In this chapter, the background against which cities in Latin America are governed is described. This background consists mainly of political issues rather than organizational or management issues. Although the management of all the large Latin American cities (above 1 million inhabitants) faces similar problems, such as congestion, inadequate water supply, and urban sprawl, these cities’ institutional background (national political context, economic profile) is considered to be as important as their institutional structure (levels of governments, legitimacy, distribution of functions and responsibilities). These cities may be classified by their main economic activity and political significance in their national urban systems; such a classification can contribute to an understanding of the forces that shape the institutional arrangements in the major Latin American cities. Following this argument, it was decided to analyse cases from two classes of cities: the capital cities, and export cities.

First in this classification come the capital cities, the political and economic centres of their countries, where a subtle, or direct struggle for power is being played out. This type of city is exemplified by Caracas, the capital of Venezuela. Caracas serves as a representative case for our research analysis and the purposes of this dissertation.

In the second part of the chapter, export cities are discussed. These are cities that, while not a political centre in the sense of a capital city, have developed a profile of economic dynamism based on the opportunities of liberal trade that have been open to Latin American countries in the last two decades. This trade has provided the export cities with a growth capacity. Institutional demands and local government policies lead them to differ from the capital cities in terms of institutional development and political government. Monterrey, the capital of the State of Nuevo León in Mexico, is the representative case to illustrate this type of city described in this chapter and serve as a case study for this dissertation as reported below.
3.1 Caracas: Capital City

Capital cities in Latin America are usually the largest cities in their countries. The concentration of political and economic power comes together with a concentration of people and resources. These cities are frequently part of a national urban system characterized by primacy and continuous urban growth.

These capital cities share a position as important representatives of their countries in an international context. This position is based on historical developments; in early colonial times (1500-1840) these cities functioned as the seat of colonial governments with strong relations with the European colonial power (Spain, or in the case of Brazil, Portugal). Most of the exchange with the colonial power took place through these cities, which meant that other cities in the colonial province or territory were dependent on the capital city for trade, travel and power. Later on, after these provinces gained their independence and new countries were created in Latin America in the first half of the nineteenth century (1800-1840), the capital cities of the colonial provinces became the capital cities of the new countries, keeping the urban hierarchy within the new nations unchanged.

During the twentieth century, most Latin American countries experienced sustained growth in population and trade. Their role in international trade reflects a transformation in the economies of the region. This transformation proceeded from predominantly agricultural economies at the beginning of the century to more industrialized and service oriented economies at the end of the century. However, some Latin American economies are not sufficiently diversified and continue to depend on one or two products, typically natural resources (oil, minerals, timber) or agricultural products. In any case, these developments have occurred in a region where governments were centralized, and policy defined at only a few locations. A centre of power has always been present, and its location has tended to be the capital city. This location derives from hierarchies and structures inherited from colonial times with regard to urban systems, or as a consequence of the centralized and hierarchical structures of governments (military regimes, centralized democracies).

In general, capital cities in Latin America developed their primacy from a combination of historical developments, the centralization of power, and their role as economic centres. However, as noted earlier (see chapter 1), although its rate of population growth might be slowing down, Latin America is becoming increasingly urban and metropolitan. That is to say, the concentration of people in the major cities is increasing. This concentration puts pressure on the capital cities, where populations were already large, and this pressure translates into an increasing demand to sustain or improve the quality of life in the city (public utilities, infrastructure, and so forth). Accordingly, governments and institutions responsible for providing public utilities and infrastructure in the capital cities are under pressure. The array of institutional arrangements found in the various capital cities
of Latin American to deliver public transport, water and sanitation, urban planning, control sprawl, ensure police security, organize major infrastructure investments, and fulfill other public responsibilities indicates the efforts that city governments have had to make to respond to these challenges. At this point, a first tentative conclusion can be drawn that the governments of the capital cities in Latin America have the obligation to organize themselves to deal properly with the tasks arising from urban growth, metropolitanization, and the role of these cities as key locations. Undoubtedly, the extent of this range of responsibilities has an impact on the institutional structure governing these cities.

