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Abstract for Conference Programme (200 words)

Secondary cities are a subject of renewed interest to international development organizations and finance agencies. Secondary cities vary in size from a few hundred thousand to over five million in countries like China. Cities Alliance is currently undertaking an investigation for a book on systems of secondary cities and the role they play in supporting the development of regions and countries. The paper presents research by the authors which investigates trends, influences, and challenges, including the forces of New Economic Geography facing the development of secondary cities in the development of regions using a systems analysis approach. This paper draws on the findings of 16 case studies examining systems of cities and has a particular focus on urban land governance systems. The paper outlines how some aspects of urban land governance systems can be improved to support the development of secondary cities, drawing on the learning experience gained from the case studies. The paper concludes with the need to reform land governance systems with a focus on the adoption of collaborative governance.

Biography of the presenter (150 words):

Brian Roberts is an Emeritus Professor of urban management at the University of Canberra, Australia and urban management specialist and a Senior Associate Land Equity International. He holds a PhD in urban and regional economics, with additional qualifications in surveying, urban design, business management and Town Planning. He has worked as a consultant for World Bank, ADB, AusAID, DFID, UNDP, UNCHS, and UNESAP and several large international consultant firms. Professor Roberts has authored or co-authored more than 100 conference papers, journal articles, book chapters and six books. He is leading the study team for Cities Alliance for a book to be released in 2014 on a global study of the *Systems of Secondary Cities*.

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SECONDARY CITIES: MANAGING URBAN LAND GOVERNANCE SYSTEMS

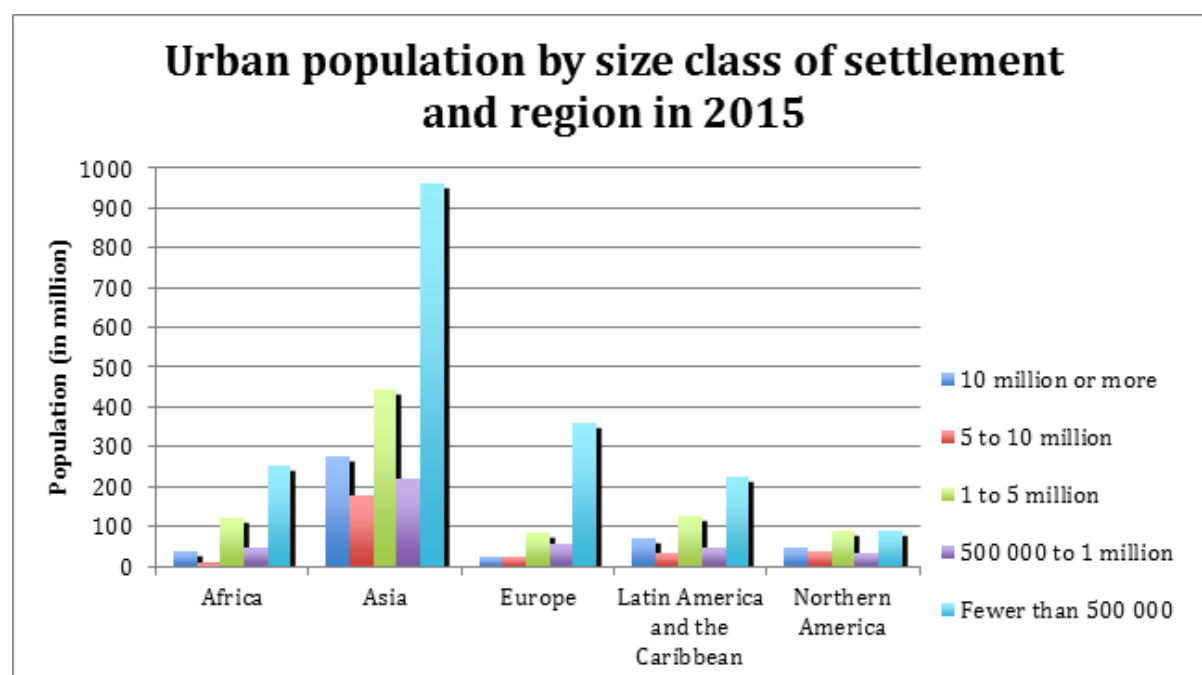
Brian H Roberts (Land Equity International) and **Rene Peter Hohmann** (Cities Alliance)

INTRODUCTION

Cities are more interlinked and dependent upon each other to support their growth and development than in any other time in history. We have become a 'planet of cities' in the words of Shlomo Angel [1]. This is the result of massive changes in the growth of exchanges, trade, investment, remittance transfers, communications, travel, levels of urbanization, and the mobility of labour between cities, nationally and internationally. These changes have resulted in new economic geography, systems, typology and functions of cities [2-4].

Nowhere are these changes to cities being felt more strongly than in the developing cities of the world, especially in the secondary cities. But even the most isolated cities in land-locked countries the activities and demands created by a global systems of cities, trade, investment and consumption have a significant impact on structure and development of small district city local economies. Many of these are becoming increasingly dependent on domestic and diaspora remittances from large cities to support and maintain local economies [5].

