

# The contradictions of good governance under neo-liberal economic management: can the urban poor benefit?

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## Background

Harvey (2005: 2) claims that: “Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices. .... But beyond these tasks the state should not venture.”

In Latin America, it is clear that the Washington consensus, together with Chile’s Chicago trained economists, led to neo-liberalism conquering national economic decision making in the 1980s. Most governments began to embrace the liberalisation of trade regimes, privatisation, deregulation and foreign investment. Since the 1980s, national economies have been opened up to greater competition, both internal and external, and the responsibilities of the state have been rolled back and substantially modified (Lahera and Cabezas, 2000; Nelson, 1999; Paley, 2001; Weyland, 2002; Wilson et al., 2000). In the process, most economies recovered partially from the trials of the debt crisis but, in general, the results were disappointing. Poverty and inequality remained structural features of most societies and there has been some kind of popular reaction against neo-liberalism in many parts of the region. Whatever the future is for neo-liberalism in Latin America, it will continue to dictate many elements of policy for many years as the global economy continues to expand its grip. The desire of so many Latin Americans to share in global consumption and the attempts of so many Latin American countries to negotiate special trading relationships with the United States will guarantee that.

Another feature of governance that has been associated with the growth of neo-liberalism in Latin America is democratic rule. Over the last twenty years democracy has become the most common form of government in Latin America. Unlike the military dictatorships and authoritarian governments that dominated the region in the 1970s, most national governments today are freely elected. Latin America has participated strongly in what Huntington (1991) has labelled ‘Third Wave democratization’. Democratically elected national governments in turn have stimulated the rise of democracy at the local level and, today, most mayors and town councils are elected (Myers and Dietz, 2002; Rodríguez, 1997; Ruble et al., c.2003; Tandler, 1997; Ward, 1996). The irony, of course, is that recently the perceived failure of neo-liberalism and globalization to stimulate economic growth has allowed leftist regimes to win elections in Argentina, Bolivia, Brazil, Chile, Peru and Venezuela, although not in Colombia or Mexico.

Throughout the region neo-liberal thinking has also encouraged the growing delegation of responsibility to local government. Many central governments have delegated control over previously centralised services like education, health and infrastructure provision to local authorities. Financial transfers from central government have sometimes followed the new responsibilities but generally local governments have been encouraged to generate more of their own resources. Decentralisation, it is hoped will bring, greater efficiency, more local accountability and less corruption (Keiner et al., 2004). As such, it has often been associated with privatisation and a reawakened belief in the value of public/private partnerships (Gilbert, 1992; Batley, 1996; Morandé and Doña, 1999).

Some believe that this double shift, towards democracy and decentralisation, heralds a fundamental change towards better urban governance (World Bank, 2003). Campbell (2003:

4), for example, argues that in Latin America: “swiftly and radically, yet remarkably peacefully, these two trends of decentralization and democratisation transformed the entire face of governance in the region”. Implicit in the argument is the idea that better governance will help stem rising urban poverty in so much of the region (Baud and Post (eds.), 2003; Polèse and Stren (eds.), 2000; Szekely and Hilgert, 2002; UNECLAC, 2002; World Bank, 2000; 2002 and 2003).

While much has been written recently on the benefits of democracy, decentralisation and privatisation, much of that writing has been ideological in nature. An active public relations campaign has also been used to help ‘sell’ the message. Local success stories are widely publicised in planning circles, not least by the mayors of centres of ‘best practice’ anxious to improve their international and national competitiveness. However, solid empirical support for many of the assumptions underpinning these paradigms has often been lacking and too little research has focussed on how these policy shifts have affected the poor (exceptions include Baud and Post (eds.), 2003; Beal et al., 2003; Rakodi, 2001, Paley, 2001 and Devas *et al.*, 2003.) The larger project of which this paper represents an initial part aims to provide such empirical support.<sup>1</sup>

### **The example of Bogotá**

Bogotá, the capital of Colombia, is a metropolitan area with more than seven inhabitants. It is one of relatively few, middle-income cities to have experienced a significant improvement in the quality of its governance. Such an improvement was welcome because by the early 1990s the city was facing a severe crisis (Castro and Garavito, 1994; Gilbert and Dávila, 2002; Vargas, 2003). A series of major electricity blackouts badly affected life in the city during 1992 and electricity and water coverage had declined after years of improvement. Increasing evidence of corruption in the public administration was revealed and, in 1991, the city’s mayor was actually imprisoned. In a city already notorious for its lack of security, crime rates were increasing and, by 1993, the murder rate was one of the highest in urban Colombia. In addition, the city was effectively bankrupt. In 1992, when the city tried to borrow money abroad, the national government refused to guarantee the loan. In response, local creditors stopped advancing payments even on existing loans (Castro and Garavito, 1994: 81; Cárdenas *et al.*, no date: 166).