Another issue affecting the way government is institutionalized in capital cities in Latin American is the political weight and power inherent in governing primate cities. With the largest numbers of inhabitants, these cities are also the largest electoral constituencies in their countries, and the vote in the city will often have a considerable political impact in major elections, regardless of the level of government (central, regional, or local). This characteristic makes government institutions in capital cities prone to all kind of disputes and reshuffling. On the one hand, those elected to the central government could foresee potential political threats from elected or acting public servants operating at regional or local city levels. An example would be a mayor building a political platform strong enough to support a candidacy in a presidential election, as has been the case in Buenos Aires, Quito, Caracas, and Mexico City. Such a situation tends to be curbed by actions from central government to limit the regional or local government power, which is perceived as threatening. These actions range from limiting revenue transfers, delaying the functional and financial transfer implied in decentralization, centralizing public utilities, breaking the constituency into smaller sub-divisions, and avoiding intergovernmental collaboration.

On the other hand, the regional or local governments of these capital cities react to these curtailing actions from central government and form coalitions or partnerships with decentralized agencies (agencies in charge of specific functions, such as investment in and management of metro systems, water supply, solid waste management), and challenge central government in court to gain authority and power. In the long run, these conflicts leave their mark on the institutional arrangements and governments of capital cities: double-checks for investments, loops in legislation to get things done, damage to legitimacy, distortion of responsibilities, ad hoc coalitions with no continuity, and so forth. Consequently, a second tentative conclusion drawn about governing capital cities in Latin America is that the organization of government institutions not only serves the functional needs of the city or the constitutional mandates of the country, but is also characterized by political struggle and intersecting national, regional, and local ambitions. All in all, the institutional framework is complicated and unstable. Caracas serves as a good example of such developments.
Caracas is the primate city of Venezuela, concentrating political and economic power. Functionally, it has a territorial core of about 2000 km² with almost 4 million inhabitants (see Table 3.1), which is close to 20% of the total population of the country. In a typical metropolitan paradox, this functional urban region has a fragmented and contradictory institutional arrangement; that is to say, operating in the city are all three levels of government (central, regional, local). The local government is subdivided into several districts within the city, and these governmental units divide up the typical urban functions (transport coordination, planning, and so forth). The politics in and around the government of the city follow a logic that is not functional-economic.

### 3.1.1 Institutional framework

Three elements are discussed here to illustrate the functioning of the institutional framework in Caracas: first, the geographical and functional characteristics of the metropolitan realm or metropolitan. The economic position of the city is then briefly elaborated, and finally the structure of urban government (the sum of government, agencies, and institutions acting within the metropolitan area) is reviewed.

#### Metropolitan realm

Geographically, Caracas has a confined territory, located in a valley whose natural boundaries provide the boundaries to the conurbation. The Avila mountain range, forming part of Cordillera de la Costa, provides an impressive northern limit, standing between the city and the Caribbean Sea. To the south, more accessible hills define the natural end of the valley, which runs from west to east with the Guaire River. Further south, a system of valleys runs eastwards along the Tuy River. These secondary valleys became the first natural hinterlands and later the expansion territory for the city.

Caracas is accessible by air and sea through the infrastructure facilities that lie on the Caribbean side of the Avila. These mainports are the International Airport in

| Table 3.1 - Caracas’s territory, population and working force |
|----------------|----------------|----------------|----------------|
|                | Km²     | % of Urban population | Inhabitants | Working force |
| Federal District| 1,930   | 99.0%             | 2,267,991   | 1,389,284     |
| Miranda State   | 7,950   | 93.5%             | 2,262,016   | 1,133,568     |
| Rest of the country | 902,170 | 90.8%             | 16,646,993  | 5,699,598     |
| Country’s total | 912,050 | 92.0%             | 21,177,000  | 8,222,450     |

Source: OCEI, 1993
Maiquetia, and the Port of La Guaira. The road infrastructure of the country also serves the city, providing good connections to the east, west, and south.