Much of the literature on cities focuses on the analysis of large cities, of which there are over 600 cities with more than a million people [6]. However, there are over 4,000 cities with populations exceeding 100,000 people [1]. Of these, over three quarters are home to populations of less than 750,000 people. These are what we loosely refer to as the secondary or intermediate cities. Secondary cities make up almost 40% of the world cities population. Nearly two-thirds of these are located in Africa and Asia. They form an important part of an emerging global system of cities [7]. While the large cities play a significant role in shaping the new economic geography of cities in fostering global trade, travel and investment, it is secondary cities, which will have a much stronger influence in the future upon the economic development of countries [6].



Source: [8:296]

The role played by secondary cities in shaping the new economic geography of city development in developing countries is not well-understood. Many of cities are struggling with the challenges of rapid urbanization. Most have poor national, regional, and global communications and transport service and systems. Most have local economies highly dependent on consumption, export little in the way of manufactured products and services, and struggle with economic and social development problems including lack of investments, jobs, knowledge and skills.

Inland and land locked country secondary cities find it particularly difficult to address these problems when compared to cities which are important port or logistics centres along major transportation and economic development corridors. How to increase the connectivity, economic development and dynamics of local markets, and governance in these lagging cities to attract investment, create jobs and improve the well-being of communities is a significant challenge, in the regions of Sub-Saharan Africa, Asia, and the Pacific. One of the most critical factors holding back the development of secondary cities in many developing countries is urban governance — especially in land governance.

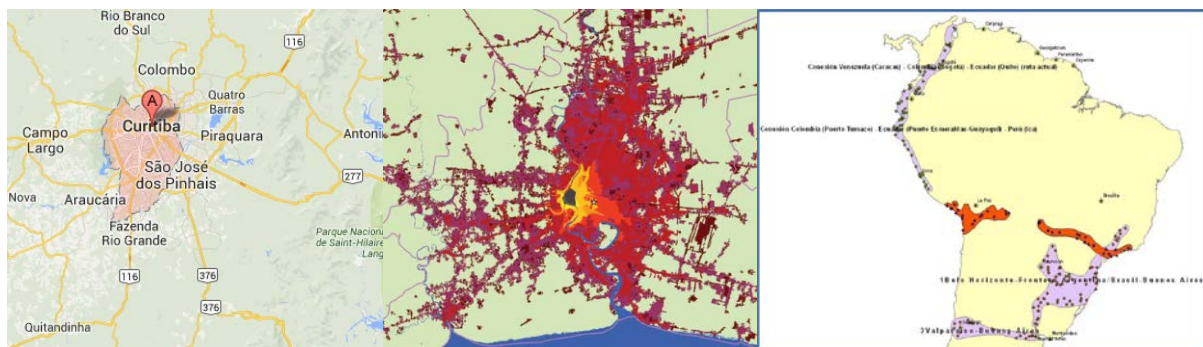
The paper examines issues and proffers ways to improve urban land governance systems to support the development of secondary cities in developing countries and regions. It draws upon an extensive study by the authors undertaken by Cities Alliance on The Systems of Secondary Cities in different regions of the world. The study used an integrated systems approach to discuss a range of factors which contribute to the difficulty many secondary cities have in attracting investment and managing rapid urbanization, especially with urban land governance issues.

Before moving into a discussion of the key issues addressed by the paper, it is useful to provide some context about the nature of secondary cities, especially the functional role they now play in both national and global systems of cities.

TYPOLOGY OF SECONDARY CITIES

Secondary cities fall into three broad categories or typologies:

- (i) Sub-national cities being centres of local government, industry, agriculture, tourism and mining;
- (ii) City cluster development associated with expanded, satellite and new town cities which surround large urban metropolitan regions, and
- (iii) Economic trade corridors which are urban growth centre or poles planned or developing along major transport corridors. The figure below shows examples of the three typologies of secondary cities.



Curitiba Administrative Provincial Capital
Source: Google Earth

City Cluster Development, Bangkok Thailand
Source: Angel et al 2012

Corridor Secondary City Development South America
Source: CAF

Historically, most secondary cities developed as sub-national regional administration centres under a nationally devolved system of government. In other cases, they began as major sub-national industrial/resource/logistics centres, because of the unique competitive advantage of location. Others developed as the result of historical or cultural advantage; for example Kumasi in Ghana, Varanasi, India and Mecca in Saudi Arabia.

As countries developed, small regional settlements and towns have expanded into secondary cities and large urban regions which form part of the expanding global system of cities. While megacities dominate trade and investment, secondary cities play a vitally important part in a sub-national regional development by providing market, logistics, knowledge, industries, cultural and transport hubs and centres involved in the trade, consumption, import and export of a wide range of goods and services [9]. While the industrial revolution and 20th century national self-sufficiency industrialization policies, were to have a profound impact in shaping the development of countries, the current thrust of globalization is changing the dynamics and development of cities, especially developing cities, in ways few would have envisaged half a century ago. There is now growing levels of functional specialization and linkages occurring within the system of secondary cities, and we have a poor understanding of the dynamics of this.