Fortunately, the quality of governance improved dramatically after 1993. A series of much more competent administrations put the public finances in order, invested heavily in public works, improved public transport and upgraded and serviced many low-income settlements. Improvements to the city’s policing, its open spaces and even the quality of driving, together with the opening of new public buildings and transport systems manage to generate something in the way of public pride in the city. For a city where most people had always lacked confidence in its public leaders and had always had a negative image of their city, this was a major achievement (Beccassino, 2000; Bromberg, 2003; Gilbert and Dávila, 2002; Dávila, 2004).

In recognition of this transformation in its fortunes, Bogotá has now been promoted to the same rank as the Brazilian cities of Curitiba and Pôrto Alegre – as an exemplar of practices from which others cities may learn. Recent mayors have been publishing their memoirs and some have been touring the world to advertise the city’s success (Castro and Garavito, 1994; Veeduría Distrital, 2003; Beccassino, 2000). In October 2002, the United Nations declared Bogotá to be *una ciudad ejemplo* for Latin America. Given the temptation that they may exaggerate their successes, it is vital to establish the extent to which Bogotá actually

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<sup>1</sup> The project, ‘Improving urban governance: an evaluation of the ‘success’ story of Bogotá, Colombia’, has been funded by the Leverhulme Trust.

represents best practice and, insofar as it does, how it managed to transform its system of government. Equally important is to establish whether the poor benefited from the changes that occurred.

### **Evidence of improvement in Bogotá's governance**

Anyone who knew Bogotá in the 1980s will be sceptical about its recent improvement. As one such sceptic, I have no doubt that over the last ten or fifteen years Bogotá has changed in a number of very significant ways. Here I will briefly present five indicators of this change: fiscal responsibility, coverage of public services and infrastructure, public behaviour, honesty of the administration, and general pride in the city.

The city government's income rose from less than 2% of the city's gross domestic product in 1992 to over 4% in 2004 (Hernández, 2005). Expenditure rose in real terms from 3.8 billion pesos in 1990 to 15.9 billion pesos in 1999 and is currently around 14 billion. Investment increased from less than 1% of the city's GDP in 1991 to 6% in 2000 (Hernández, 2005). The city is proud of the fact that its credit rating with Duff and Phelps on internal public borrowing reached AA+ in 1999 and reached AAA in 2004.

Fiscal responsibility in the city improved because a genuine attempt was made to increase the government's income. Approval of the Organic Statute in 1993 enabled Jaime Castro to increase income from the general valorisation tax, improve the procedure for assessing property values and apply a levy on the price of gasoline (Castro and Garavito, 1994: 38). Later, new taxes were approved and a more effective collection regime instituted. In addition, the city benefited from the constitutional reform of 1991, which raised the national government's financial contribution to the city.

Higher revenues allowed the city to invest extensively. The most obvious signs of improvement are the expanding *Transmilenio* bus system (see below), the magnificent new libraries and the proliferation of well-maintained parks. Virtually the whole of Bogotá now has access to mains electricity and there are relatively few blackouts or cuts in the service. Access to water and sewerage is now virtually universal.

Improvements have also been apparent in terms of the way *bogotanos* behave. Perhaps the clearest sign of progress has been the decline in the number of homicides committed in the city. In 1993, Bogotá was undoubtedly a very dangerous city with 80 homicides per 100,000 inhabitants, marginally above the Colombian national average. Thirteen years later the rate had fallen to 18; a consequence of better policing, a disarmament policy, a public education campaign, a period of reduced opening hours for drinking spots and a general clampdown on drunkenness. Even if crime generally does not seem to have declined to the same extent, this is still significant progress.

