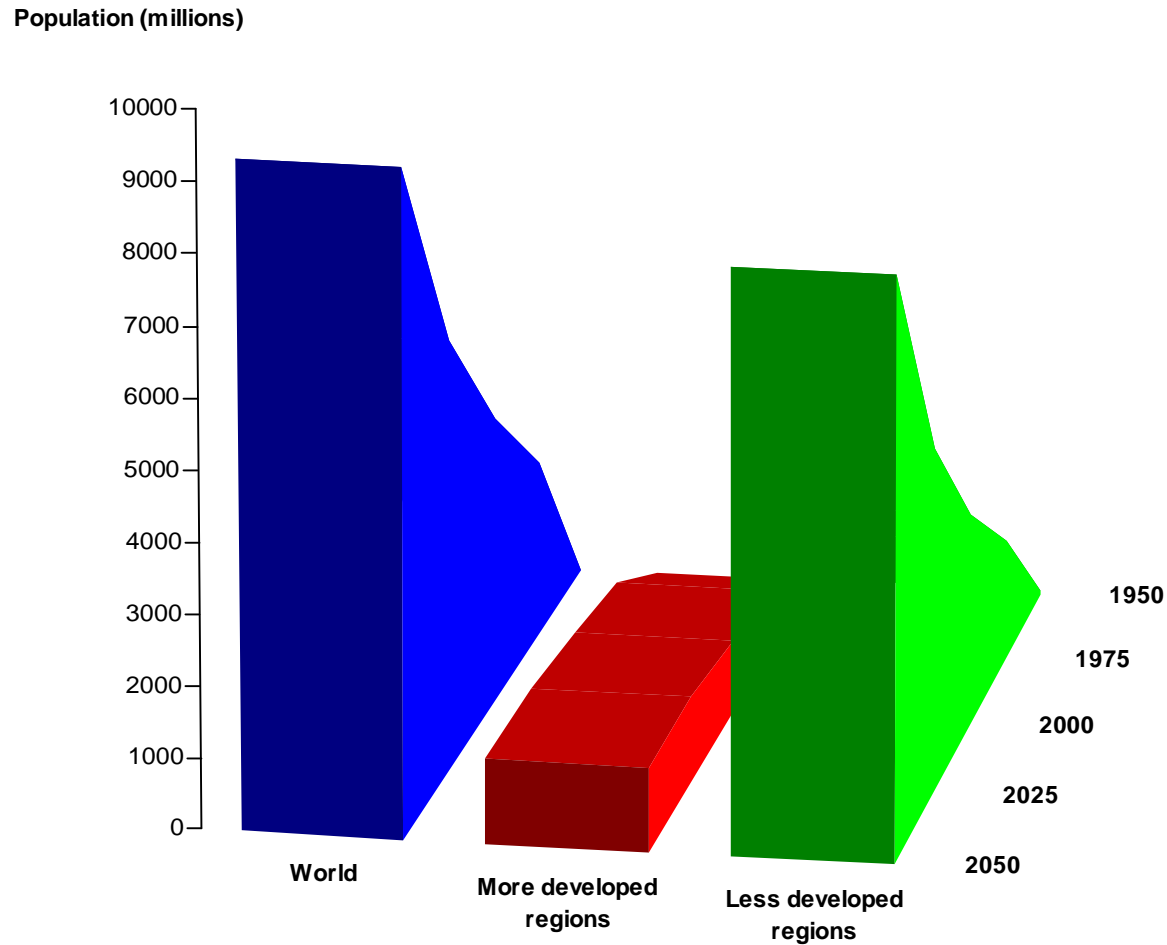


# Cities in a Globalizing World: Governance, Performance, and Sustainability

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# Growth of Cities, 1950-2050



Source: World Population Prospects: The 2000 Revision, vol1, Comprehensive Tables (United Nations publication, Sales No. E.01.XIII.8 and Corr.1).

# Understanding cities in a globalizing world

- Cities are the birthplace of globalization
- Globalization helps/hurts cities?
- Cities are the testing ground for governance and democracy
- What is the role of governance in city performance?
- What is the impact of city performance on globalization?

# The Research

## **Purpose**

- To test assumptions about globalization and urbanization
- To assess policy implications of findings

## **Scope**

- Research is exploratory and confirmatory
- Data limitations make it difficult to draw valid conclusions on the impact of globalization on city performance
- The paucity of data is a key obstacle to effective policy design at the national and subnational level

## **Opportunities for future research**

# Research Approach

- Confirmatory Analysis—with hypothesis development and empirical tests
- Exploratory Analysis—using existing data bases
- Case Studies—developing them from secondary and primary sources
- Theoretical Analysis—game theory, political economy

# Five key themes

- Globalization of city infrastructure:  
Local, networked and global services?
- Globalization and city performance:  
Does governance play a role?
- City performance profiles:  
What happened in Africa?
- Globalization and city governance:  
Dynamics between the mayor, citizens, and firms?
- Globalization, technology, and scale:  
How do they interact?

# Globalization of City Infrastructure: Local, Networked, and Global Services?

# Globalization of City Infrastructure

- Infrastructure networks are the foundations for urban globalization
- Infrastructure plant and service are mainly local, but demands are increasingly global
- Vulnerability and security heighten some old conflicts
  - Individual preferences vs. collective interests
  - Meeting immediate demands vs. serving future generations
  - Maintenance for daily use vs. maintenance for more security
- Globalized infrastructure requires new institutions to manage the interface between local and global interests

# Local-Global conflict requires new institutions . . .

New institutions, operating at the community, local, national, regional and global levels, have to respond to preferences of various stakeholders and respect the hierarchy of interests.

## For example:

- **Overton Park, Memphis TN 1956:** citizens block the construction of a highway linking Memphis to other cities to preserve a local park
- **Jamuna Bridge, Bangladesh 1994-1998:** locating project-affected people in a land-scarce country and handling environmental problems of river-training to construct bridge linking cities in the NW region to Dhaka and linking Bangladesh to trade in India
- **Chad-Cameroon Pipeline, 2003:** extensive local and international consultation for environmental and social protection including of future generations for an international financed and owned pipeline

. . .leading to greater. . .

- **Democratization of decision-making**  
—Memphis TN and Jamuna bridge stakeholders
- **Decentralization** due to emergence of small-scale producers enabling distributed supply of services  
—Uganda electricity
- **Diffusion of new ideas** due to rise of multinational infrastructure provision, migration, travel and trade, and communications technology
- **Diversification of citizen preference** with respect to preservation and protection versus consumption and use or the balance between efficiency and quality of life

# Assessing institutional performance?

## *The approach*

- Exploration of globalization and city performance
  - Construct worldwide database for more than 400 cities
  - Measure globalization at both country and city level
  - Examine city governance and city performance jointly and separately
- Definition of “urban governance”
  - “the processes that steer and take into account the links among stakeholders—local authorities, citizens, firms—to favor active participation and negotiation among actors, transparent decision-making mechanisms, and innovation in urban management policies”
- Defining city governance and globalization as outcomes that are visible to citizens allows empirical tests of the city as a “place” or as an “enduring performance”

**City Performance Profiles:  
Economic Performance of Cities, 1993**

<i>Indicator</i>	<i>Cities in countries that are</i>	
	<i>More globalized</i>	<i>Less globalized</i>
City product per capita (1993 US\$/year/person)	3,818	1,175
Average per capita income (Q3/person in US\$)	2,066	377
Informal employment (percent)	32	40

Source: UNCHS 1998, Global Urban Indicators.