Caracas became the capital of the Province of Venezuela in 1577, ten years after the foundation of the city in 1567 by Diego de Losada. The possibility of controlled access and good defence against attacks from the sea made Caracas the natural choice as the main city of the province, replacing the earlier capital of Coro, which had suffered frequent attacks from sea during the first years of the colony. This strategic choice of the city to be the capital of the province added to the favourable conditions for agricultural production in the valley of Caracas. This agricultural metropolis capitalized quickly on the advantages of its administrative pre-eminence and developed into the military, religious, commercial and cultural centre of the province. It became the thriving community where the independence movement was initiated (1811). After gaining independence from Spanish colonial rule (1821) and during the remaining years of the nineteenth century, Caracas remained the capital of the Republic and continued to be the centre of power. At that time, Caracas became the ultimate destination for the various regional political and military factions in their attempts to attain national authority.

The conurbation in the major valley of Caracas corresponds to a functional urban region. Within the geographical boundaries of the valley, the urban agglomeration is constituted politically by different administrative entities, and constituted economically to act as a functional urban region. Apart from the sets of statistics that fit the administrative boundaries (states, municipalities), for practical purposes the official publications from the Central Statistical Office (OCEI) include two additional field boundary definitions: Caracas Metropolitan Area (AMC) defined in 1971, including core municipalities of the city; and the Capital Region, including two federal entities (Miranda State, and the Federal District).

The AMC definition is widely used by the Central Bank for consumer-price indicators; AMC data are used to calculate the official urban inflation rate. The Capital Region definition is used by central government for planning needs. Central Government goals and actions in planning, environment, transport, and to a lesser degree in housing provision, use regions as their work field. This preference provokes some tension between political administrative subdivisions (states and municipalities), which adds to the political pressures on the institutions governing the city.

These two statistical realms, the AMC and the Capital Region, are based on economic and geographical conditions (the economic realm, the continuous urban sprawl) rather than on political-administrative delineations. A functional urban region (FUR) as defined by van den Berg (1986) would contain the AMC, where employment in the area is strongly related to the core of the region. To identify the
Capital Region (Federal District+Miranda State) with such an integrated model would be difficult, since employment for the population in the east part of Miranda State, the barlovento area, is related to the core less strongly. In Barlovento, the tourist sector along the coast and the remains of an agricultural sector provide employment in the non-urban areas. Nevertheless, the urban areas in Miranda State have been intensively related to the core in employment and economic activities. The functional urban region of Caracas rests on the totality of the Federal District and the continuous urbanized areas of Miranda state, where employment and economic activities are strongly related to the city. The core and the hard ring (where at least 20% of the population are employed) of this functional urban region are included in the AMC. The soft ring consists of the rest of the urban areas in Miranda State.

As in most countries in Latin America, population growth in Venezuela is slowing down (Gilbert, 1994), although the pressures on urban infrastructure remain. In fact, the AMC is deurbanizing, and growth in the core of the functional urban region is declining, while the opposite is occurring in the hard ring (See Figure 3.2). However, the AMC is expected to keep its lead as the main urban agglomeration in the country, with at least 12% of the population by the year 2000 (Vallmitjana, 1994).

![Figure 3.2 - AMC population (% of change 1971-1990). Source: OCEI, 1993. Own calculations](image)
For a capital city, the choice of location of one important actor has already been made. Through historical circumstances and decisions made at constitutional level, the national (central) government, with many of its branches, is associated with a capital city at an early stage. Other actors in the urban economy follow, in a logical set of interdependencies. Firms directly concerned with the provision of services to the bureaucracy and the political class also choose the primate city. In Latin American capitals, the concentration of power and, until recently, a heavily centralized government, have been important factors for the location of other agents of the national economy within the core of the national capital. Firms seek locations close to the centre where political decisions are made. The commanding levels of business sector management gravitate towards the place where, in size and power, the public sector concentrates.

