seek to develop "high-end" entertainment centers to attract firm location, again reflecting the tendency to define LED policy not so much for the majority of residents in the city but for a narrow band of wealthier and/or international business interests.

When local governments are perceiving of local economic development as city beautification and in terms of image of the city, citizens who are poor and struggling in that same city for survival and livelihoods have a very different impression of what local government priorities ought to be. This disconnected understanding is also at the base of local government actions towards poor urban settlements, street hawking, and informal markets. Instead of viewing these urban forms as advancements in local livelihoods, they are seen as some sort of aberration of what the city's image should be, especially when that image is conceived of when looking globally to compete and attract foreign corporate interests. But the reality is that these cities do house poor, and usually very poor, citizens. While an obvious point, it is important to recognize that beyond small enterprises, are poor people not organized into such productive activities and that the 'local' is a broad spectrum of groups in urban society. Nor are the poor of cities marginal or small and disconnected - they are the city. As stated above, the majority of markets in the cities are informal ones and the majority of urban residents are living in unauthorized settlements. Good data on urban poverty is however limited. Poverty lines are debated, often accused of being too conservatively drawn and definitions of "urban" are hard to come by. A few examples of data drawn from the World Bank's World Development Report (2000), though again this data on urban is scarce and only available for a handful of countries, help to demonstrate magnitudes of at least the worst poverty: in Peru, in 1997, 40.4 percent of the urban population lived below the poverty line; 22.5 percent in the Philippines in 1997; 30.4 percent in Nigeria in 1992-93; 30.5 percent in India in 1994; 16.8 percent in Indonesia in 1994; 29.3 percent in Kenya in 1992; 56 percent in Honduras in 1992; and, 43.1 percent in El Salvador in 1992 (World Bank 2000, 236-237). When individual cities are examined the magnitudes tend to be worse, and the majority of urban residents found to be living in poverty.

In addition, a further representation of this divide is seen in the fact that, with rapid urbanization, cities are under tremendous pressure to deliver basic infrastructure and urban services to citizens who live in poverty in many such centers while also under pressure to supply increasingly more sophisticated infrastructure in order to be globally competitive. This situation has placed enormous pressures on local planners and municipal politicians and continues to pose, in an unflagging way, the persistent question of service delivery in urban centers, and more particularly, poverty targeted infrastructure delivery. In the face of higher demands for more sophisticated infrastructure and services to attract and retain large national and global corporations, ironically, persisting debt patterns in Africa, Asia and Latin America and nationally and internationally imposed austerity measures have also dictated deep cuts in both new and recurrent spending for urban infrastructure. With new investments being effectively ruled out, and maintenance to existing infrastructure being postponed, the overall urban decline becomes more and more endemic. When infrastructure investment suffers in general, the situation for urban infrastructure targeted to the urban poor worsens commensurately. For urban residents living in poverty and suffering from a lack of urban services, including clean drinking water, sewerage and solid waste removal, an already

acute situation deteriorates further. The physical duality of extreme poverty and extreme wealth therefore becomes even more evident in the "indebted globalized city" (McCarney 1996b).

This disjuncture between building competitive global cities and improving the lives of the city's residents, in particular, the lives of the poor majority living within their territory, underlines the need to better identify competing policy priorities voiced by a plurality of residents. Indeed it is the responsibility of municipal leaders to identify a range within the overall band of policy choice in this regard, and to deepen the involvement of civil society as critical actors in local development policy, planning, programming and project initiatives, as called for within a framework of urban governance, and a subject of the following.

2. Disjuncture # Two –

Between Formal State Structures and Civil Society

How the majority of urban citizens live their lives in the cities of the developing world seem less well understood today than in the past, when wisdom was incrementally expanding and good research across disciplines such as sociology, planning, anthropology, architecture and economics, which are now more divided, was being undertaken to improve understanding (see for example Mangin and Turner 1968; Peattie 1969; Abrams 1977; Linn 1983; Drakakis-Smith 1981; Gilbert 1986 ; Logan and Molotch 1987; Hardoy and Satterthwaite 1989). As recognized in previous decades, and increasingly so now, the majority of urban dwellers have not been and are not being absorbed by the formal city - its spatial, economic, political and social infrastructures. Instead, as documented above, their accommodation, travel, infrastructure services and livelihoods have come to depend on informalized processes and institutions. Despite this 'old wisdom' this vast and complex domain of the urban poor is marginal to the mainstream policy of governments.