**City Performance Profiles:  
Residential Density, Growth Rates, and Household Size, 1993**

<i>Indicator</i>	<i>Cities in countries that are</i>	
	<i>More globalized</i>	<i>Less globalized</i>
Residential density (persons / ha)	96	252
Annual population growth rates (percent)	2	3
Average household size (persons)	3	5

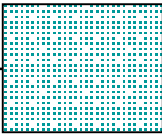

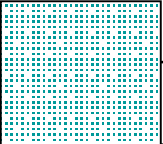

**City Performance Profiles: Equity in Cities, 1993**

<i>Indicator</i>	<i>Cities in countries that are</i>	
	<i>More globalized</i>	<i>Less globalized</i>
Households below poverty line (percent)	26	27
Income disparity (Q5/Q1)	7	12

Source: UNCHS 1998, Global Urban Indicators.

**City Performance Profiles:  
Transportation, 1993**

Better balance between pedestrian and motorized forms of travel in more globalized cities

<i>Indicator</i>	<i>Cities in countries that are</i>	
	<i>More globalized</i>	<i>Less globalized</i>
Mean travel time to work (minutes)	30	35
Modes of travel to work		
Private car (% of total to work trips)		10
Train /tram (% of total to work trips)		7
Bus /mini bus (% of total to work trips)	23	37
Motorcycle (% of total to work trips)		12
Bicycle (% of total to work trips)		7
On foot (% of total to work trips)	24	22
Other (% of total to work trips)	2	13

*Note:* Percentages do not add to 100 due to rounding.

*Source:* UNCHS 1998, Global Urban Indicators.

## Urban Local Government Revenue and Capital Expenditure, 1993

<i>Indicator</i>	<i>Cities in countries that are</i>	
	<i>More globalized</i>	<i>Less globalized</i>
Local government revenue per capita (1993 US\$ / year / person)	266	115
Local government capital expenditure per capita (1993 US\$ / year / person)	104	22
Wages in the local government budget (%)	21	38

Source: UNCHS 1998, Global Urban Indicators.

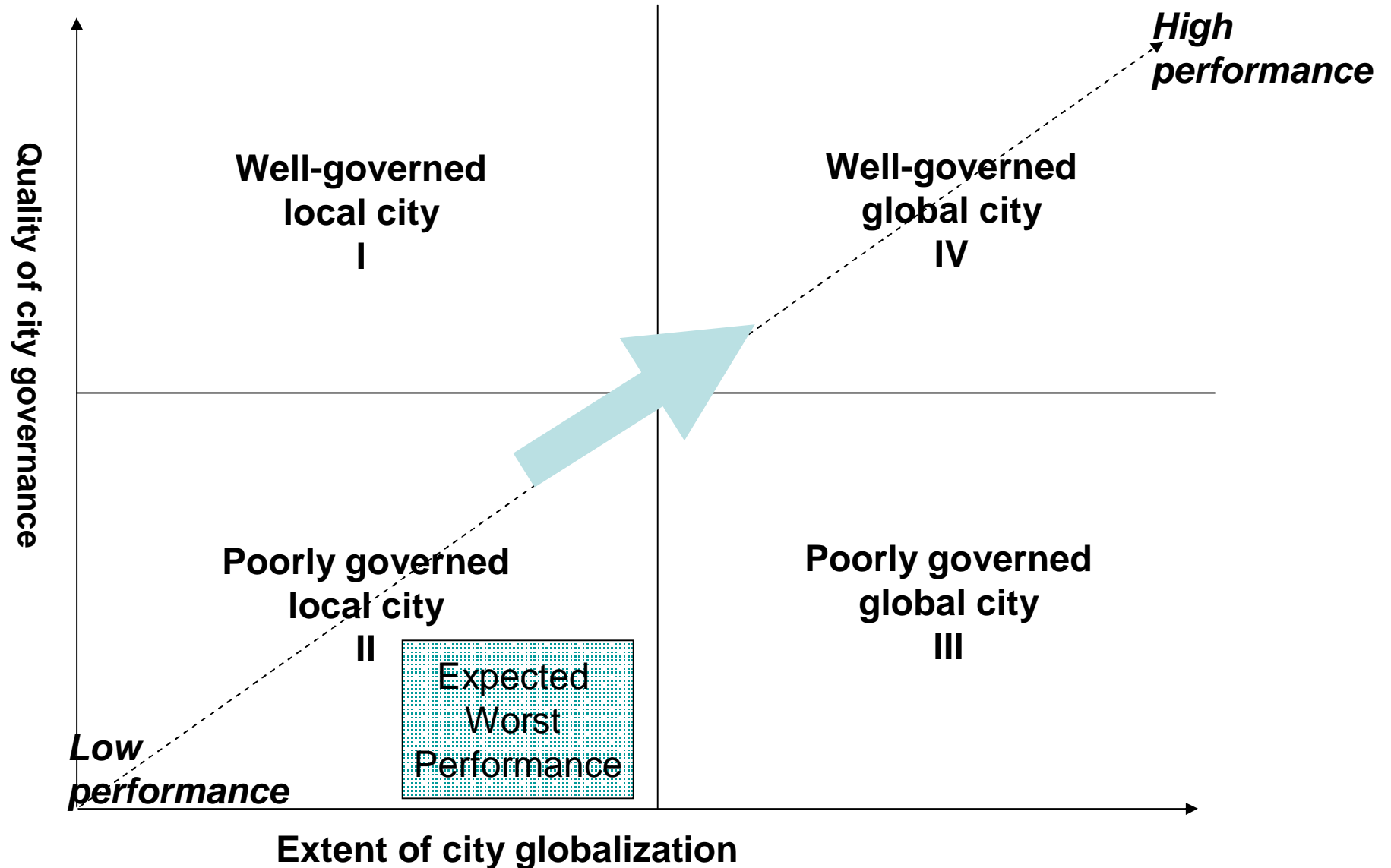
# Globalization and City Performance: Does governance play a role?

# Globalization and city performance: The key role of governance

## *The approach*

- **Define Globalized City as a “place”**: location with precise boundaries but plugged into global flows (finance, people, products)
- **Define Globalized city as a sustained achievement of “performance”** providing services to citizens and firms over time
- **City mayor** as an actor who brings local value to citizens from global activities
- **Citizens** participate in key decision making, and the interests of **firms** are balanced with those of citizens by the **city mayor**  
= governance in the context of globalization and local interests
- **The size of a city and the services it provides over time** is a test of sustainability as it interacts with other cities to which it is connected  
= city performance in the context of globalization