FUNCTIONAL SPECIALIZATION OF SECONDARY CITIES

The rising level of trade and competition between cities has challenged is challenging traditional thinking about the role and planning secondary cities being defined by population size. Some secondary cities like Boston, Bangalore and Toulouse, have advanced to a level where they are global leaders in knowledge and advanced manufacturing industries. Table 1 lists types of functional specialization emerging in secondary cities using examples from different regions. Most of these cities are involved in multiple functions, a multi-function polis, where large, medium and small sized established or emerging firms will demonstrate the presents of industry clusters that add to the diversity of the base economy [10-12]. Some secondary cities have been able to develop industries that are highly competitive globally.

TABLE 1: EXAMPLES OF CITIES AND FUNCTIONAL SPECIALTY

Functional Specialization	Examples of Cities
Culture & Religion	Mecca (SAD) Ameristar (IND) Lourdes (FRA) Hue (VN) Bethlehem (PAL) Kandy (SLK) Timbuktu (MAL)
Government	Abuja (NIG) Brasilia (BRZ) Islamabad (PKS) Washington (USA) Canberra (AUS) Pretoria (SA)
Heavy Industry	Lille (FRA) Busan (KOR)
Advanced Manufacturing	Toulouse (FRA) Basal (GDR) Seattle (USA) Pusan (KDR) Curitiba (BRZ)
Knowledge Services	Cambridge (UK) Yogyakarta (IND) Seattle (USA) Kumasi (GAN)
Logistics	St Louis (USA) Vladivostok (RUS) Cape Town (SA) Manaus (BRZ)
Media & Entertainment	Wellington (NZ) Gold Coast (AUS)
Primary Production & Processing	Medellin (ARG)
Mining & Resource Extraction	Belo Horizonte (BRZ) Perth (AUS) Bloemfontein (SA)
Tourism and Leisure	Luxor (EGY) Chang Mai (THD) Cusco (PER) Arusha (TAZ)
Trade & Commerce	Aleppo (SYR)

Source: Land Equity International

GOVERNANCE OF SECONDARY CITIES

The formal governance arrangement for cities in countries is usually defined by national constitutions and local government laws setting out powers, functions and jurisdictions of local

government and statutory Authorities. The devolutions, power, and responsibilities vary greatly between countries. This adds to the complexity of managing national systems of cities and non-urban settlement areas. Table 2 set out types of governance arrangements used globally by countries to support the formal governance and manage of secondary cities.

Types of Governance	Functions and Examples of Governance Arrangements
Capital Territory Government	Brasilia, Canberra, Dodoma, Islamabad
City Development Authorities	Putrajaya,
State governments and City Council	Various combinations and power sharing arrangements, US, Canada, India, Nigeria, South Africa, Brazil
City Development Corporations	Common in many former colonial countries responsible for land, services and some housing development.
New Towns Development Corporations	Corporation charged with developing new towns and cities
Metropolitan Development Authority	Authority responsible for the provision and maintenance of urban services and infrastructure, Bangalore
Metropolitan Planning Authority	Responsible for planning coordination e.g. Cebu,
Development Coordination Council	Local and State governments agreeing to collaborate and coordinate resources for planning and development. Yogyakarta, Vancouver
Regional Utility Agencies & Corporations	Public agencies responsible for provision and delivery of range of urban services

Governance in secondary cities in many developing countries is becoming challenging. Not only do these cities tend to be weaker economically than larger urban metropolitan regions, but many are growing very fast, as urban- rural migration accelerates. Most have poor local government administration and governance systems; weak and poorly regulated land and property markets and no planning and development control enforcement. Low skills, limited application of advanced technology and e-governance systems together with poor infrastructure and urban services undermine the competitiveness of many secondary cities in both developed and developing countries.

The New Economic Geography has increased competition in small, medium sized cities from international producers and markets. Growing specialization of production systems, supply chains, SMART logistics and inter-modal transfer systems, and the externalization of decision making by firms and corporations about the location of investment, production facilities and labour needs has expanded consultation, decision-making and investment decisions well outside local government jurisdictions. Many local governments in secondary cities have limited knowledge about how to plan for the local development that has the potential to benefit from the changing economic geography of cities, markets and production systems.

Mayors and practitioners in secondary cities must be become more aware of the new order of economic geography and governance that is shaping the development of systems of secondary cities. In a research study to be published by Cities Alliance, the authors have identified several key factors in urban land governance which are making it increasingly difficult to manage the development of land in secondary cities. These include:

- (i) The degree to which externality factors now drive and shape the governance and structure of urban land markets in secondary cities and the effect this is having on local economic development and the ability of local people to acquire, develop and use land.