Rising levels of honesty among officials are more difficult to demonstrate but there are several significant indicators of improvement. First, the notoriously corrupt traffic police department was closed down in 1996, with the unlamented firing of some 2,000 officials. Taxi drivers now complain about the level of the fines rather than about the honesty of the current officers (Montezuma, 2005). The closing of EDIS, the highly politicised public sanitation service, in 1995, is also testimony to the improved conduct of the local administration. Second, corrupt behaviour is now more likely to result in jail for the offenders. For example, three councillors were jailed in 2003 for demanding money from a representative of informal traders in return for modifying the police code. Finally, the degree of honesty has been increased by open bidding for public contracts and by the requirement that the mayors make annual public statements about their achievements in office. The city's control agencies have also been strengthened considerably.

As a result of these kinds of improvement, and the regular publicity given by the media to recent achievements (Bromberg, 2003), *bogotanos* seem to have discovered a pride in their city. The annual surveys conducted by *Bogotá como vamos* show that pride in the city has risen consistently; in 2005, 67% said that they were proud or very proud of the city compared with 58% five years earlier.

I have tried to explain the improvements in management in Bogotá in another paper (Gilbert, 2006a) and will only summarise the causes here. Democracy, decentralisation and privatisation were necessary contributors to change but they were by no means sufficient. Democracy has helped, particularly as the local electorate has managed to vote in a series of excellent mayors (Bromberg, 2003; Dávila, 2005; Gilbert and Dávila, 2002; Vargas, 2003). Each of the seven elections has produced a highly distinctive but very responsible mayor. Many in the city would question the actions taken by certain mayors but no one questions that each left the city in a much better state than when they took over (Bromberg, 2003; Pizano, 2003: 181). Even incoming mayors have generally praised the actions of their predecessors. However, good mayors in Bogotá are not a recent phenomenon; the city had many excellent mayors even when they were nominees of the national president. No one in Bogotá would question the integrity and competence of among others Jorge Gaitán Cortés, Virgilio Barco, and Hernando Durán Dussán. And, if local democracy is the main reason for change, it should have worked equally well in the rest of the country. Unfortunately, with the exception of brief periods of enlightenment, the only major city in the country that has benefited to the same extent as Bogotá is Medellín, elsewhere it has often brought chaos.

In Colombia, privatisation has occupied a prominent role in the national agenda since 1990. The neo-liberal regime that Cesar Gaviria ushered in sought to encourage foreign trade and investment and to reduce inefficiency and bloated public payrolls. In the country as a whole, the private sector has gradually increased its hold over banking, health care, power generation and telecommunications. In Bogotá, however, privatisation has been rather limited. After a major political struggle, the street cleaning and rubbish collection company was closed in 1993. The collection of taxes was privatised the same year, together with responsibility for issuing vehicle number plates and administering mechanical checks on buses and trucks. The electricity company was partially privatised in 1997 and the new generating, transmission and distribution companies now operate according to commercial principles. Similarly, a greater private sector contribution was introduced into the provision of secondary schooling (through concessions to run new colleges) and in the health sector. However, after long debates neither the water nor the telephone service was privatised.

Bromberg (2003) argues that the local authorities in Colombia have not been strong believers in neo-liberalism. They have generally sought to redistribute income through taxes and in Bogotá the establishment of *Transmilenio* was at least in part an attempt to control the worst, and long denounced, excesses of the private bus companies. The most important way that neo-liberalism has affected the District administration is in the manner in which services are provided. Commercial principles have been adopted gradually by most of the main service agencies and their performance has certainly improved. However, prices are still controlled by regulatory agencies and the rich still subsidise the electricity and water of the poor. Even the de-capitalisation of the electricity company is justified in terms of social justice; defended by the left on the grounds that the capital generated is used by the local authority to finance other necessary investment in the city. In short, it is a means of financing public investment rather than privatisation. As such, privatisation has played some role in reforming the way that Bogotá is managed but, in comparison to what has occurred in many other parts of Latin America, it is difficult to argue that privatisation has been at the heart of the transformation.