Caracas, a capital city, has a big government sector. In comparison with other urban agglomerations in Venezuela, employment related to state functions is high. Most agencies of the Central Government are located in Caracas. The executive, legislative, and judicial arms of the state are in Caracas. In the last decades (from 1986 onwards), state reform strategies have pressed for a reduction in the size of the state, but it remains a big employer in the country and in the city (see Figure 3.3).

Employment in the manufacturing sector is more evenly distributed over the major urban agglomerations in Venezuela (see Figure 3.4), while employment at the top of the service sector is concentrated in Caracas (see Figure 3.5). The main branches of the financial sector, both national and international institutions, are concentrated in Caracas (see Figure 3.6). Control activities, high-end transactions, and international transactions take place in the city. Of the two stock exchanges in Venezuela (Maracaibo and Caracas), the Caracas Stock Exchange is by far the larger in terms of volume and value of transactions. Corporate headquarters in Caracas greatly

Figure 3.3 - Government Sector’s Employment by Federal Entity. Source: OCEI, 1993
outnumber those in any other city of the country. The headquarters of the most important enterprises remain in Caracas. Petróleos de Venezuela, S. A. (PDVSA), the largest single fiscal contributor, is a state-owned oil company with its head office in the capital. In addition to the corporate command functions, the coordination and procurement functions and the service divisions of the oil giant are also located in Caracas. In fact, the national dominance of Caracas in the corporate, financial, and banking spheres is in line with the second thesis of the World City hypothesis of Friedmann (1986), in which he includes Caracas as a secondary city within the semi-peripheral countries of his world-city hierarchy, indicating the role of these cities as an articulation of their national economies to the international capital. Further studies by Taylor (1997, 1999, 2000) and Beaverstock (1999) based on Friedmann's hypothesis

**Figure 3.4** - Manufacture Sector's Employment by Federal Entity. Source: OCEI, 1993

**Figure 3.5** - Service Sector's Employment by Federal Entity. Source: OCEI, 1993. Services include: finance, insurance, commerce, government, social services, transport, communications, service to firms
and Sassen’s ideas (1991) have provided a “roster of world cities” in which the capitals of Latin American countries are set in a hierarchy, and, in the case of Caracas, set in a rank referred to as gamma, the third rank of the world cities hierarchy.

The economic position of Caracas within the national economy is strong, and the restructuring of the economy has further strengthened its interrelationship with global markets. The city functions as the global node for capital, information, and decision-making. The city represents the point of convergence of the international flows and the national economy. The locational advantages of an extended infrastructure, good accessibility, a concentration of human resources, amenities, and the implications of its population size (consumer market, labour availability), have been attractive enough to sustain the principal role of the city in the national urban system, although reform and liberalization would introduce competition from other cities, which should have locational advantages for production, export-zones, and innovative environments.

Caracas is a step ahead of the other cities in the country. First, the capital has been the main recipient of the benefits of the oil revenues, since the redistributive policies are based more on formulas ruled by population size than by rules of origin of taxes. The government’s fiscal strength is therefore unrelated to the economy of the city. Second, the city’s size and growth have followed a natural development path that has provided incentives for urban growth, despite planning policies and rural development policies explicitly aimed at the deconcentration of the largest cities (Vallmitjana, 1993). Third, centralized power in Venezuela favoured a State where the top executive had wide authority and means. This state of affairs translates, by way of populist policies, into extra attention being paid to Caracas (larger electorate) in infrastructure investment, and service development. Self-reinforcement ensues as powerful middle and upper class groups, living largely in the capital, exert pressure for better delivery of services.

**Figure 3.6 - Finance Sector’s Employment by Federal Entity. Source: OCEI, 1993**
The urban government of Caracas is characterized by complexity and fragmentation: complexity, because of the overlapping administrative and legal provisions; fragmentation, because of the extended number of actors and administrative territories. From its constitution (1961, 1999), Venezuela is a Federal Republic. Twenty-two states joined in a federation to form a Republic; they remain equal to each other in political terms. As is the case in many federate countries, such as the United States of America, or the United States of Mexico, the capital city of the federation is not located in one of the participant states. This arrangement prevents any form of advantage or inequality. The administrative solution has been to establish an administrative entity (a special district, a federal district) that covers the territory of the capital of the federation and which, by way of its special status and territorial limitations, prevents the concentration of power affecting any particular state. The federal district is neither a state, nor the capital of a state. It is an administrative entity hosting the functions of government of the country.