- (ii) The imposition this has on the ability of local governments and capture value from rising land and property markets to pay for essential infrastructure and urban services – especially for the urban poor,
- (iii) The failure of local governments to engage in new urban policy and collaborative governance which could lead to secondary cities being able to co-invest in strategic infrastructure to raise revenue and improve facilities support the needs of local economic development and sustainable jobs for the urban poor. Means by which secondary cities could improve land governance are suggested in the conclusions to the paper.

LAND GOVERNANCE

Land governance comprises a multifaceted field of activities concerned with all aspects of land management and development. Historically, land governance was confined to interest of land administration and management. Later the scope of interest was expanded to land-use planning, regulation, valuation and local property taxation and regulation of land and property markets. Land governance has been defined as:

“concerns with the rules, processes and structures through which decisions are made about access to land and its use, the manner in which the decisions are implemented and enforced, the way that competing interests in land are managed [13: 9].”

In developing this definition, the authors recognized that urban governance is broader than the interest and responsibilities of government. Land governance should embrace a broad spectrum of state actors, customary authorities, non-state actors, and the private and professional sectors. These interest also includes the interests of informal governance systems, shaped by public opinion, science, media, syndicates and mafia interests. Land governance also expands beyond the efficiency of processes and institutions, but needs to recognise the importance of politics, power and markets, and the need to incorporate these dimensions into the governance of land markets.

Research interest in land governance has been restricted mainly to studies on formal and customary legal and administrative systems of land management. Some studies have been conducted into informal land governance by international development banks and agencies, supported with ODA. However, the strategic intent of these studies is to bring about the transformation of the informal sector land governance and markets to a more formalised system.

For many years, the focus on land project and governance was on rural land. Urban land projects have proved difficult – especially when concerned with resettlement and environmental management improvement issues. For this reason, titling and related land management projects have not been favoured in Land Administration and Management projects. The costs and governance of urban land are more difficult and complex, but strategically important. Nearly 80% of global GDP is produced in urban areas, and the return on investment in urban land titling projects has the potential to generate more jobs, investment and economic outputs than rural land. It is from urban land and property that the collateral is provided for raising much of the capital underpinning the world’s financial markets. There are disappointingly few studies which have investigated the economic benefits of urban land titling, the most notable being that by Graglia & Panaritis [14] of urban land markets in Peru.

Urban land governance, however, now embraces much more than local systems and markets. Land in one city can be used as collateral for investment in another city, outside the country, provided title is secure. Pension funds in one country will acquire land in another as part of a portfolio of

investment for long-term capital gains. Land in peri-urban areas of developing countries. Especially where titled has generally outperformed land markets in developed economies since the start of the GEF. More than \$400 billion annually is remitted to developing and middle income countries, much of it used to acquire and develop land and property. While equally large amounts are probably spent offshore by the Diasporas securing land and property to hide wealth and evade local taxes and commissions paid on property transactions.

In many developing cities, informal land governance operate over large areas of cities. Formal system only operate in areas owned and developed by government or large land development companies. These areas tend to be confined to central and sub-regional business districts, upmarket residential and industrial area development. In many cases, there is an oligopoly of formal, customary and informal land governance systems operating in a patchwork pattern within districts of cities.

In many peri-urban areas of large and secondary cities, not under customary ownership or large private ownership holding, urban land governance is informal. However, this does not imply there is no governance or some degree of orderliness in these area in the operations of markets, management, and development. In the context of Sub-Saharan Africa, Asia and parts of Latin America urban land governance is operated by cartels, wealthy families, mafia and corrupt government officials. These informal governance systems exert control and other measures to extract rents and resources form residents and SME to retain occupancy of land. There is an element of urban land governance in these areas, albeit somewhat dysfunctional.

The extent to which these external stakeholders, often working with the informal land sector, influence and shape the economic geography, rate and type of development occurring in secondary cities is unknown, but it is significant [15] . What few studies have been undertaken suggest that have a very significant impact, especially those located in the peri-urban one around megacities and large metropolitan regions like Manila, Mumbai, Lagos and Sao Paulo. In other countries, foreign investors in large mineral development projects have seen a huge land grabs by national land development corporations effecting controlling local land markets.

NEED TO REDEFINE THE SCOPE OF LAND GOVERNANCE

Urban land governance as a result of globalization and national policy reforms has moved beyond the domain, responsibility and influence of local administrative systems and structures. There are powerful forces at bay playing upon land markets and urban development, especially in cities, which are beyond the understanding and control of local and even national governments. These forces are part of the new global economic geography, which is shaping the development, management, and use of land, in both rural and urban areas. Nowhere is the impact of these externality becoming more prevalent than in the secondary cities of developing countries. Many secondary cities have weak urban governance and land management systems. Desperate for cash, jobs and development, urban land governance and management systems are easily manipulated and corrupted by forces which are extremely difficult for local governments to understand and manage, let alone control.