Indeed, they were arguably much less important than several other processes. Some of these processes were not sudden but were premised on a technical culture that was long standing. *Bogotanos* had long admired professional behaviour; the problem was that they found it difficult to be fully professional in the public sector. Once the Organic Statute had changed the rules of the game, professionalism began to exert much greater sway over 'political' behaviour. By luck or judgement, *bogotanos* voted in good mayors. These mayors were able to increase the resources available to the city and spend the money on generally admirable projects. The level of honesty and transparency rose. But none of this was simple or automatic and international development agency lessons are dangerously over-simplified.

### **Have the poor benefited?**

One of the critiques of neo-liberalism is that even when it produces economic growth it disadvantages the poor (Harvey, 2005; Milanosevic, 2003; Munck, 2005; Portes and Hoffmann, 2003). It increases poverty, it worsens inequality and social polarisation and the reformed labour market marginalises those without marketable skills. In Bogotá, while some of those claims find partial support, none of those problems are a result of the actions of the local government. Indeed, I would argue that better urban governance in Bogotá has brought major benefits for the poor. *Transmilenio* has helped reduce travel times for many poor people, the libraries in the low-income areas are used extensively, urban upgrading programmes and the more effective distribution of public services have brought water and sanitation to the poorer districts, and better policing and campaigns to modify people's attitudes towards violence and their use of public space have certainly brought important benefits.

In Bogotá, recent mayors have put a lot of money into the low-income areas and the evidence suggests that they have spent relatively more in the deprived areas than in those of the wealthy. Many of these improvements have benefited the poor. The clearest example is in the delivery of water and sewerage. In 2004, every legal settlement in the city was linked to the water network, 96% of the population were linked to the sewage system and 88% to the drainage network. The water company claims that the spread of services to the poorer parts of the city has contributed greatly to improving health in the city, cutting child deaths through diarrhoeic illness from 17 per 100,000 inhabitants in 1998 to 3.4 in 2002 (EAAB, 2003: 223). Even if the cost of water has been rising (see below), the service in poor areas is heavily subsidised. In Bogotá, the rich currently pay almost five times as much per cubic metre of water as the poor.

The government has also tried to help the poor through upgrading of informal settlements, legalisation of tenure and reducing the cost of land. While these efforts have had less impact on the lives of the poor than service provision, they have demonstrated the authorities' concern to improve living conditions in poor areas.

Improvements to the public transport system have also brought benefits for the poor. The *Transmilenio* bus system began operations in January 2001. By June 2006, 850 single-decker articulated buses were operating along 84 km of reserved routes, only stopping at special stations. There are currently 4 trunk routes and a feeder network consisting of 430 buses on 420 km that covers 267 mainly poor barrios. The system now carries around one million passengers each day, some 17% of the journeys made on public transport in Bogotá. Construction is proceeding to increase usage to 27% of total public transport journeys by the end of 2007, when the system should be transporting 1.55 million passengers every day (*Transmilenio*, 2005). So impressive has the system been that similar schemes are being introduced in three other Colombian cities and it has also been exported to Santiago (Ardila, 2004; Gómez, c.2004; McCormick, 2005).

Attempts have been made to improve the cultural facilities in the poorer areas. The new libraries that were built under Mayor Peñalosa were designed by the country's best architects and now receive around 11 million visits per annum. Their operation is contracted out to private social compensation funds; they are well-equipped and spotless. The number of public parks has been greatly increased and their quality markedly improved. Both the libraries and the parks are located in areas easily accessible by the poor and there is plenty of evidence that poor people are using them.

Major improvements have taken place in terms of policing and this has had a profound impact on the crime rate. The recent cuts in the murder rate have helped the poor insofar as apart from the city centre, most murders are committed in the poorest areas of the city. Of course, there is a long way to go in a very violent country. A survey conducted in 2005, found that 34% of families declared that someone in the household had been victimised during the last twelve months, 70% of the crimes were muggings or robbery in the street. Equally worrying was that 51% of the victims did not denounce the crime to the authorities. More recent figures compiled by the Chamber of Commerce found that 35% of *bogotanos* had been victims and 63% had not made a report to the police.

When asked whether "things in Bogotá were improving or deteriorating", 65% in 2005 declared that they were improving compared with only 32% in 1999 (*Bogotá Cómo Vamos*, 2005). When examined by social class 61% of poor households thought that the city was improving, lower than the 74% among rich *bogotanos* but impressive nonetheless.