It is here that a second critical disjuncture can be identified, one between newly empowered local governments receiving new powers through decentralization and strengthening exercises, and an urban civil society engaged in civic organizations, horizontal networks and provisional and ephemeral institutions, geared to survival and livelihood. These local governments remain insulated and disengaged from local citizens and their development policies are increasingly remote, even irrelevant to this local citizenry. Many cities are exhibiting this disconnect.

A major inquiry of this nature by Akin Mabogunje (1995) examines the role of local political, economic and social institutions in Africa. Having their growth based in, and development derived from, the local needs and concerns of their respective communities, these local organizations have gained the trust of the citizens they serve and people contribute money and labor to keep them in existence. When formal local government structures meet these local institutions on the ground, however, problems of state-society engagement follow. As Mabogunje has argued, "the result is that many functions of urban administration continue to be provided by "informal" institutions that are recognized by the generality of the urban inhabitants, to which they are prepared to make significant financial contributions, and which are transparent and accountable to the people" (1995, 32). In an earlier study, *Strong Societies and Weak States: State Society Relations and State Capabilities in the Third World*, Joel Migdal (1988) identifies the dynamism of civil society which makes it strong, often resulting from actively organizing to meet the real and daily challenges of survival, and the conservatism and non-innovative aspects of the state which makes it weak, stemming from outmoded bureaucratic structures leftover from colonial periods.

Similarly, a number of recent studies (Crook and Manor 1994[x]; Mamdani 1996; Brown and Ashman 1996;; Ostrom 1996; Evans 1996; Fox 1996; Tendler 1997; Waddell 1998) have examined the

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[x] Although studied with respect to rural development, the difficulties decentralized institutions encounter when meshing with voluntary associations have been addressed by Crook and Manor (1994).

problematic interface between socially based institutions and formal systems of government. In *Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism,* Mahmood Mamdani (1996) argues that a "decentralized despotism" as a mode of rule developed by the African colonizers, persists in the form of a bifurcated state which creates tensions of an inter-ethnic and rural-urban kind, which poses obstacles to democratization and state society relations not soon to be overcome. Current work on the notions of intersectoral collaboration (Brown and Ashman 1996; Waddell 1998), coproduction and synergy (Evans 1996; Ostrom 1996) point to critical openings through which to address the disjuncture between formal local government structures and civil society. Intersectoral collaboration offers a framework for pooling the capacity and collective energies of entrepreneurs, the associational and cooperative bases of societal relations, and the particular coordination and provisional capacities of state institutions. Opposing the notion of a "regular" producer of public goods and services (ie., government), Elinor Ostrom argues that "clients" are also active in this production process (ie., citizens) and that the term client, as a passive term should be reconsidered within a framework of co-production. Co-production, defined as "the process through which inputs used to produce a good or service are contributed by individuals who are not 'in' the same organization" is premised on a dynamic collaboration between citizens and government in the production of goods and services, and acting within a synergistic relationship (Ostrom 1996, 1073). These notions thus help to overcome the weaknesses inherent in state- or society-centric analyses of production, and construct a complementary division of labor between state bureaucracies and local citizens. Operationalizing these notions demands a deeper understanding within the development community of the imbedded reality in which citizens, particularly poor citizens, interact horizontally in a socio-economic and local political setting of both conflict and reciprocity in creating livelihoods – a discussion pursued below in the context of the third disjuncture. Suffice it to say at this point that if local governments operate within a framework which recognizes the legitimacy of civil institutions as important actors in the supply of urban services, the opportunities for creative funding and co-development of urban services can become a model for these governments.

Partially in response to Putnam's work on social capital and its role in enhancing more democratic institutions (1993), the notion of synergy (Nugent 1993[xi]; Tendler 1995; Evans 1996; Ostrom 1996) also helps to consider the dual nature of this relationship, wherein not only do horizontal networks of trust and reciprocity in civil society impact positively on democratic states, but also, effective institutions of the state create an environment in which groups in civil society are more likely to thrive. This latter relationship, the directional arrow of state impacting society, was also addressed in 1985, when Theda Skocpol described why states matter: "They matter because their organizational configurations, along with their overall patterns of activity, affect political culture, encourage some kinds of group formation and collective political actions (but not others), and make possible the raising of certain political issues (but not others)" (Skocpol 1985, 21). The notion of synergy, like local governance as defined here, helps to reconsider the dual directional nature of the state society relationship, overcoming both state-centric and society-centric analyses. The so-called "great divide" between government and civil society (Ostrom 1996) and the blurring of the public-private boundaries (Tendler 1995) is further developed in Judith Tendler's recent work (1997) where an important aspect of the state-society discourse is raised with respect to the intergovernmental relationship. In the case of Brazil, Tendler has shown that the central government has a critical role to play in local governance. She documents the reality of a three-way dynamic present among local government, civil society and an active central government. This helps to overcome the misguided assumption found in much of the decentralization discourse, that once effective devolution of authority to empower the local level of government has occurred, then central governments no longer have a role in the local arena or a function with regards to pressing local issues.