ISSUES AFFECTING THE LAND ECONOMIC GOVERNANCE OF SECONDARY CITIES

There is a range of issues which specifically affect the operation of land governance systems in secondary cities. The issues of urban security of tenure and land administration has been widely documented by many studies. These are not covered in this paper, but their importance to improve the operations of land markets, revenue enhancement and investment in secondary cities cannot be understated. The issues more specifically related to this paper are the failure of land governance in

relation to local economic development and investment systems in secondary cities. Even if land reform were successful in developing an efficient Land administration and management system, this would not result in much development offering. There are other pressing land governance issues which need addressing before more sustainable investment, development and employment is created in developing country secondary cities.

Economic Geography Matters: Geography matters when it comes to foster the development of secondary cities. Coastal secondary cities tend to perform better than inland cities, except where located in mineral resource rich regions or culturally or historically significant locations [16]. Several studies of peri-urban development areas surrounding secondary cities show settlement to be very sporadic; services to be very poor and supply infrequent, land values to be very high and unaffordable, and housing of extremely poor quality. Urban governance in these areas is mainly informal or often controlled by business interests and finances outside the country through the Diaspora [17].

Many secondary cities in developing countries are struggling with the challenges of rapid urbanization and growth problems. Inland cities, in particular, tend to have poorer national, regional, and global communications, transport, and services, leaving them falling behind larger cities in their development. Landlocked secondary cities in countries like Ethiopia, Afghanistan, Bolivia and Nepal face even more challenging issues in attracting economic growth and investment. How to increase the connectivity, economic development, and performance of these lagging cities, develop the strategic infrastructures and investment to attract and create local jobs and businesses is a significant challenge, especially where there is a flight of human capital.

Controllers of Wealth and Development are no Longer Local: The role played by corporate business, the diaspora, large, wealthy and powerful families and corporations in determining the dynamics of urban land systems and markets in secondary cities is an area that has not been investigated in depth. Most studies on land markets in secondary cities are not able to provide much detail about the role played by these groups in shaping the land governance processes, economic development and functioning of land markets at the local government level, only because the data is very difficult to obtain, the double nature of transactions in property market sales to avoid tax payment, and the lack of transparency in many aspects of local urban governance systems.

The effect of growing interdependence and need for cities to trade, attract investment capital and remittances to grow and develop has given rise to a new system of urban governance and control over land management. In many countries, greater centralization is occurring as the result of the failure of decentralization. Local decisions about investment in land, trade and development are being made at increasing distances in far-off boardrooms or homes of wealthy individuals, private corporations and families, the members of which often have an ancestral association with the city or regions in which they were born. Local wealthy individuals, families and the mafia (in the form of land syndicates) also have strong and controlling interests in land and property investment; while other control local transport and supply chain systems.

Local land governance issues have become the subject of strong local dissent and violence as external and powerful provide interest prevents locals or migrants having access to land markets, capital or a voice in decisions about the use and development of land. Urban governance, while strongly advocating the need for more open, transparent and participatory, has become more closed as the control of capital and land vests in a few powerful elite. These problems are becoming acute in secondary cities where locals do not have the same knowledge or ability to engage in decision-

making that affect the rights and use of land and pressure groups are not as well organised as they are in large cities.

Competitiveness Matters for Secondary Cities to Succeed: There have been many studies undertaken on the competitiveness of cities. International companies and organizations such as McKinsey, Mercer, and the Economic Intelligence Unit have all investigated economic competitiveness, market dynamics, and liability of mega and larger secondary cities[18]. Other studies have ranked the competitiveness of cities in regions. UN-Habitat[19] has studied the performance and development of secondary cities in Africa and other regions.

Several studies have been published on the competitiveness of regional cities [6, 20, 21]. These studies show that secondary cities tend to be substantially less competitive than primate and large metropolitan cities. In the context of Africa, Asia, and South America, the competitiveness of secondary cities is often less than 50% of the leading primate city. There are exceptions to this observation found in some countries. In Brazil, India, USA, and China, for example, some larger secondary cities compete very successfully with primate cities, but this is more the exception than the rule in most countries. Other factors such as weak economic governance and strategic infrastructure systems, human capital and access to finance, contribute to the lack of competitiveness in secondary cities in developing regions.

Remittance and Diaspora Driving Local Economic Development and Land Markets: A significant factor influencing the development of secondary cities in many developing countries is remittances. The value of international remittances to developing countries exceeded \$400bn in 2011. In some countries, as much as 20% of GDP is made up of remittances. One study [22] has examined the intersection between remittances and the local economies in five cities of Latin America and the Caribbean. It examined the extent to which these economies effectively absorb remittances into their productive base and the response of the local governments to these realities. The report found the absorption of remittances into productive activities depends on the structure of the economy, particularly in the way the supply side responds to the demand for services, and the existence of an enabling environment and local government can stimulate local economic activity associated with remittance flows.

The effect of remittance flows on the local economy of the cities studied was strongest in five key areas: finance, education, health, housing, and insurance. The study revealed where migration is either new or longstanding, local economies are relatively fragile, with high costs of living making it difficult for remittance recipients to save and mobilize those savings. Importantly the research found the entrepreneurial class caters little to the demands of remittance recipients. It also identified the importance of remittances in the formation of social capital and technology development and absorption.