# City Governance and Globalization as Determinants of City Performance



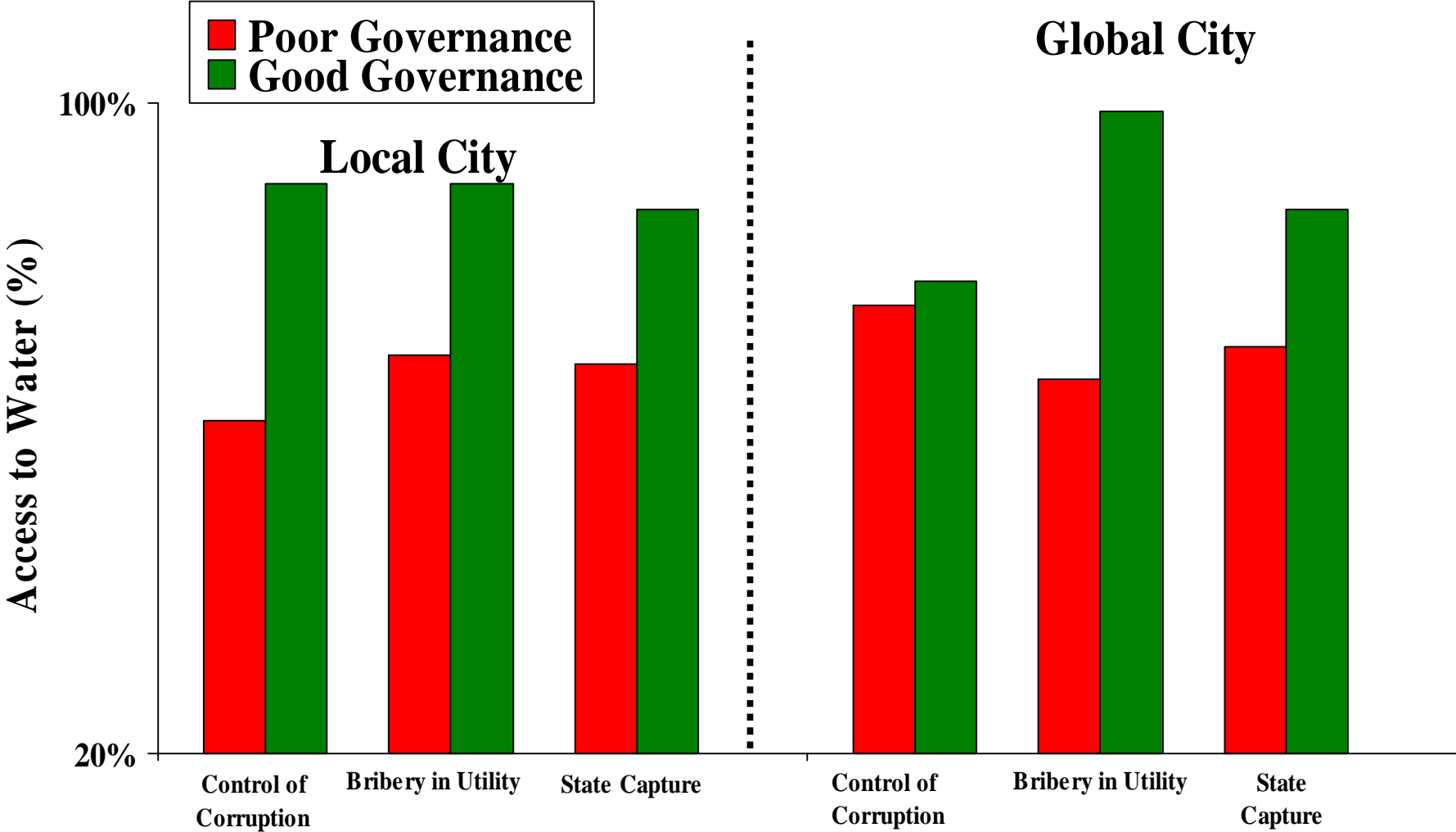
# Key Hypotheses

- Hypothesis 1: Governance matters
  - A city can be well-performing whether local or global, driven by its good governance alone (quadrants I and IV)
- Hypothesis 2: Globalization matters
  - A global city is better performing than a local city, for a given quality of governance (quadrants III and IV)
- Hypothesis 3: Globalization and governance interact positively
  - There is a dynamic virtuous circle which pushes globalized cities to be better governed and which attracts further globalization in well-governed cities

# Testing the Hypotheses

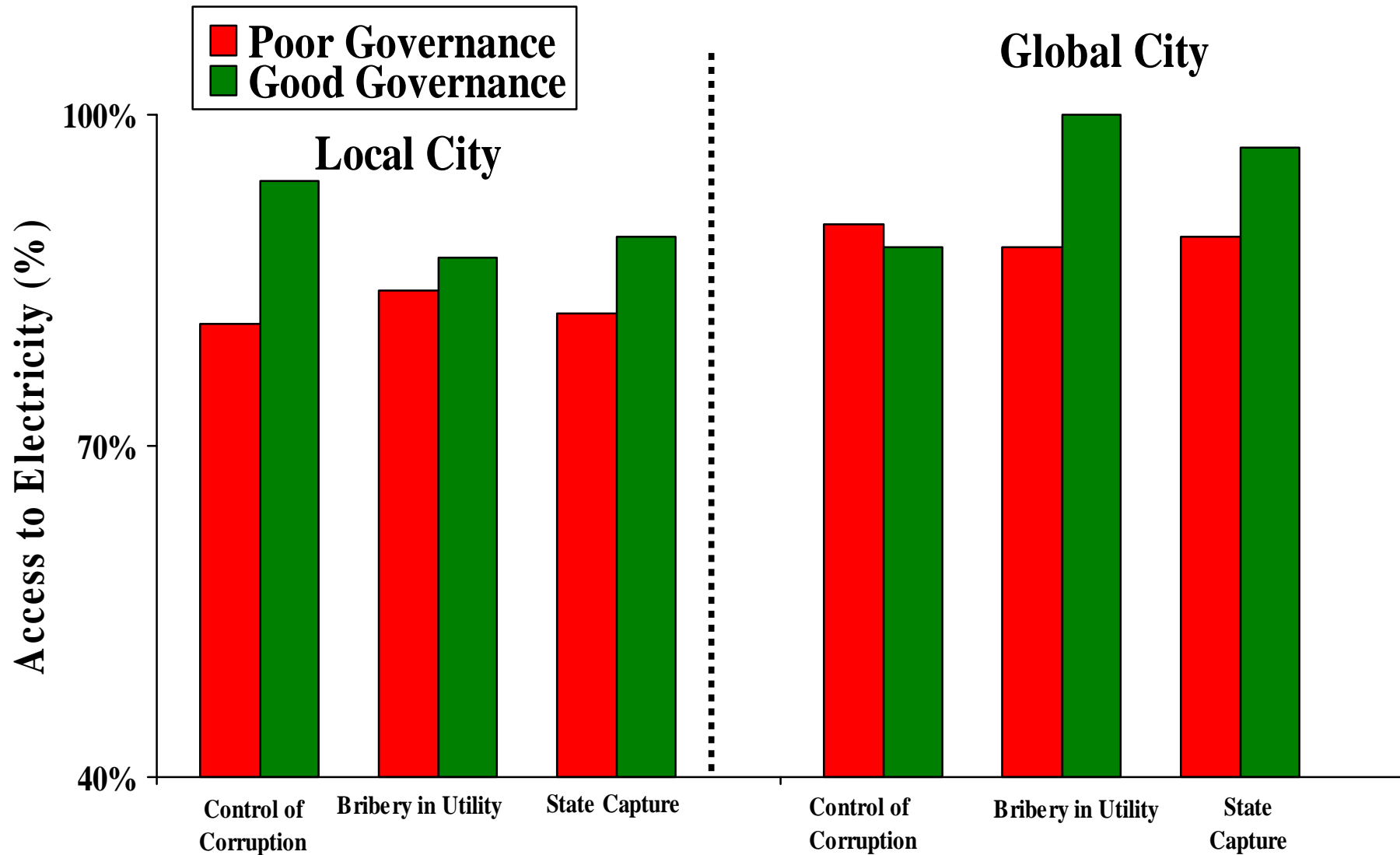
- **Comparison of performance for global and local cities**
  - Global city is one with many offices of major international advertising, accounting, and financial firms in the city
  - Local city is one with fewer of such offices
- **City Performance is measured by access to:**
  - Local services (water, sewerage)
  - Networked services (electricity, phone lines)
  - Globalized services (cell phones, internet)
- **Governance at country level is measured by:**
  - Control of corruption index
  - Bribery to affect laws
  - Diversion of public funds
  - Illegal party financing
  - Bribery in permits and taxes
  - Organized crime
- **Governance at city level is measured by:**
  - Control of corruption
  - Bribery in utility
  - State capture