In part, this disjuncture is also a result of the accessibility of language, which poses a critical

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[xi] It is important to note here, and in reference to the third disjuncture in particular addressed further on in this paper which brings the local and household economy of the poor into this analysis, that Jeffrey Nugent's 1993 work actually raises synergy in a three-way relationship - the state, the market and LOIs (local organizations and institutions).

problem of engagement between civil institutions and the evolving structures of local government. Although English is not necessarily the first language of citizens, it is often the formal working language of government, creating a divide in terms of the norms and practices of local community groups when engaging with local state structures. In addition, technical language often impedes the ability of community groups to participate fully and on a level playing field with officials and technocrats. This issue is not new to the field of city planning where the evolution of ideas surrounding the importance of removing the barriers to communication and opening the discourse has had considerable longevity (Davidoff 1965; Friedmann 1973; Forester 1989; Habermas 1993; Taux 1995; and Sandercock 1998).

A critical question confronting newly empowered local governments, established along traditional lines to regulate, administer and manage the local environment and the delivery of services, and ensure sound land-use practices and orderly development of urban spatial systems, is how to operate within a non-traditional or informal city built largely outside of any regulatory framework and led by non-state actors. Or in the case of many African cities historically divided along racial lines, how to reconstruct these same sprawling unregulated and under-serviced settlements which exist side by side with formal wealthy urban enclaves (a spatial form, which, despite discreet historical forces, is not unlike cities throughout Asia and Latin America). In part, the disjuncture between formal state structures and urban civil society is exacerbated by this reality of urban form.

If local government institutions and structures are to be developed which are representative of the local citizenry and have more open channels of communication and engagement, then what is also required is an improved understanding of local political organizations, how they are organized and how they are linked to their own constituencies on the ground. Critical new relationships and patterns of engagement are required between newly empowered local governments and thriving groups in civil society. Hence, the significance of governance, defined here as the relationship between civil society and the state, and deriving from this local context. The political economy of this urban system needs to be better researched to understand the embedded class conflicts inherent in cities, and the role of the developmental state at the local level to address class power and inequity. This dictates both a better understanding of urban politics within this emergent arena and a reconsideration of the relationship between local government, local commercial interests, and local communities as traditionally construed. This requires moving beyond an understanding of local politics as it is played out in the formal arenas, like local elections, to a deeper analysis of local politics governed by class, local factions, social ties and control and influence by other levels of government. A new alignment between the state and civil society at the local level - a framework embodied in the very notion of governance itself - constitutes a core challenge facing local governments and nations alike in the developing world.

This second disjuncture, when formulated thus, may also elaborate our thinking on the roles of urban political culture. While the principle of shared interest in a city might be desirable, and notions of citizenship and civility in cities certainly get promoted on such grounds, a shared common interest is difficult to come by given the reality of contestation over urban space and assets, a reality which must not be devoid of a strong class analysis. While political culture in a city might help to elaborate means of engagement and expose potential connections between diversity within the urban milieu, it must also be understood as an iterative force which moves in multi-directional paths, sometimes empowering and other times not. But the nature of the engagement itself, which brings diverse groups together to articulate their interests and generates varying power formations in this urban political culture, in turn, motivates new openings and political space for different ways of life in the city. This also raises the possibility for higher levels of welfare for the poor, by virtue of expanded voice, sensitization and interest in the city.

3.   Disjuncture # Three –

Between Local Economic Development (LED) Policies of Government

and the Local Economy of the Urban Poor

"Life chances of all sorts, including the ability to make money from property, are significantly determined by what goes on at the local level" (Logan and Molotch
1987, 3).

Local Economic Development (LED) efforts, as discussed earlier, often focus on government initiatives designed to build more attractive cities, including for example, tourism, waterfront development projects, downtown revitalization, international bids for Olympic Games, World Fairs and other international events, 'high-end' entertainment facilities, and urban beautification schemes often directed towards improved landscaping (tree plantings and additions of fountains along main thoroughfares) and added green space. These schemes are designed to attract "global economy" corporate firms choosing to locate in a city, to improve the business climate, or to enhance an image of the city as "world class." However, such efforts seldom benefit the poor of the city and do not create jobs in any sustainable sense for low-income and/or low-skilled workers in the city.[xii] Indeed, many such projects generate the reverse: residents of slums and unregulated settlements and informal sector market operators and street hawkers are evicted, arrested or re-located to less visible (and less profitable) locations in the city. Furthermore, these LED policies and programs lack relevance to the actual operations of the local economy of the developing city, an economy which has been shown to be a dominant force in the provision of the majority of urban services in these cities. It is in this context that a third disjuncture is identifiable, one between the more formal LED policies of government and the embedded local economy of the urban poor.