The branches of federal government – executive, legislative and judicial – are located in the federal district. The executive is consequently granted extended authority over the district. Logically, the federal district would be expected to include only the territory where these government functions operate, but in Caracas it covers a larger territory. A Government quadrangle including only the federal government installations and buildings would extend to several hectares, but the Federal District defined by the constitution in 1961 (confirmed in the 1999 constitution) covers 1930 Km². This is a considerable territory for a non-state district; it is densely populated and, with the considerable political leverage this concentration of votes brings, it has a substantial impact on the composition of legislative and executive powers.

Until 1999, the authority of Central Government in the Federal District consisted of the appointment of a Governor for the district, with basic responsibilities for law and order (police) and some duties related to land management, schools, and health provision. After 1999, the figure of a mayor for the Federal District was introduced, this time an elected officer, but still carrying the same attributes of authority and duties as the former Governor.

Below the special provision for the Federal District are two other administrative tiers in the metropolitan area: first, (regional level), the government of the federal entities, or the State Government that is present in the AMC through Miranda State; second, (local level) the municipal governments. Both regional and local levels have elected officers in the executive and legislative branches, and both levels are entitled to make fiscal decisions. In the case of the Federal District, a provision in the law of municipal government allows the district to have municipal governments as any other federal entity, with equal rights and obligations. Table 3.2 shows the levels of government in Venezuela and the associated distribution of power; Table 3.3 lists the government tiers present at the AMC.

The administrative subdivisions in the AMC are settled mainly by political
considerations rather than geographic, or economic justifications. This situation is the consequence of institutional developments associated with centralization (the prevailing system for a long period of republican life following the 1961 constitution), political interests at play in the capital (to capture votes, define constituencies, divide opposition strongholds, and so forth), and the way the decentralization process has evolved since its inception in 1989, when the Municipal Act (Ley Orgánica de Regimén Municipal, LORM), and decentralization act were first sanctioned.

At the regional level, the administrative subdivision of the city into two different territories (Federal District, Miranda State) is a natural problem for coordination. These territories have different status, which has political and fiscal implications, and adds to the problems of joint public action. The seaside municipality of Vargas (part of the Federal District), the location of both air and sea ports, successfully lobbied for secession from the Federal District and has recently obtained the right to become the country’s 23rd State. The situation at the regional tier of government in the city is complicated.

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<tr>
<th>Table 3.2 - Levels of government and distribution of powers</th>
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<td><strong>Level of government</strong></td>
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<tr>
<td>Central</td>
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<tr>
<td>Regional (FD)</td>
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<td>Regional (states)</td>
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<td>Local</td>
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Source: LORM, LODF, Constitution.

<table>
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<th>Table 3.3 - Government Tiers in AMC</th>
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<td><strong>Federal entity</strong></td>
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<tr>
<td>Federal District</td>
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<td>Miranda State</td>
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Source: LORM, LODF, Constitution.
At local level, new municipalities have proliferated in Caracas and in the larger metropolitan areas in the country as a reaction to decades of centralization, and as a result of the political and fiscal incentives give for a new municipality to be established. A certain weight in population, public support (expressed in endorsement signatures from a threshold number of inhabitants) and a strong lobby in the legislature are sufficient to mobilize the creation of a municipality. Less attention and leverage is given to physical-geographical elements, socio-cultural implications, or economic conditions. Besides, the nature of the fiscal transfer system is a strong incentive to create recipient administrations (since sub-national governments are automatic recipients of fiscal transfers through formulas based on population). This goal is an attractive one for political groups and community coalitions.