### **All that glistens is not gold**

**The economy:** The major weakness in Bogotá's performance over the last decade has been its economy. Bogotá's growth rate over the period has not been impressive and, given that the population is thought to be rising annually by 3.5%, per capita income fell every year bar one between 1996 and 2001. Unemployment in Bogotá rose to a peak of 21.1% in the first quarter of 2001, although it had fallen to 12.9% by the last quarter of 2004. Bogotá is the largest economic centre of the country and as such it is bound to suffer heavily when the national economy declines. Its future prospects are not bad but the city faces a major problem insofar as it produces relatively few exports. While tourism and particularly medical tourism is a potential source of future expansion, most of Bogotá's export potential lies not in the city but in the surrounding region. Even there, the risk is that competition from other regions will undermine the economic future, as in the case of the growing competitiveness of Ecuadorian flowers. In addition, most of the exports are labour intensive. Only 7% of Bogotá's exports in 2004 were considered to use 'high technology' (CCB, 2004) and, in 2004, the city was ranked only 14<sup>th</sup> in terms of 'competitiveness' among the most competitive forty cities in Latin America (Mercer, 2003). Without an upturn in the local economy it will be difficult to reduce the high level of unemployment and to maintain social progress.

Arguably, the poor economic record has had little to do with any failing on the part of the local administration. Economic policy is a national responsibility and the mayor has few tools with which to stimulate growth in the city. And, even if the city's economic situation improves, reducing existing levels of poverty will be complicated because poor people are likely to arrive from other parts of the country. Many argue that the agricultural situation of Colombia is extremely precarious and that free trade has undermined much of the country's agricultural production (Buitrago, 2005). With the likely signing of the TLC it is likely to worsen and more displaced agriculturalists will be forced to the city. In addition, Bogotá has been receiving considerable numbers of *desplazados* and *reinsertados* (perhaps as many as 500,000) as a result of the violence that has infected so much of the country. Many of these people are extremely poor, having been forced to leave their land and arriving with little in the

way of education or skills. They are not the kinds of migrant who arrived in the past and who coped relatively well in the city.

**Poverty:** Poor economic performance has had a severe impact on poverty in the city. At its peak, in 2001, almost 55% of the population was living below the poverty line. While this percentage has fallen considerably since then, the proportion of the population living in poverty is still higher than it was in 1997. Indeed, table one shows that only the quality of life index shows an improvement since 1997.

**Table one**  
**ECONOMIC GROWTH, QUALITY OF LIFE AND**  
**POVERTY IN BOGOTÁ, 1996-2004**

Year	Quality of life index	Index of human development	Gini Coefficient	Percentage of population below poverty line	GNP growth rate	Bogotá economic growth rate
1996	n.a.	83.6	n.a.	n.a.	1.9	1.4
1997	86.50	82.8	50.0	40.5	3.3	3.3
1998	87.71	82.6	55.0	47.3	0.8	1.7
1999	86.57	81.1	55.3	48.7	-3.8	-10.8
2000	86.89	81.3	56.7	53.7	2.4	3.7
2001	n.a.	81.7	55.5	54.6	1.4	1.3
2002	88.69	81.4	59.3	50.9	2.7	3.8
2003	88.43	82.5	56.0	48.1	4.1	4.0
2004	88.57	83.3	55.3	43.4	3.3	4.0

Source: *Bogotá Cómo Vamos*, PNDH (2005), Hernandez (2005: gráfico 3) and CEPAL (2004).

While poverty in the city seems again to be falling, inequality is not. In 1997, the Gini coefficient for inequality was 50; in 2004 it was 55. Admittedly, the latter figure represented a fall from the peak of 59 in 2002, but that was minor consolation (*Bogotá cómo vamos* and PDH, 2005).