A deep divide characterizes the very idea of the city held between city officials and civil society. On one hand, the city official, often unable to operate at even the most rudimentary level in the ability to plan or supply basic services, sees the vast majority of urban poor as somehow irrelevant - an unexpected and unauthorized force which is disruptive to notions of how cities are supposed to work. Caught in this surreal role of being an authority, but with limited means of control, municipal officials focus on the much simpler conception of the city as a setting to attract global businesses. On the other hand, civil institutions and the urban poor ever frustrated by local governments unwillingness to invest in improvements to basic urban services of water, sewerage, health-care and sanitation are dumbfounded by the insensitivity of investments in beautification and amenities. To put this in stark perspective, we see city centers decorated with elaborate fountains exhibiting some abundance of water, in the absence of running water to poor households, where police drive out small children of such households attempting to capture a drink, and which in addition, are lighted at night when these same urban settlements are without electricity.

The failure of states to recognize or take seriously the complex set of actions that poor citizens take to pursue their own livelihoods, make their own living conditions viable and contribute, via all these actions to the building of local society, is at base a denial of the reality of the city. The deliberations of a meeting of the International Social Science Council on the issue of the state's role in poverty alleviation held this year at the University of Cape Town, went further, suggesting that 'the state's refusal to acknowledge what the poor do to eke out daily survival is to refuse to acknowledge their existence as anything more than statistical indices or political bargaining chips' (African Poverty Reduction Network, 1999).

[xii] Nor do these urban "improvements" necessarily alleviate poverty. By not addressing the local economic development needs of the poor in the city, urban violence remains one of the chief concerns for policy makers trying to promote the city in terms of competitiveness. This policy dilemma is somehow lost on these current LED efforts.

This disconnect between local economic policy and the local reality of the poor is one which again confronts the development community as a whole and which casts local government into a critical role. It also begs the question of effective poverty alleviating strategies. One path out of this perceived disjuncture is for local policy makers and local development planners to overcome the disconnectedness between local economic development planning and physical, spatial planning in the city in ways which can better address the city as a whole. For example, how does one embed economic development targeted to the majority disadvantaged urban residents within the spatial planning exercises which focus on urban land?

In contrast to the way neoclassical economists understand property as a commodity, Logan and Molotch (1987) focus, as sociologists, on how markets in urban land and buildings, or urban places, work as social phenomena. Similarly, Lisa Peattie, an anthropologist and planner, in her earlier work on the social aspects of housing, treats land (and whatever meagre shack sits upon it) for the poor as a significant "stake in the urban system" (1969). Logan and Molotch argue that "markets are not mere meetings between producers and consumers, whose relations are ordered by the impersonal "laws" of supply and demand... the fundamental attributes of all commodities, but particularly of land and buildings, are the social contexts through which they are used and exchanged." (Logan and Molotch 1987, 1). Drawing on David Harvey's interpretation of Marx's original distinction between use and exchange, they suggest that while an apartment building provides a "home" for residents (use value) it also at the same time generates rent for the owners (exchange value). Hence they argue that "people use place in ways contrary to the neoclassical assumptions of how commodities are purchased and consumed." (1987, 17). When we consider land and housing for the poor in cities, it is usually as "shelter" or a basic need. However, should investments in assets like land and housing which affluent households and investors normally consider to be real estate, be thought of differently for poor households? Again returning to Logan and Molotch, they argue it is both and that "each resident faces the challenge of making a life on a real estate commodity" (1987, 99). In this sense, poor households' investments in their house represents "life chances" (Logan and Molotch, 1987, 19, 20); the basis of a lifetime wealth strategy (Perin, 1977 as cited in Logan and Molotch 1987); and a stake in the urban system (Peattie 1969).