# Local Services: Access to Water, City Governance and Globalization (Non OECD Sample)



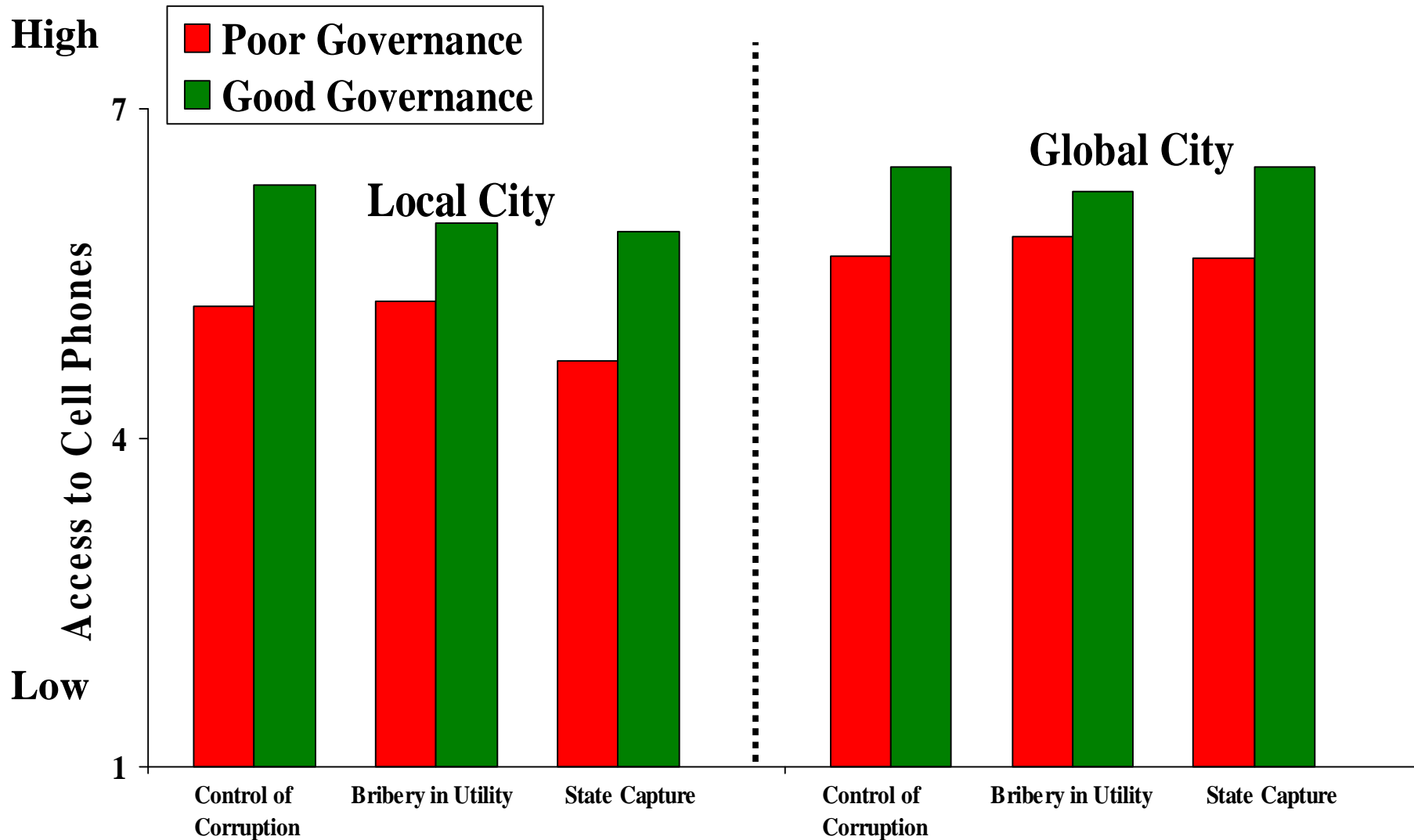
Sources: EOS 2003, UN 1998, KK 2002 & KLM 2004

# Networked Services: Access to Electricity, City Governance and Globalization (Non OECD Sample)



**Sources:** EOS 2003, UN 1998, KK 2002 & KLM 2004

# Globalized Services: Access to Cell Phones, City Governance and Globalization (Non OECD Sample)



Sources: EOS 2003, KK 2002 & KLM 2004

## Local, Networked, and Globalized Infrastructure Services

Significant  
and large

	LOCAL SERVICE: ACCESS TO WATER (%)		
	Bribery in Utility	State Capture	Control of Corruption
Full City Sample	0.11***	0.10***	0.11***
Global City	0.10*	0.04	0.06*
Local City	0.09**	0.10**	0.15***
<b>Differential</b>	<b>0.01</b>	<b>-0.06</b>	<b>-0.09*</b>
	NETWORKED SERVICE: ACCESS TO ELECRCITY (%)		
	Bribery in Utility	State Capture	Control of Corruption
Full City Sample	0.05**	0.05**	0.05***
Global City	0.05	0.06*	0.06**
Local City	0.05*	0.07*	0.07**
<b>Differential</b>	<b>0.00</b>	<b>-0.01</b>	<b>-0.01</b>
	GLOBALIZED SERVICE: INTERNET ACCESS AT SCHOOL (1-7)		
	Bribery in Utility	State Capture	Control of Corruption
Full City Sample	0.99***	0.93***	1.12***
Global City	0.97***	0.82***	0.98***
Local City	0.64***	0.78***	1.21***
<b>Differential</b>	<b>0.34*</b>	<b>0.04</b>	<b>-0.23</b>

Significant

## Country and City Globalization Matter Governance Matters

Source	UN 1988	UN 1998	EOS 2003	EOS 2003	EOS 2003
Dependent Variables	Access to Water %	Access to Electricity %	Access to Telephone Lines 1-7	Internet Access 1-7	Quality of Infrastructure 1-7
Global City (3)	0/0	0/0	+/0	+/0	+/0
Kearney Globalization Index		0/0			
Control of Corruption					
Income per Capita		+/			
# of cities	63	61	194	194	194
Adjusted R-Squared	0.28	0.11	0.39	0.28	0.45

Source: Kaufmann-Leautier-Mastruzzi database

## Globalization and Governance Interact Positively: both city and country level globalization matter

Source	EOS 2003	EOS 2003	EOS 2003	EOS 2003	EOS 2003	EOS 2003	EOS 2003
Dependent Variables	Low Bribery in Utilities	Low Informal Money Laundering	Low Street Crime	Red Tape Cost of Imports	Low Bribery to affect laws	Low Diversion of public funds	Low Illegal Party Financing
City Variables							
Global City (3)	+/’	++/***	+/’	-/**	++/**	++/**	++/***
Country Variables							
Kearney Globalization Index	++++/* **	++++/** *	++++/* **	-/***	+++/** *	++++/* **	++++/** *
# of Cities	193	193	193	193	193	193	193
Adjusted R-Square	0.30	0.21	0.19	0.24	0.21	0.29	0.17

City level governance indicator = global city

Country level governance indicator = Kearney Index

Source: Kaufmann-Leautier-Mastruzzi database, drawing from EOS-WEF 2003 as well as other sources per below.  
Sample size: 412 cities in 134 countries

# City Performance Profiles: What happened in Africa?

# City Performance Profiles: The Special Case of Africa

- Tremendous growth of urbanization in developing countries
- Differential performance of cities:
  - Economic performance (production, jobs, income)
  - Residential density, growth, household size
  - Equity
  - Access to services (transport, waste management, health and education)
  - City government performance (revenues, expenditures, wages)
  - Safety and security (urban crime)
- African cities perform well below their counterparts in the developing world, yet post the highest growth among urban populations
- Special dilemma of Africa:
  - urbanization without globalization
  - high urban growth not accompanied by the corresponding rapid economic growth
- Possible to test hypotheses in Africa—since there is high urbanization with low globalization—relating to locus of policy decisions with respect to cities

## City-Level Performance Across Regions

<i>Indicator</i>	<i>Africa</i>	<i>Arab states</i>	<i>Asia Pacific</i>	<i>Latin America</i>	<i>Industrialized countries</i>	<i>Transition economies</i>
<i>City waste management services</i>						
Regular waste collection (from percent of city households)	36	65	67	85	99	91
Waste water treated (percent of generated waste water)	15	54	26	18	87	64
<i>Health and education in cities</i>						
Child mortality (percent of children < 5 yrs.)	12	8	5	5	0.4	0.8
Children per primary classroom	62	42	40	34	23	11

Source: UNCHS 1998; Foreign Policy 2003.