**Democracy:** In Bogotá, political democracy is generally healthy. There are regular and fair elections, the quality of the candidates is generally high, and even if the electorate have sometimes made idiosyncratic decisions, the elected mayors have been excellent. The question is whether *bogotanos* will continue to vote in good candidates for mayor particularly as they have recently tend to vote for ‘outsiders’. Some, like Councillor David Luna, believe that the electorate is now more mature and no longer accepts clientelistic electoral techniques. The double success of Antanas Mockus also demonstrated that it is possible to win without using a political machine or even spending large sums on publicity. *El Tiempo* (2004a) argues that the electorate now demands a competent mayor: “In past elections the individual characteristics of the candidates, their image, charisma and personality, were important. Now people are looking for a mayor who knows the city and, above all, the needs of *bogotanos*, who has a vision of the future and knows where the city ought to go ... .” Nevertheless, judging from recent voting patterns in Bogotá and the county as a whole, the electorate is still

highly influenced by a candidate's personality and by their conscious or unconscious desire for a caudillo.

More worrying is the tendency for people to ignore the elections. And, even if it might be argued that low participation rates are an indication that people think that all is well, it may also show that people have lost interest in politics or that they don't like any of the candidates. In the first democratic vote for mayor in Bogotá in 1988, 60% of people voted. Thenceforth, the officially recorded rate of abstention rose and, although turnout partially recovered, little more than two-fifths of qualified voters turned out in the last three elections. Fortunately, voter registration has improved over time and if we estimate the real rate of abstention (voters over the total adult population), the turnout has actually been improving over time. Nonetheless, according to this measure only two out of five eligible voters cast a ballot in 2003.

Worrying too is the fact that Bogotá's electorate appears to be strongly divided by social class. Opinion polls show that the administration of Antanas Mockus was much more highly rated by the rich than by the poor, whereas the opposite applies to Lucho Garzón. The latter won the 2003 election with massive support from the poor: 75% of poor *bogotanos* voted for Garzón compared with only 25% of upper strata according to the 2005 *Bogotá como vamos* survey.

The evidence from Bogotá supports Devas et al.'s (2003: 32) reservation about the impact of democracy on poverty. "It is clear that democratisation does not have any automatic effect on poverty reduction or social inclusion. Despite nearly 20 years of democracy in most of Latin America, incomes and wealth remain far more unequally distributed, and social exclusion remains far deeper, than in countries not noted for democracy, such as China and Indonesia." And even if democracy allows those living in poverty to vote in an alternative candidate, that candidate may or may not be able to help them.

Some would argue that this is precisely the problem with neo-liberalism. The new economic consensus prevents governments from taking up alternative agendas. Thus, despite the fears of many in Bogotá, the election of Lucho Garzón, a leftwing, ex-communist trade unionist, has in no sense undermined recent progress or threatened continuity. In practice, he has continued with the plans for *Transmilenio* and has promised to maintain Bogotá's impressive credit rating. Paraphrasing the words of an important member of his cabinet, he is "fiscally prudent". While he has introduced new policies to tackle poverty and health problems in the city, continuity has not been challenged except in the sense that the membership of his cabinet has changed too rapidly over the last two and a half years.

**Decentralisation:** Financial transfers from the central government helped Bogotá to cover the local education and health budgets helped Bogotá to finance its expenditure and balance its budget. However, if decentralisation helped the city directly, indirectly it harmed Bogotá because it generated a large central government fiscal deficit. The latter led to a severe economic recession and increased levels of unemployment and poverty in the city. At best the distribution of national funding to local government was a mixed blessing for Bogotá.

Within the city, there has been little sign of the development of decentralisation or local democracy. Although *bogotanos* continually voice the belief that the city cannot be run "from the Plaza Bolívar", "in practice, the local mayors, the councillors and the funds for local development are equivalent of the young children, if not, the *hijos bobos*, of the district administration" (Vargas, 2003). So far power in Bogotá has become more concentrated rather than less. This is reflected in mayor Garzón's recent removal of all twenty local mayors and his nomination of an all female team of replacements. He hopes that women will be more honest and competent than the men; a major problem insofar as corruption in the *alcaldías*

*menores* is denounced on a regular basis. It arises because the councillors, excluded from their traditional areas of influence in the central administration, have been using populist and clientelistic tactics in the local districts. Given that ten per cent of the city budget is being spent in the local districts, this offers new opportunities for political manipulation. In addition, although many attempts at increasing local participation and involving people in designing local development plans have been designed, it seems that between 1997 and 2003 the proportion of people involved in civic and political groups declined (Sudarsky, 2003; Durán Silva, 2003a). In 2005, only 15% of respondents to *Bogotá Como Vamos* declared that had participated in some kind of citizen forum, although this was a great improvement from the 9% rate the previous year.