Local officials have extensive authority and fiscal responsibility over land use through zoning, over revenues from their responsibility to levy various property taxes and user fees and charges, and over levels of urban services and other expenditures applied to urban land and buildings. Local government thus has a pivotal role in the land and building markets which ultimately affect the ability of citizens to make money from property. Creating wealth through land development, housing and infrastructure targeted to the urban poor is a critical first step to creating financially viable, economically productive and fiscally sustainable cities. Moreover, it offers a concrete solution to urban poverty. The critical short-falls in the supply of affordable land, housing and infrastructure for the poor, need to be addressed in a different analytical framework than a simple delivery model by government. The behavior of low-income households in consolidating informal settlements, the interplay of markets and sub-markets in land, housing and infrastructure, and the integration of social capital and local economy, all contribute to a dynamic local and household economy which combines urban land, housing, infrastructure and livelihoods - jobs - in a different analytical relationship.

Treating low-income housing as real estate and as a base for revenue generating operations instead of as a basic need for shelter can help to re-frame this local policy environment. Urban land, because of its scarcity is a valuable commodity. When serviced with infrastructure, however rudimentary, further value is added to that plot of land, which, for a poor urban resident, represents a foothold in the urban system and an expandable asset on which to build wealth and security. Once tenure is secured, residents tend to consolidate their land, knowing its value and build housing, often for the dual purpose of rent and owner occupation. In addition to rental income derived from secure tenure, the consolidated land offers the resident access to credit, by way of producing collateral, and therefore access to mortgage markets and it allows for capitalization of enterprises from land-related income streams. With security of tenure and access to on-site infrastructure, small businesses are allowed to flourish - witnessed by home based operations, and clusters of manufacturing industries within neighborhoods and housing units like the

garment industry, scrap metal manufacturers, furniture construction and wire cable manufacturing all spanning a wide range of sophistication and integration, small kiosks on street frontage, and back yard shacks for small business repair shops - a common sight found in urban settlements in almost every city of the developing world.

However, the literature on industrial clusters and small-scale enterprises in developing countries tends to gloss over the spatial dimension and view the setting for such enterprises as somehow at best neutral or at worst irrelevant to economic production and growth (see for example Anand 1986; Liedholm and Mead 1987; Little, et. al. 1987; Boomgard 1992; Helmsing and Kolstee 1993; Daniels 1999). Similarly, Benjamin argues that the flexible specialization and flexible accumulation literature places much of this production in "slum settings" but "the 'setting' where this clustering happens is seen as external to the condition of clustering and reflective of a process of modernization" (Benjamin 1996, 30).   Likewise, physical planning and spatial policy in cities is insulated from the milieu of local economic development. In tracking the development of the city of Chandigarh around issues of planning, petty trading and squatters, Madhu Sarin has argued for example that the "framework of regulation and control of the city's master plan excludes a wide range of activities which are nothing more than an expression of the socio-economic reality of India" (1979, 157). This divide between the spatial dimension and the economic as regards to jobs, livelihoods and small businesses, is a mistake on both sides, as it is an inaccurate reflection of reality. This is despite what might be considered "old wisdom" which has helped to uncover this reality - - - the recognition that land issues are central to urban economic development in fact has a long and full history (Peattie 1969; 1982a; 1982b; 1987; Turner 1972; Perlman 1976; Soni 1981; Angel et.al. 1983; Doebele 1987; McCarney 1987; Gugler 1988; Benjamin 1991). And the linkage between land, housing and infrastructure on the one hand and enterprises on the other is not a small or invisible matter in cities. It is just passed over, in part because of how divisions in disciplines train researchers eyes to overlook the obvious while examining the detailed questions one's disciplinary boundaries generate. The exceptions to this complaint are few, but remarkable.

For example, Lisa Peattie has described for us the fluidity of the economy of the 'firm' and the household in a detailed study of the shoe industry in Colombia. There, accurate data on numbers of firms is shown to be extremely deficient. At the time of her study, official lists of shoe manufacturers in Bogata suggested 177 firms, while unofficial estimates ranged up to 15,000. In part, this discrepancy is likely due to the fact that the shoe industry in Colombia, according to this study by Peattie is predominantly (estimated at three-quarters of the industry) one of very small producers (less than 15 workers) and these small shops typically occupy parts of poor houses scattered through many of the barrios populares - or low income neighbourhoods. Like in many cities, all through the low-income districts, residential facades conceal a multitude of small enterprises. In shop interviews, Peattie describes the use of the residence as workshop, where families share sleeping space with shop floors and where the flexible ebb and flow of capitalization and decapitalization of these enterprises takes place according to consumption needs and household or familial crises. She describes from in-depth interviews how these small scale shoe manufacturers work, and how small workshops typically occupy part of the residence "expanding to take over more residential space when the business grows or, alternatively, sharing the workroom with a baby's crib" The relationship between the household and the firm is not just one of shared space but also a mutually supportive financial one. Peattie documents one revealing interview with a workshop operator who had, in the course of two successive periods of household and family stress, completely decapitalized the enterprise and was in the process of capitalizing again by cuts to household consumption, and for the interim, was needing to contract out the 'stitching of the uppers" to a man in another barrio dwelling who had a machine (Peattie 1982b, 215).