## City-Level Performance Across Regions

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<i>City government revenue, capital expenditure and wages</i>						
Local government revenue per capita (1993 US\$/year/person)	15	1682	245	252	2763	237
Local government capital exp. per capita (1993 US\$/year/person)	10	32	234	100	1133	77
<i>Economic performance of cities</i>						
City product per capita (1993 US\$/year/person)	682	2,095	862	225	22,926	2,962

*Source: UNCHS 1998; Foreign Policy 2003.*

## City Performance for Three African Countries by Level of Globalization: The Role of Governance?

Botswana outperforms Nigeria and Senegal, both at higher levels of globalization, in access to local and networked services, security/safety, and other city characteristics

<i>Indicator</i>			
	<i>33</i>	<i>37</i>	<i>41</i>
	<i>Botswana</i>	<i>Nigeria</i>	<i>Senegal</i>
City population growth rates (percent/year)	8.4	4.4	4.7
Average household size (persons)	3.5	5.5	8.1
Murders (per 1,000 city population)	0.007	0.02	n.a.
Thefts (per 1,000 city population)	0.5	1.1	n.a.
Mean travel time to work (minutes)	20	53	28
Solid waste generated per capita (tons / year / person)	0.01	0.20	0.17
Regular waste collection (from percent of city households)	98	31	n.a.
Waste water treated (percent of generated waste water)	95	0.5	0.8
Solid waste disposed in open dump (percent of total disposed waste)	99	28	100

Source: UNCHS 1998, Global Urban Indicators; *Foreign Policy* 2003.

## City Performance for Three African Countries by Level of Globalization: The Role of Governance?

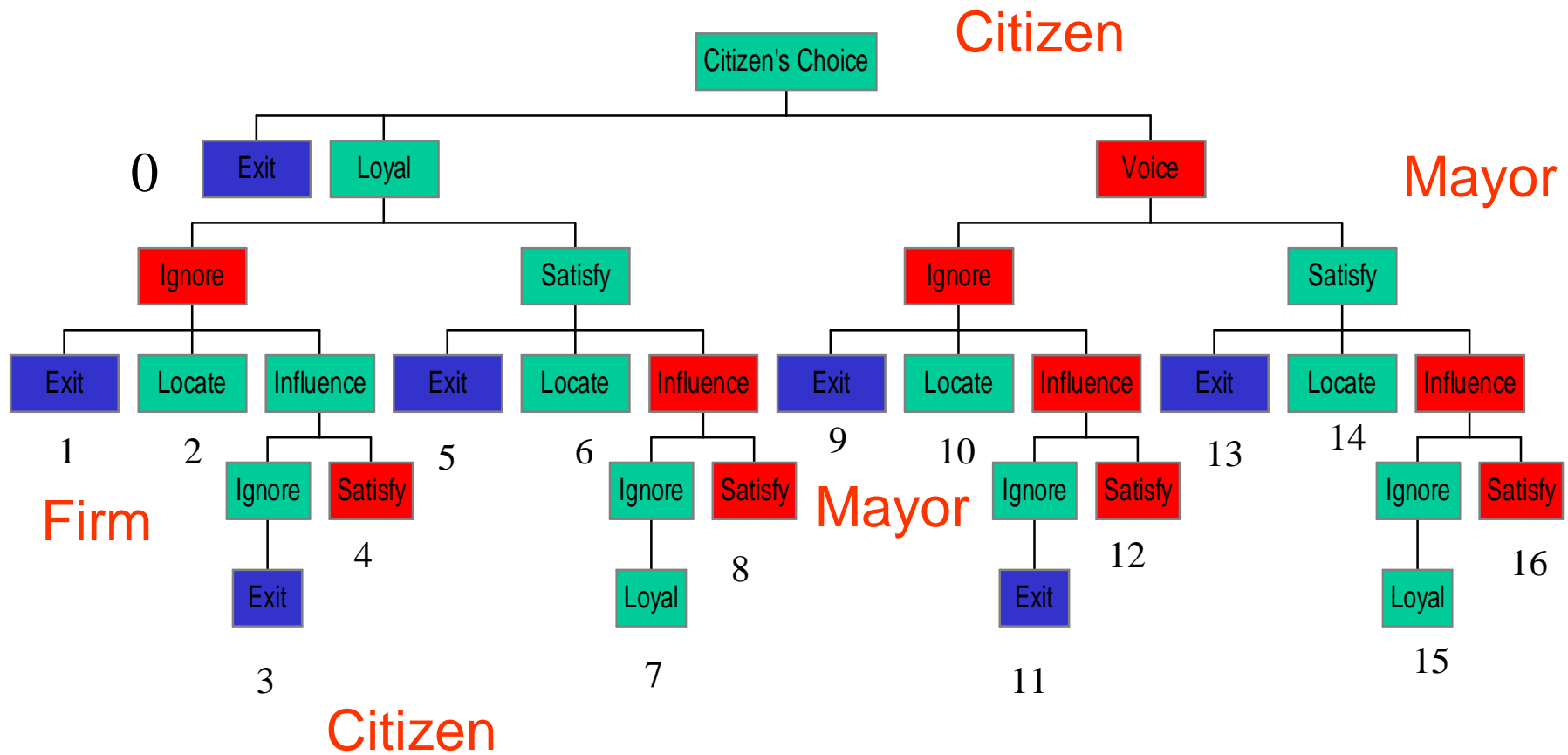
Botswana  
outperforms  
Nigeria and  
Senegal both at  
higher levels of  
globalization in  
terms of local  
government  
and economic  
performance at  
the city level

<i>Indicator</i>	<i>33</i>	<i>37</i>	<i>41</i>
	<i>Botswana</i>	<i>Nigeria</i>	<i>Senegal</i>
Local government revenue per capita (1993 US\$/year/person)	250	3	9
Local government capital exp. per capita (1993 US\$/year/person)	181	0.9	2.2
Wages in the local government budget (percent)	43	41	24
City product per capita (1993 US\$/year/person)	594	57	620

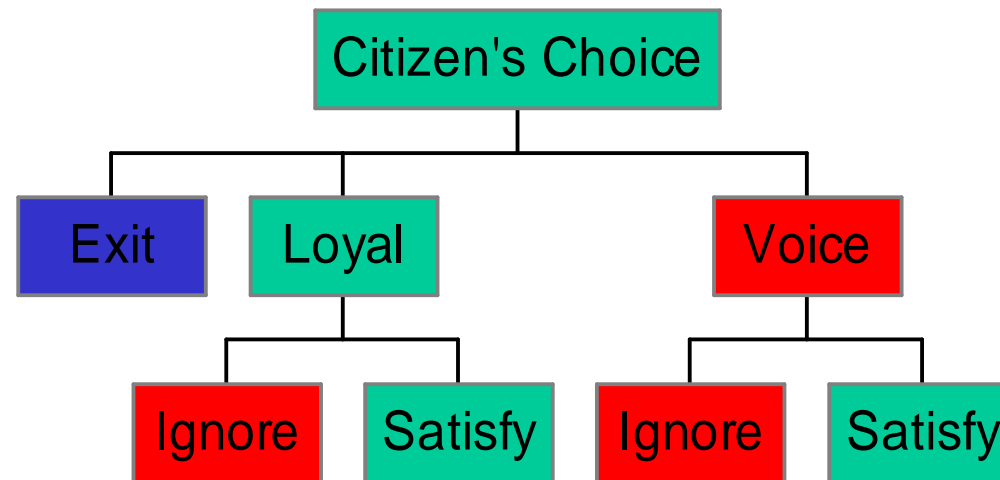
# Globalization and City Governance: Dynamic interactions between the mayor, citizens, and firms?