An observation from the study of Latin America was that, in four countries, the majority of remittances go to secondary towns and cities. In the San Salvador case study, the differences in remittances sent to the capital (US\$255) and the smaller cities and towns (US\$252) were minimal. The spread and concentration of transfers of remittances to different cities provided important clues about the extent and the benefits of social capital formation in secondary cities. The study found the differences in the level of engagement in trade and development between main cities and smaller cities are not significantly large. This highlights the need for governments to implement policies to try to add value to remittances, to leverage funds, social capital, and entrepreneurship to stimulate investment in local enterprises, which creates jobs and generates exports tapping into expatriate and family relationships to help local economies grow.

Collaborative Governance Can help Overcome Economies of Scale and Resource Deficiencies:

Globalization has changed the way we develop, shape and manages our cities. Concurrent with this phenomenon was the need for urban governance reforms. In the race to secure investment, to diversify and develop more dynamic local economies, create export markets and tourism, cities must continually improve their urban governance systems to remain competitive. In the late 1980s a new theory, of urban governance developed called New Public Management (NPM). The approach advocated the use of private sector-style models, organizational ideas and values to increase the efficiency and service-orientation of the public sector. The NPM model led to higher out-sourcing of public functions to the private sector, introduction of corporate planning, the flattening of management structures and to move towards partnerships for development. The approach introduced greater accountability, transparency and consultation in decision making process for planning, budgeting and the concerns of public interest groups.

These two changes create significant challenges for those responsible for the leadership, governance and management of cities. Developing and reforming urban governance systems, planning for sustainable development, expeditious management of public resources, and building competitive smart infrastructure is not easy, even for most advanced countries and cities. Many governments are not supportive of NPM, but have little choice but to adopt it when faced with the need for structural change.

Collaborative governance is a relatively new approach to the theory and practice of urban management and development. It involves a governing arrangement where one or more public agencies directly engage non-state stakeholders in a collective decision-making process that is formal, consensus oriented, and deliberative and that aims to make or implement public policy or manage public programs or assets [23]. The approach is showing considerable promise in overcoming the complexity and conflicts in decision making that affect the management of cities; however, getting organization to collaborate is a bit like herding cats. Like catch, institutions and agencies are very independent and defend their territory. However, collaborative governance is very important means of enhancing city competitiveness, and secondary cities need to recognise its importance and how to introduce it.

A NEW POLICY AGENDA OF URBAN ECONOMIC GOVERNANCE

The above highlights a few key issues facing the urban and land governance of secondary cities. A new policy agenda, is required to enhance the governance of land management and development in secondary Cities. The agenda must focus on:

National Policy Reforms: Key areas of focus for reforms are the need to change the anti-urbanization policies of governments, greater support for decentralization and devolution, formulation of national and city urbanization policies, corporate governance reforms especially the introduction of corporate planning, budgeting and participatory governance and change management practices which link to the improvements to land area law, and administration processes.

Reforms to Planning and Management of Urban Development Practices: A much stronger commitment is necessary by governments to reforming planning systems and introducing more relevant plans to manage urbanization and development, fund the implementation of plans, and enforce development control provisions. Key changes and reforms to planning laws and system are needed, including the introduction of Integrated Development Planning, Development Control and Regulation Enforcement, integrating action plans with budgeting, business and finance plans.

Management of Peri-urban Land and land Markets: The management of the peri-urban planning and growth is critical to reducing the costs of running secondary cities in the future. Failure to manage peri-urban areas in the past has led to a loss of strategic urban utility corridors, high compensation costs associated with land acquisition and resettlement, lack of space for public facilities such as schools and hospitals, and high levels of land disputes, create uncertainty in land markets. There are many good examples of best practices approaches to addressing peri-urban management [24-27].

Land Management and Administration: It goes without saying that reform of urban land management and administration is a priority area of land governance reform. Land disputes, lack of security, and poor records' management have an impact on land-management systems, land markets, personal wellbeing and the development of cities. The failure to maintain local land registries in secondary cities is one of the reasons why land markets perform so poorly. There are good examples of best-practice land administration management in secondary cities which have been documented in several studies [28-32].

Value Capture: There is an urgent need for governments to introduce policies and regulations that enable local governments to benefit from value capture from the granting of development rights or through market-increased taxes, where land values rise substantially. Value capture is a mechanism used to recover some or all of the value that public infrastructure generates for private landowners [33]. This includes betterment taxes, selling of airspace rights, infrastructure head works and developer. Reform of property transfer and land taxes is also needed to avoid the double payment system prevalent throughout Asia. The system involves reporting only a small proportion of the sale of property to land registry offices and private payment of the balance to reduce substantially their obligation to pay taxes. This practice needs to be addressed as part of land administration and property tax reform throughout the region.