In an even larger study of a slum neighbourhood called Viswas Nager in East Delhi, Solomon Benjamin (1996) has given us a remarkable and in-depth case of a cluster of 2000 firms, again based largely out of poor peoples homes (living rooms, bedrooms and roof-tops). Here residents and businesses co-exist in the manufacturing of wire cables and conductors, whose products have captured 30 percent of India's market in this sector. Each house (and enterprise) are closely connected by messengers, rickshaws, and managers which keep the discreet, decentralized stages of the production process running

as though on a deconstructed assembly line between the houses and along the streets of the neighbourhood which Benjamin declares to be a specific phenomenon - the "Neighbourhood as Factory." When visiting Viswas Nager, social networks based on family, friendships and kinship and foundations of social capital were found to be strong in this setting. But I was informed that trust is not so much based on loyalty as it is on a high level of inter-dependence to keep production continuous between houses and across the streets. What is also remarkable is that the firms are producing sophisticated and technologically competitive products - ribbon cables used inside computers and co-axial cables used to transmit cable-TV signals. More important here is Benjamin's demonstration on how these enterprises grew up in this neighbourhood in ways intimately connected to the plot consolidation process of the squatter settlement.   He tells us that the financing of these small firms has been via a complex interrelationship with the residential plots, their size and location, the status of tenure, the infrastructure services applied (particularly the grade of household electricity connections), and, finally, the inherent capacity to rent out space, subdivide and sell off portions of the plots for capitalization of the enterprises over time.

What is significant about these two studies is not so much the existence of these clusters of small enterprises which indeed are found in many low-income urban settlements throughout the developing world. [xiii] It is the insight they provide on three fronts: the embedded relationship between the economic development of these enterprises and the physical base of the land, housing and services seen in a spatial context of settlement consolidation in neighbourhoods where they are located; the intricacies which characterize the relationship between the firm and the household economy; and, the potential that these small, household-based enterprises offer for national and even global competitiveness, albeit within a different field of vision than that projected by mainstream discourse on the globally competitive or world class city.

In recognizing this local household reality, and seeing sprawling low-income settlements in cities not simply as poor under-serviced slums, but through a developmental lens as productive centres, LED policies can acquire greater potential. The role of urban land as a poverty-alleviating and productivity-enhancing asset for the poor is especially critical to recognize at a time when urban land for the poor is becoming more and more difficult to access. It requires assertive action by local governments and planners to address land-use, planning and regulation in a more progressive framework. It also requires local politicians to confront arguments associated with urban sprawl within this same framework. Anti-sprawl arguments, while having environmental merit, must be assessed by local politicians both in term of equity in the city, where large affluent enclaves have been developed on exceedingly large lot sizes, and in developmental terms of poverty alleviating strategies for poor households, where plot size becomes an economic lever, having possible macro-economic implications.

This is particularly true since policies designed to support small enterprises, are often seen as a means to building equity and overcoming the unjust tendency of governments to favour large firms with access to capital and other assistance (Peattie 1982b, 209). But these policies must be developed in light

[xiii] A body of rich case material is now being compiled on these clusters of small enterprise development in cities of the developing world. An excellent review of such cases is undertaken by Khalid Nadvi and Hubert Schmitz (1994), and includes case studies on metalworking and machinery in Rafaela in Argentina; knitting and weaving in Petropolis and Americana in Brazil; the hammock industry in Brazil's Northeast; the shoe industry in the Sinos Valley of Brazil, in Leon and Guadalajara, Mexico, in Trujillo, Peru, and in Ambato, Ecuador; carpentry, vehicle repair, metalworking and engineering in Kumasi, Ghana; metalworking and furniture making in cities and towns throughout Kenya, Sudan, Zimbabwe and Tanzania; leather footwear at Agra and Kampur India; textiles and clothing in Delhi, Bombay, Tiruppar and Ludhiana; as well as clusters of printing, water pipes, bathroom fixtures, sports goods, light engineering and metalworking activities in centres throughout the Punjab; and in Pakistan - sports goods and surgical instruments in Sialkot, electrical fans in Gujarat, textiles and electrical products in Faisalabad, and stainless steel cutlery in Wazirabad. The existence and range of such clusters is therefore becoming better understood. However, despite the fact that these clusters often entail large portions of very small enterprises based in households, this fact remains under-investigated and under-theorised. The Kumasi case for example noted above, does describe some 700 metallurgical workshops and small foundries as "operating in a crowded, low-income and socially depressed neighbourhood" but how these firms operate and interrelate with these households in not well addressed. Similarly, studies on small scale enterprises in development are usually silent on the issue of land.