# How do these outcomes come about?

Figure 1

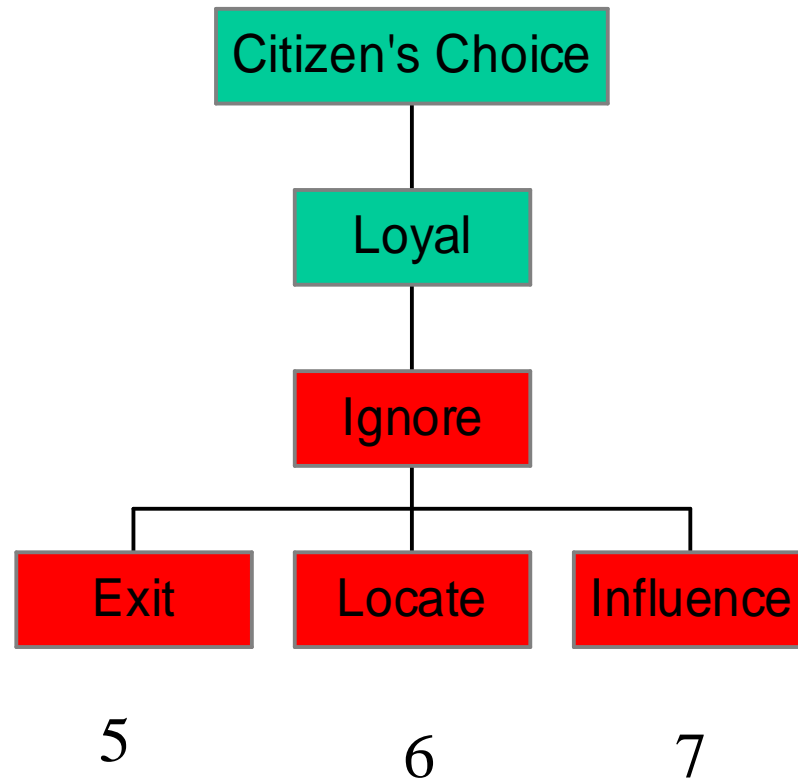


# Citizen's Choice



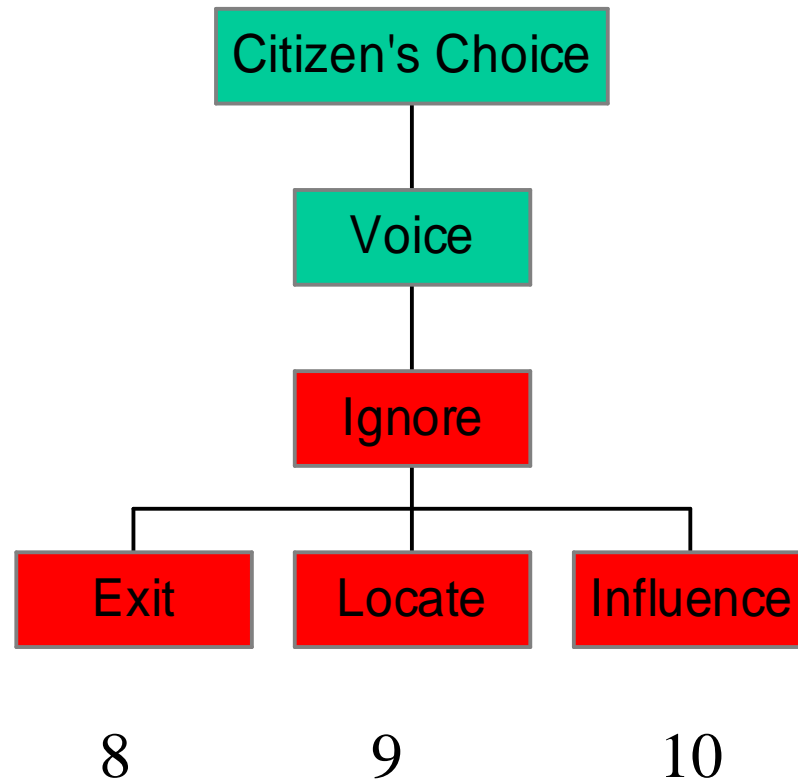
- Citizens care about quality of life
- Mayor influences quality of life and control of corruption
- Firms influence globalization

# Firm's Options in light of Passive Citizens: Does it lead to bad governance?



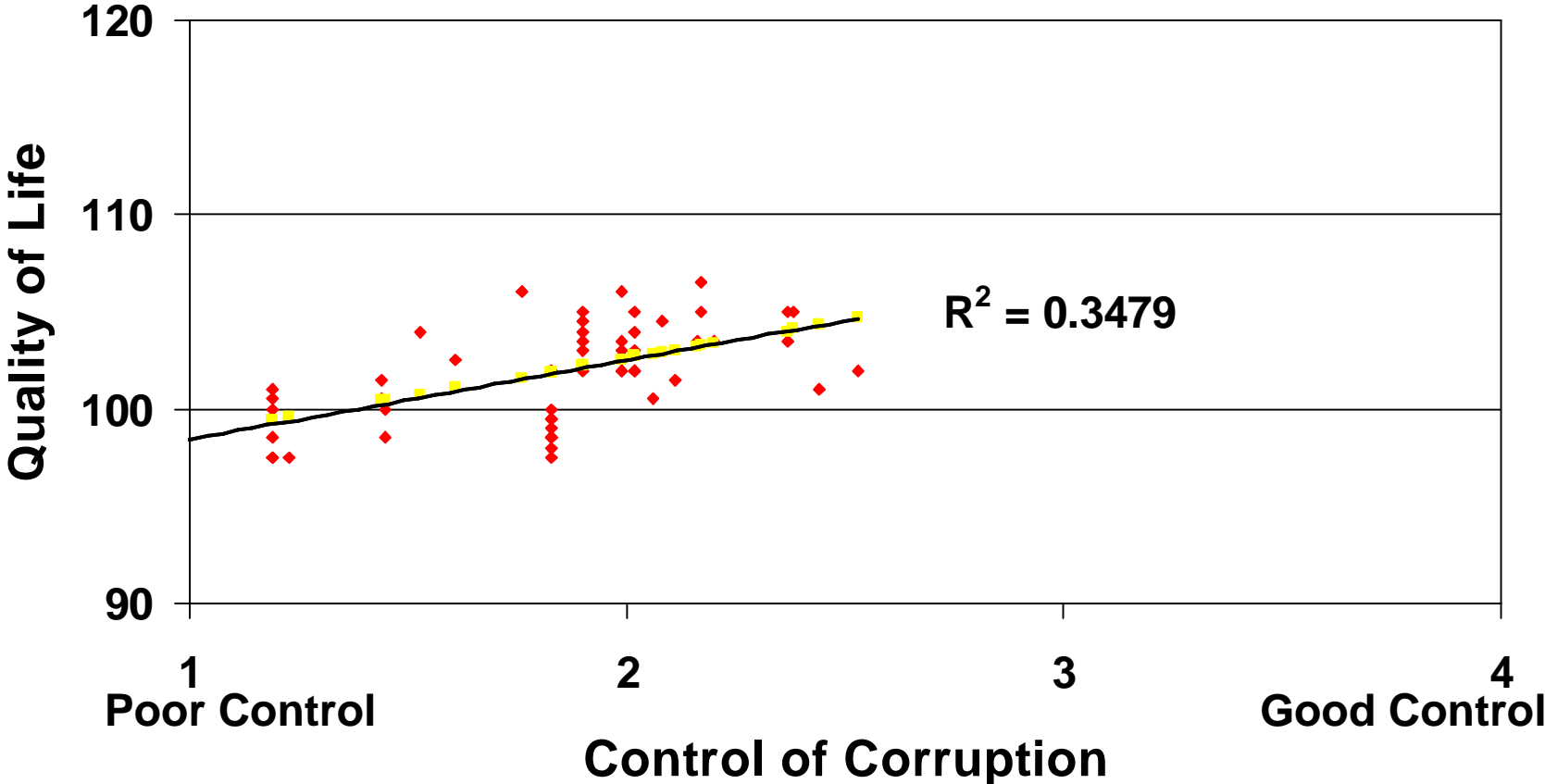
- Citizens care about quality of life
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# Firm's Options from Voice: Does it lead to good governance?