Urban land and infrastructure development: Reducing the backlog of infrastructure, land, and housing is a significant challenge for all secondary cities. It not just the backlog of hard infrastructure projects that are creating problems for urban development. Soft infrastructure, involving the provision of, research, and development of education and training facilities, capacity building and project management, technology and communication, and improved security systems pose significant challenges for the development of cities across the region. Key areas of urban land management needed to improve the delivery of land; housing and infrastructure in secondary cities include improved development cost recovery, developer charges for head works, protection of utility corridors and sites, land development banks; inner city revitalization, corridor development, and interim occupational leases on squatter lands.

Urban Finance: The ability to provide urban services and manage the development of secondary cities is dependent on good urban economics, financial planning, and management. Most secondary cities and regions rely heavily on grants and subsidies from central government to meet current expenditure and capital works costs. The paper will outline ways some local governments have addressed this issue, focusing specifically on ways to improve the capitalizing on public assets, property and land markets, increasing land and property tax collection: improved management and utilization of public assets and value capture or betterment. For secondary cities to develop successfully their economies, national governments may need to force an agenda to make them more competitive and self-reliant on finance.

Capitalizing Property and Land Markets: Public Land and property are the only tangible assets many secondary cities have as collateral that can be capitalized to create capital for investment and infrastructure development projects; however, the lack of inventories, registries, and the condition

of local land administration and financial systems prohibit this. Land and property values in many secondary cities, for example, in India and Nigeria, have, become comparable those in developed-cities like London and New York. Most developing cities especially secondary cities, are asset-rich but cash-poor. These cities must unlock latent capital tied up in public assets and property if they are to create capital to support their development. This is important for developing secondary cities, which gain little FDI compared to larger cities. In a highly competitive global capital market, greater endogenous capital formation and endogenous local economic development offer the only way forward for many secondary cities to create local enterprises and jobs. How to do this is the biggest challenge facing the development of secondary cities – especially in Sub-Saharan Africa.

Municipalities Engaging in Capital Markets: Robust domestic financial resource mobilization is a key for sustainable urban development. In most countries, there are markets and adequate national resources that local governments can tap into to meet the needs of infrastructure financing. Local governments in secondary cities must be given incentives to improve their revenue collection, capital planning, and financial-management capacities. These need to be linked to policy reforms designed to give them greater powers and responsibilities to engage in capital markets through the issuing of bonds and access to loans and other financial instruments to fund infrastructure and provide necessary urban services. Development bank-lending for this purpose can, in some cases, bridge the gap for a while, but cannot substitute for well-established mechanisms to mobilize domestic capital.

Increasing Property Tax and Revenue Collection: Very few local governments make enough effort to collect property taxes owing to them. Most land and property in secondary cities is not valued or taxed at market value, and most local governments do not have a proper record of property- or tax-collection records. The reform of local-government taxation-valuation systems is necessary if cities are to become more financially self-sufficient and to raise funds for the provision of infrastructure and other basic urban services. Several cities in developing regions, for example, Ahmadabad in India and municipalities in the Philippines have established a market-valuation system for land and property and have computerized their revenue-collection system, resulting in more than a doubling of income from local taxes over a two-year period. These cities have shown remarkable improvements in their economic- and social-development indicators.

Improved Financial-Management Systems: Most local governments in developing regions have not adopted good public-sector financial-management practices, such as performance-based budgeting and accrual accounting methods. Consequently cash-flow and financial-mismanagement problems are a common occurrence. Many local government-funded development projects and programs experience long implementation delays or disjointed cash flow as a result of poor budgeting, costing, and financial management. These problems are compounded by the lack of transparency and accountability in public-sector financial-management systems, which provide opportunities for corruption and rent-seeking practices.

Cost recovery and affordability remain a significant problem with the provision of infrastructure in most developing cities. The major problem with the financing of infrastructure, however, is not with cost-recovery mechanisms, but with the lack of enabling mechanisms for local governments to gain access to capital to provide the necessary infrastructure to urban areas. The problem is not only one concerned with pricing structure, but also with the failure of systems for assessing usage, billings, and collections. The poor standard of service can also reduce the willingness to pay.

Improved Management and Utilization of Public Assets

Many cities have substantial land, fixed assets, and infrastructure needed to provide necessary urban services. However, poor planning and management of these assets has led to significant

underutilization or an inefficient use of them. Most cities do maintain a register of public land and assets; however, many local governments have no idea what it costs to maintain assets. There are many areas where secondary-city local governments can improve the management of urban assets.

Many valuable assets, especially publicly owned land, property, buildings, and transport systems and corridors are underutilized and/or under-performing. Many assets in secondary cities are poorly maintained, resulting in inefficiencies and loss of revenue to local governments and utility agencies. A significant challenge for the secondary cities is to increase the utilization of urban assets and utilities.

There is a need to introduce user-pay and other market based mechanisms to curb excess demand, wastage, and over-use of public infrastructure services. Infrastructure is not a free public good. In many secondary cities almost no attempt is made to recover infrastructure costs and they only operate because of the grant system that flows between central and local government to keep them going. There is need to improve both the performance and cost recovery from the use of infrastructure. The introduction of asset-management systems, management- information systems, and maintenance programming are key requirements to achieve improved utilization of urban assets and utilities[34].