of a better informed understanding pointed to here of how these firms operate in these low-income residences and neighbourhoods. This is especially critical given Benjamin's argument that "contrary to most job creation programs sponsored by governments, the employment generation and industrial productivity (in East Delhi) was developed with no public institutional finance, no special training or management programs (1996, 17). His description of the role of land as being instrumental in this economic development process, is instructive for bridging the divide between local government's spatial planning and local economic development policies. When urban policies in the field of land, housing and infrastructure are targeted to low-income residents, and are flexible and designed towards encouraging such wealth creation through asset formation in low-income households, then spatial planning becomes fully integrated with local economic development, causing the latter to be more relevant and advantageous to the majority of urban residents. What is also being created is a wealthier residential base and a local enterprise base which improves fiscal capacity of cities in the medium and long term. This approach, which imbeds poverty alleviating measures within the mainstream and standard course of urban development programming also serves to keep poverty at the core of the urban agenda.

In this sense, land-use planning, while spatially oriented, is actually engaged in creating local economic development opportunities and begins to have a significant impact on both poverty alleviation and national economic growth and globally competitive cities. As a starting point therefore, it is critical to acknowledge that any spatial planning project concerned with urban land is inherently a powerful economic tool in wealth and asset creation across a broad range of household incomes; in employment creation; in expansion of local fiscal capacities; and, in contributing to macroeconomic development. It is the failure to recognize this local and household-based economy and informal operation of households living in poverty in the city that creates a critical policy disjuncture with broader economic development strategies and policies targeted to economic development in cities by national and local policy-makers alike. Urban land and services, when considered in the progressive developmental context as wealth and employment creation, is a critical element for overcoming poverty in a city and creating a broad-based local economic development trajectory.

Improved knowledge and awareness of the reality of local market operations is a basic component of governance in cities. The critical role of civil society operating in cities in the developing world is conceived of here within an intense market setting, albeit one characteristic of less traditional market operations. The dominance of commercial traders and transport servers operative in so-called "informal sector" markets; of citizens accessing urban land and housing through invasions of land, purchasing and renting through local real estate markets and the flourishing unregulated sub-markets in the cities and self-help, informal construction of housing and infrastructure; and the development of small-scale enterprises made possible by virtue of access to and ownership of these real estate holdings and services, indicate the highly market-based operations of urban civil society on the ground. It is in fact this less explicit and less well articulated aspect of civil society-market relations in cities which requires a fuller analysis in relation to the local state, that is, within the local governance relationship. This embedded reality of state-society-market relations is in fact critical to overcoming the policy disjunctures identified here.

Returning to the call by Schmitz and Nadvi (1999) to attend to the matter of local governance as a critical element in addressing the confrontation between global competition and local industrial cooperation, this discussion points to a refocussing exercise to direct the role of local government in development. Schmitz and Nadvi throughout their work, indirectly summon a number of potential roles for local governments which are useful to draw out and compile here, albeit in a preliminary way, for our future attention. Local governments can be identified as having a strategic role in: supporting employment generation; promoting technical learning and innovation in local enterprises; assisting local firms to meet international best practices often through joint action and strategic intervention in areas such as technological development or environmental upgrading; liaising with national governments in the timing of imposition and lifting of trade barriers and introduction of devaluation policies in order to give local small producers breathing space to upgrade during particularly intense global competition; providing technical assistance to local trade associations; assisting local associations and local producers to connect

to external technical know-how and knowledge; raising quality, reliability and speed of response (increasingly important in most global produce markets) for example in reducing the time between order and delivery through on-line communication with suppliers and customers; assisting with design and marketing capabilities, though often considered business development services that can be supplied by the private sector itself, are in fact in need of support by local governments; and, finally, acting as catalysts and mediators in conflict management, when the private sector is unable to find consensus in locally cooperative ventures.