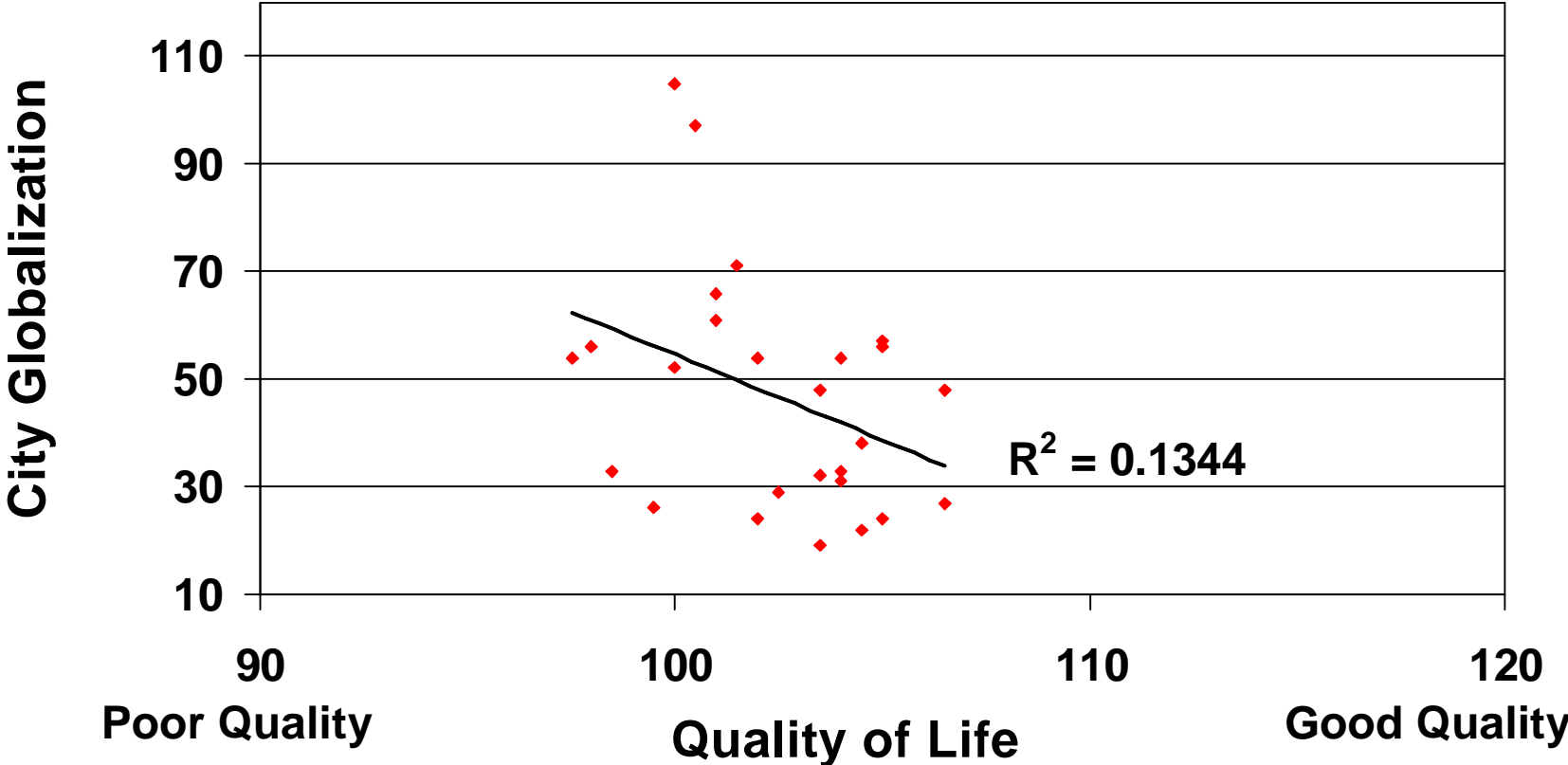
- Citizens care about quality of life
- Mayor influences quality of life and control of corruption
- Firms influence globalization

# Quality of Life and Control of Corruption both matter



Source: Control of Corruption: KK04, 56 Quality of life: Mercer 2004, 56 cities. Mercer's survey provides an evaluation quality of life in 215 cities. We have used the cities with the top 50 ranking in quality of life to catch the maximum effect of the corruption variable. The Mercer study is based on detailed assessments and evaluations of 39 key quality of life determinants, grouped in the following categories: political and social Environment; Economic environment; Socio-cultural environment; Medical and health considerations; Schools And Education; Public services and transportation; Recreation; Consumer goods; Housing; and Natural Environment. Quality of Life Index: New York City=100 (Highest: Zurich, Lowest: Brazzaville).