**Privatisation and neo-liberalism:** There has been some privatisation in Bogotá and that which has taken place has been popular. Certainly, public opinion about the services that have been privatised or which are subcontracted out to private providers tends to be superior to that of public companies. Some would argue that privatisation is the reason why the electricity and gas companies are more popular than the water company, and why, since the distribution and billing functions were sub-contracted to five private operators in 2003, the image of the latter has improved.

In Bogotá, the only real criticism of neo-liberal policy with respect to service delivery concerns cost, particularly the cost of water and sewerage. It has become an issue because the poor have been suffering from three parallel pressures: rising average prices as the water company seeks ways to break even; reduced subsidies, as the degree of cross-subsidisation is reduced; and rising unemployment. In 2005, 83% of complaints about the company were about the “high tariffs”.

A recent study revealed that infrastructure costs as a proportion of the household budgets of the poor had doubled over the last eight years (*El Tiempo*, 2005b). By contrast, the second and third richest groups were paying proportionally no more and the top strata were paying less; costs for the latter fell from 7% of the household budget to 5%. Since water constitutes at least half of total monthly infrastructure costs, these figures amounted to an attack on the price of water and sewerage. Figures on non-payment are also worrying for, even though the agency claims that most of the poor in Bogotá act responsibly, every month the company suspends as many as 5.6% of all of its accounts (100,000 homes) (Contraloría de Bogotá, 2005: 14).

Do higher prices mean that the poor cannot afford to use the service? Certainly consumption is declining across the city, partly because of rising prices and partly because of a campaign to persuade people to use less water. But consumption by the poor is falling faster. Between 1996 and 2004, consumption by poor households fell by 53% compared with 30% among the rich. At the same time, it is difficult to argue that the poor in Bogotá are being deprived of water. My estimates suggest that, in 2005, daily per capita consumption by very poor households was 35 litres per day (Gilbert 2006b). This level of consumption is well above the commonly used minimum benchmark of 20 litres per day needed for human consumption.

In the case of water, privatisation has not responsible for rising costs. However, a neo-liberal national policy for encouraging the reduction of subsidies has clearly been a significant factor.

## **Conclusion**

Neo-liberalism and globalisation are multifaceted. They bring good and bad results and the balance is determined locally. I would argue that the poor of Bogotá have benefited from

better urban governance while suffering from the slings and fortunes of Colombia's economic record and its rather dismal social situation. Politically, *bogotanos* vote locally for a left-wing mayor while simultaneously supporting a right-wing president.

Bogotá has embraced the idea that a degree of technocratic management is essential in good urban governance. The ways in which the new transport system and the major domestic services are run are, at least by most Latin American standards, admirable. Of course, technocratic forms of government are not without their risks as the all too recent history of bureaucratic authoritarianism in Latin America demonstrates. But, so far, Bogotá has been able to combine clean and fair elections with technocratic management. The city has achieved a virtuous combination of politics without *politiqueria*, of management with democratic control. The election of a left-wing mayor in 2004 has not upset that equation.

Bogotá has dramatically widened the supply of domestic services and improved their quality, introduced an impressive new integrated transport system, and created new parks and cultural facilities. But this has meant that *bogotanos* have had to pay more taxes, contribute to the cost of service expansion through higher charges and find innovative new ways of increasing the income of the city. Even though the rich have contributed proportionately much more than the poor, the degree of inequality in the city means that some among the poor have been carrying an increasing burden.

The irony of Bogotá, therefore, is that despite the major improvements in local governance, at least two-fifths of the population still live in poverty. Urban governance would not have improved locally in the absence of neo-liberal thinking but the application of neo-liberal macro-economic management at the national level has complicated attempts to reduce poverty. And, while the appearance of the city has greatly improved, there seem to be far more beggars and homeless on the streets than was the case ten years ago. In this sense, Bogotá demonstrates that it is very difficult to draw up a clear balance sheet of the effects of neo-liberalism and globalisation. Perhaps that is an important lesson both for the more strident defenders of the Washington consensus and for its critics.

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