In addition to these roles suggested by such leading economists working on industrial clusters, there must be a re-underlining of what are in fact traditional roles of local governments in land management, spatial planning and tenure; as well as investment in basic and more sophisticated levels of infrastructure and service delivery in cities. Weaknesses in these functions not only impact poor households and impact the health and well-being of residents living in poverty, but also the capacity to pursue livelihoods in a local economic development context. Urban land and the physical spaces for enterprise development can be enhanced by local government actions, or not. For example, in a study of African enterprise clusters (McCormick 1999), physical space for enterprises is seen as lacking - the Kenyan metalworking cluster (Kamukunji) and garment industry cluster (Eastlands) are characterized as over-crowded with the former housed in open-air workshops and the latter housed in two former City Council market spaces built in 1974 and originally designed for retailing fruits and vegetables, whose space is sub-divided into market stalls making it difficult to organize work efficiently and to expand the size of the business. Water supply is often poor and electricity, a basic operational need, is characterized as erratic, and people work under very poor lighting conditions in these makeshift premises (1999, 1537). Similarly, Nadvi argues that in the surgical instrument cluster in Sialkot Pakistan, "the poor conditions of local infrastructure - especially power supply, roads, and sewerage - act as an inhibiting factor on the cluster's potential growth" (1999, 1623).

It is by way of such arguments that the essential challenge for local government to connect its spatial planning exercises to local economic development initiatives is highlighted. In other words, such a discussion ought not to be construed of as presenting an agenda for quick fixes and easy solutions to a complex set of problems associated with the reality of cities in the developing world. The purpose here has been instead to open a window on alternative ways of seeing and knowing about this complex world of cities in the developing world in order to address what are three serious disjunctures currently confronting local governments, and the people who live in these cities.

CONCLUSION

These disjunctures, between the global and the local; between formal state structures and civil society; and, between the policy approaches being developed for local economic development and the local economy of low-income residents, pose serious development challenges.The local context in development, as detailed in the first part of this paper is a critical base for understanding these disjunctures. Moreover, by framing these problematic disjunctures from a local perspective, local government becomes a visible and critical actor in determining possible paths out of these divides.

However, such progress depends on the ability to deepen understanding of the complex interrelationships which exist in this local development context. This means recognizing the essential interrelationship of these three disjunctures. As demonstrated here in the discussion presented on the third disjuncture, local governments can no longer afford to have their local economic development and spatial planing policies divided nor insulated from the reality of the local and household economy of poor people, which is intricately interwoven with land, housing and infrastructure services in the city. Indeed, successfully addressing this third disjuncture raises an alternative vision of the city depicted in the first. A developmental local government able to enhance local productivity and operationalize poverty alleviating measures will also, by virtue of this progressive set of actions, be better situated to address the first disjuncture, recognizing the fundamental responsibilities to its citizens while also promoting a globally competitive environment which better reflects the reality of their city. Overcoming the tendency to view

the poor of the city as an anonymous pool of cheap surplus labor pursuing survival activities in the extensive settlements of the city, and instead as a network of small and increasingly sophisticated small enterprises with potential for growth, and even global competitiveness in some cases, helps to envision the strategic role of local government. That competitiveness in the global economy can be approached from the perspective of support for small scale enterprises through business development initiatives and land and service provision which intentionally stimulates the capacity of these enterprises to supply increasingly sophisticated products and services, positions local government as a pivotal actor in development. Moreover, this is not to be construed simply as an argument for a 'globally competitive city created from the bottom up.' While this aspect has been stressed here because of what is considered by this author to be an under-theorized localism in such globalized discussions, as argued above, this is not to assume that large corporate interests should not be attracted in for developmental purposes. Indeed, as some of the industrial cluster and small enterprise studies are beginning to demonstrate (Amsden 1991), it was the location of large firms in a sector which spurred the original growth of the small enterprises clusters as off-shoots of these production centers, and successful clusters are rarely populated by small firms alone (Schmitz 1999, 1630). However, sometimes large scale, corporate firms can have damaging effects on this smaller scale activity. The promise of local government falls precisely into this potentially powerful role to mediate a strategic policy approach. To empower this strategy, much weight must be given to enhanced local governance, and overcoming the divide between state and society, the second disjuncture, since this essential relationship is what determines success in meeting these challenges.

The three way dynamic embedded in local development processes between actors in civil society, government and the market demands investigation by development theorists and practitioners, of a nature that our current academic and professional barriers have failed to provide. It is the failure to concede to these structural features, to the significance of local spatial issues and the political-economy of the local development process which has been the main cause of market inefficiencies, fiscal incapacities, policy incompetencies and management dysfunctions in local government operations. Moreover, this local economic and political process holds important potential for transformation of local groups into a politicized civil society, and for transformation of local government institutions into a more porous and legitimate state, and for welfare enhancing market opportunities in cities.

The dual possibility for fundamental change in local government and empowerment of the urban community, creates potential and space for new and potent forms of governance in the future, and a renewed vision for dynamic and developmental local governments pursuing broad-based economic development.

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