# City Globalization and Quality of Life both matter

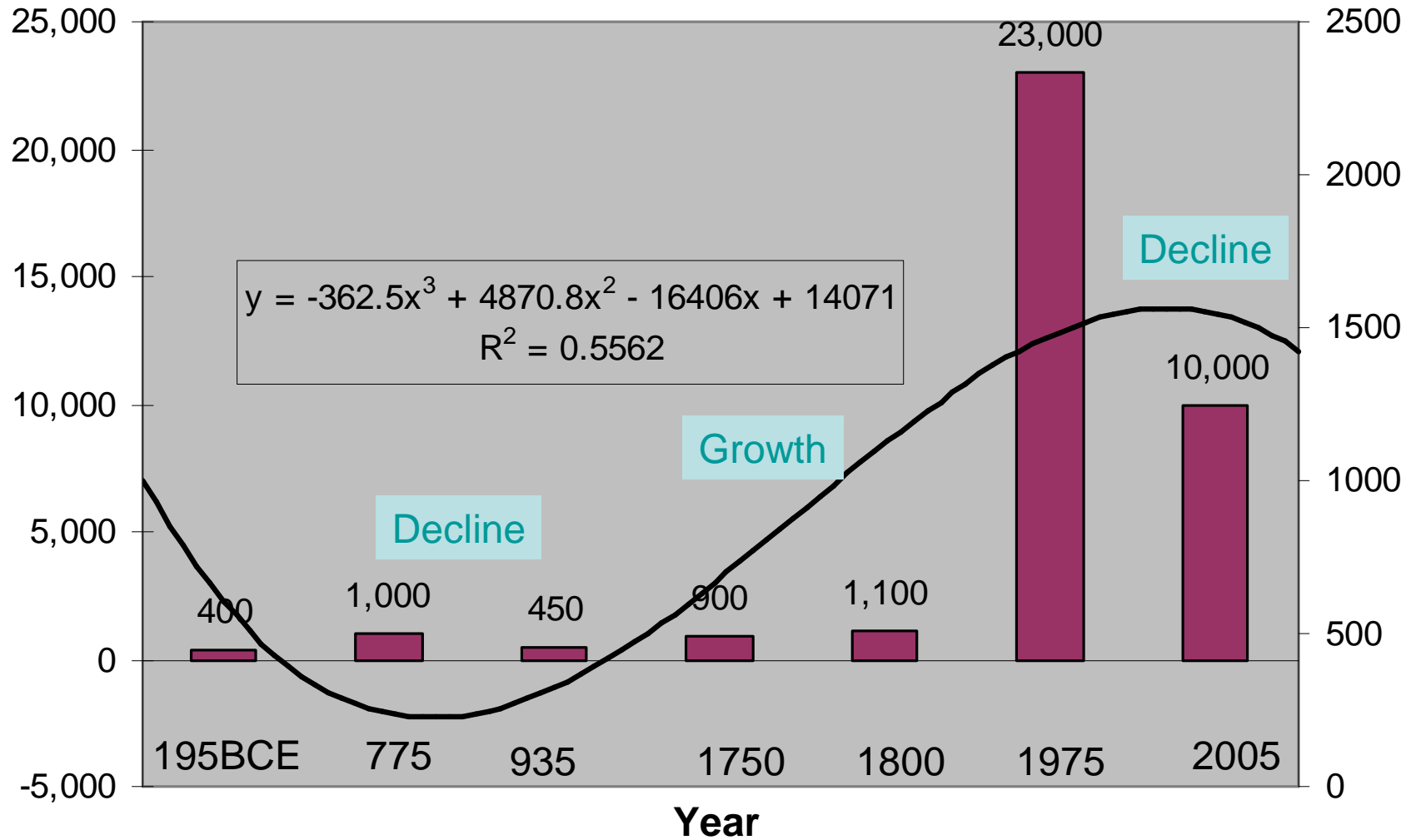


Source: Control of Corruption: KK04, 56 cities. Globalization data taken from Taylor 2001. Globalization is defined as the number of international firms located in the city. 46 'global' advanced producer service firms over 55 world cities. Global firms are defined by having offices in at least 15 different cities. The analysis is done using the cities in the top 50 of the quality of life ranking according to Mercer 2004. An analysis done using 261 cities from the Kaufmann-Leautier-Mastruzzi database indicates that when more cities are included the regression line is positive and significant, with good governance contributing to more globalization.

# Globalization, Technology, and Scale: How do they interact?

# Patterns from History: Largest City Population in the Last 5,000 Years

**City Population (Thousands)**



*Source:* Population data taken from Chandler, Tertius. 1987. *Four Thousand Years of Urban Growth: An Historical Census.* Lewiston: St. Gourds.

# City Size and Quality of Life

<i>Variable</i>	<b>Small cities</b> <0.5m	<b>Midsized cities</b> 0.5<p<1m	<b>Large cities</b> 1<p<5m	<b>Megacities</b> >5m
<b>Quality of Life</b> (0-100)	69.0	65.5	61.5	64.7
<b>Number of cities</b>	13	20	53	19

Source: Mercer Human Resource Consulting 2002 and 2005

## City Performance and City Type

<i>Access to service</i>	Port		Capital	
	No	Yes	No	Yes
Water (%)	64	62	59	65
Electricity (%)	79	70	73	76
Telephone (%)	90	81	84	87
Cell phones (1-7)	5.7	5.9	5.8	5.7
Internet in schools (1-7)	3.3	3.5	3.5	3.0
Quality of infrastructure (1-7)	3.2	3.4	3.3	3.3
# of cities	167	106	178	96

Source: UNCHS 1998, EOS-World Economic Forum 2003.

**Port cities** have poorer access to services, except for internet, cell phones, quality of infrastructure—all variables linked to globalization  
**Capital cities** have better access to services—Indication of political influence?

# City Performance and Technology

Access to service	Website		Budget on site		Start-a-business info on site	
	No	Yes	No	Yes	No	Yes
Water (%)	62	68	63	92	62	90
Electricity (%)	75	76	75	91	74	93
Telephone (%)	84	93	86	99	86	95
Cell phones (1-7)	5.7	6.1	5.8	6.1	5.8	6.0
Internet in schools (1-7)	3.3	3.4	3.3	3.4	3.3	3.5
Quality of infrastructure (1-7)	3.3	3.4	3.3	3.5	3.3	3.5
# of cities	210	58	262	6	256	12

Source: UNCHS 1998, EOS-World Economic Forum 2003.

- **Technology is an enabler of voice** but also provides citizens exit options for self-provision (blue vs red cells)
- **Transparency of information** (budget and starting a business) has a positive impact on city performance

# Some Observations

- Cities play an important role in shaping global decisions (trade, diplomacy, culture, governance).
- City performance is trackable over long periods.
- Technology and globalization are intensively interlinked:
  - Advances in technology influence not only globalization, but also governance.
- Good performance has little to do with city size, but good governance is more often obtained in large cities.
- Modeling interactions between mayors, citizens, and firms can provide insights on the types of policies that are critical for good city management.
- Africa has a particular pattern of urbanization and globalization, and the lessons point to key areas for attention.
- Data weaknesses prevent us from making firmer conclusions that could inform better policies.

# Policy Implications

- Reforms should focus on improving national governance.
- International financial institutions should continue to assess the quality of national governance in their member countries.
- Governance at the local level matters significantly for urban performance.
  - Reformist city leaders should use the local policy and institutional levers at their disposal to translate global opportunity into local value for their citizens.
  - Donor agencies could focus more on supporting improvements in city-level governance.

# Policy Implications (cont'd)

- Build the skills that city managers need to better manage the opportunities of globalization.
  - Different skills are required for port cities and capital cities.
- The donor community should work with city governments and intercity networks and partnerships to support their globalization and governance efforts.
- Countries and international institutions should develop new institutions that can operate at local, regional, national, and multinational levels.

# Policy Implications (cont'd)

## **Africa**

- Africa should continue in its process of decentralization, which has the potential of yielding the benefits of both globalization and urbanization.
- Coastal and larger cities should start to play a more global or regional rather than a national role in order to tap into urbanization.
- Train city managers in Africa to better balance the tension between offering services that can make their cities attractive to foreign investment, while continuing to serve the needs of their growing populations and regional economies.

# Future Research

- **Bridge the data gaps:**
  - Collect data at the city level to complement the existing rich historical data;
  - Collect comparable cross-city data on globalization and urban governance;
  - Expand the 400 city KLM database to shed light on the dynamics between globalization and governance and their interface with city performance.
- **Further explore the following themes:**
  - the characteristics of services to citizens and their implications for choice;
  - the behavior of the firm and citizen together or separately to shed light on the interface between technology and behaviors related to voice, exit, and loyalty.
- **Design a methodology** that captures the dynamics of urban governance over time (building on the game theoretical model) to help explain city performance in Africa.