Land Development Banks: More than 50 km² of mostly rural land is converted to urban use globally every day. Almost two-thirds of the land converted to urban purposes is occurring in less-developed countries. Much of this development is poorly planned, with urban utilities and services taking many years to be provided. There is also mass speculation on land, so that land prices have become very expensive and accessible to an increasingly wealthier and smaller proportion of the urban populations. This has occurred in both larger and secondary cities. In Bangalore, industrial land prices per m² exceed many secondary cities in developed countries. (Industrial land is around \$400/m² compared to \$303 in Brisbane, Australia.) Some countries have land-development agencies that are involved in land acquisition, subdivision, and housing. These mostly operate in larger cities, but in India, Nigeria, Ghana, and Bangladesh there are land-development corporations in secondary cities.

Land-development agencies are important for securing land for public good and in stabilizing land markets. The reality is that many are involved in corrupt land-development practices; they lack transparency and accountability, and they distort the operations of efficient land markets by selling land at well below market value, yielding little revenue to governments. Developing, streamlining, and ensuring accountability of land-development agencies is essential to the development of strong and stable property markets. Land-development agencies offer opportunities for PPPs, where land and infrastructure is protected and developed for public use. Provision can be made for social housing and profits, and taxes are returned to government for providing essential services.

There are successful models of PPP involving the private-sector and public-development agencies that could be established to improve land-delivery systems in secondary cities, but the legal framework for doing this in many countries is absent. As secondary cities develop, they need to consider the role land-development agencies could play in formalizing the land-development process and stabilizing the property market. Several secondary cities in Australia have land-development agencies that hold a substantial portfolio of land, which they tender to the private sector to develop a mix of public and social housing.

OVERCOMING THE CHALLENGES OF LAND GOVERNANCE

Implementing an agenda of reform for urban land governance systems in secondary cities is challenging. Attempts at land administration and management to improve tenure in peri-urban areas have proved difficult, but more challenging is the role of land governance supporting local economic development. Capitalization and development of land is an important means of generating wealth for secondary cities, particularly in the peri-urban areas which surround them.

The governance arrangement in these areas has become increasingly complex, as many players in urban land markets, investment and development are no longer local, but powerful city-based families, companies and wealthy diaspora living elsewhere who gain a stranglehold on land, and are having a greater influence on what can be done with it. Local government are very poorly equipped to negotiate and ensure the public interest are protected when it comes to the development of peri-urban lands with too many politicians, and senior public officials playing along with the development game for personal benefit.

New ways of thinking are required in the way urban land governance is conducted in secondary cities. Current coordination systems for planning, funding, development, controlling and protecting the use of land have failed. They are not responsive to the forces shaping the new economic geography of cities. They have allowed uncoordinated and speculative land market and development that is not attracting investment in new economic activities other than construction and trading.

Public officials need to be better informed and educated to know how to play the new development game if the interest of poor and disenfranchised in local communities are to be protected. Local governments need to capture value from the land development and capitalization processes, and introduce market-driven incentives to create a more favourable environment for investment. Support should be given by secondary city local governments to business activities that encourage the development of industry clusters, build and make provision for efficient strategic infrastructure, improve logistics systems and land economy governance arrangements.

Collaborative governance offers a way forward for local governments and business to reduce transaction costs associated with the development, use and capitalization of land, property and assets. The new global economy of cities is focused on reducing public and private transaction and production costs, where collaborative advantage has replaced competitive advantages as a principle governance instrument for improving the competitiveness, management and development of cities.

Secondary city governments and businesses must learn to work closer with the capital markets, investors and developers to establish PPP and other partnerships arrangement to support local economic development. Such partnerships arrangements do enable secondary cities to leverage, stretch, and capitalise upon their limited assets and resources to develop more endogenous and specialised export-orientated industries. Some secondary city local governments, for example Yogyakarta in Indonesia have been very successful at doing this and develop 27 universities in the city.

The challenges in changing the culture of urban land governance to support local economic development for secondary cities under more open, competitive, transparent and accountable management and finance systems is formidable, but they are not insurmountable. However, this should begin with a new learning culture for local governments to enable secondary cities they represent to gain from the new global economy and to develop investment in strategic infrastructure to make it happen. If a country like Rwanda can roll out broadband internet to its

cities, provide the development incentives, educate local populations to become service providers to support back office functions in other larger sub-Saharan cities, and attracted diaspora and international business to bankroll it, other secondary cities could learn to do the same. It takes courage, leadership, vision, trust building, cooperation and collaboration to do this.

Many secondary cities like Yogyakarta, Bangalore, and Curitiba have been able to develop these qualities through well-developed land governance and management systems. Others are learning from them. Unfortunately, for many secondary cities in Sub-Saharan Africa, Asia and Latin America urban land governance is trapped in a space-time warp. Getting these cities to reform urban land governance systems and plug into the new economic geography of urban systems is required to remove the growing disparities, exclusion and divide which is occurring and growing between large metropolitan and secondary cities in many countries.

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