Vallmitjana (1994) recognized these developments in a study of the new scenarios for local government in Caracas and concluded as early as 1994 that a moratorium for the creation of new municipalities in the AMC was needed as the first step for improved government and better-coordinated actions.

The tiers of government (central, regional, local) present at the AMC have a legal framework in the Constitution (1961) (1999), the Territorial Ordering Act (1989), the Organic Act for Municipal Government (1989), and the Federal District Act (1970). Taken together, these Acts provide ample legal support for the case for the institutionalization of these levels of government. However, the same legislation has provided little support to metropolitan governments, urban consortia or extended co-ordination for the whole metropolitan area. Within this framework, metropolitan arrangements are frequently included in the legislation as an optional arrangement.

In Caracas, forms of coordination are emerging in the different government institutions and agencies related to the government of the city. Aside from the institutional complexity and fragmentation, these forms of coordination seek to introduce a wider perspective in the management of urban services and build a territorial coverage fitting the metropolitan needs.

First of all, decentralization has only been partial, consisting mainly of an incomplete devolution of functions and responsibilities from central government to sub-national levels. This partial devolution has protected the scale of some service providers remaining under central government control, giving these agencies (such as the metro company, or the city water company) the advantage of scale, although putting them in conflict with the new governing institutions of the city. Infrastructure providers, the metro transport system, public utilities such as water and sanitation, and electricity provision, have followed a different logic of decentralization than that of the political institutions, and have therefore been immune to fragmentation and closely related in financial terms to central
government. The difference is that, on the one hand, governments and government representation has been decentralized at a rapid pace, providing the country with elected officers at all levels of government, and giving the city an array of local level governments (municipalities) with elected mayors and councils. On the other hand, public utilities have not been decentralized or handed out to the new authorities at the same pace. Ultimately, they should be decentralized or transferred to lower levels of governments, but this process has been slower than that of the political institutions, and often subject to negotiation between central government and sub national governments (regional or local). These public functions have been transformed from institutions on a national scale to regional, decentralized organizations aiming at optimal functional scale.

These two decentralization logics translate into differences in financial procedures, accountability, and goal setting. For finance, agencies working independently of regional or local government, but still attached to central government, have direct access to budgetary discussions or might lobby the central government directly. The level of accountability that elected officers, state governors and municipal mayors have towards their public differs from that of the assigned executives of public agencies, such as the metro company or the water company. Finally, a decentralized agency can afford to set its goals in accordance with its technical view of the issues; these may include accessibility, sanitation, infrastructure and investment. These goals and responses differ from those of an elected government, which has to balance technical views with the political issues inherent to an elected post.

Local governments in Caracas have moved to interact with these public service organizations, ultimately to respond to their obligations as legal providers of urban services. These organizations have gradually developed a tendency to assume control of local government urban functions. The first step is the acceleration of the transfers of functions from central government, or the independent agency involved. A second step is negotiating arrangements (contracts, partnerships) with the provider (the decentralized agency or central government) to guarantee that they meet the goals of the local government. A third step in this process is the consolidation of the arrangements and coalitions between different local governments to interact as a whole with the service agency. With this last mechanism, the local governments add bargaining power and create room for coordination and consultation.

Another choice for local government is to remain inactive in dealing with the services still provided by metropolitan or regional agencies. While such inaction might bring some risk to the officers in charge, it has been a conscious choice for many local governments, because services might be difficult to manage and political losses might be incurred.

The reasons leading to this kind of avoidance include financial constraints,
management capacity, personnel, or the possibility of political confrontation. This inaction occurs in Caracas in the following urban functions: water provision, transportation, electricity, and environmental control. This option generates an interesting picture of metropolitan action by omission. Sometimes conflicting issues about metropolitan functions are only discussed by the actors willing to participate, and not by all those legally involved, since some of them would prefer not to participate. That is the case for the manner in which decisions have been made concerning transport fares, tariffs, and concessions. The decision-making involved the transport unions, the Ministry of Transport and Communications, and just one municipality (Libertador). The decisions they took on fares, tariffs, and concessions were later followed throughout the city, but the political losses were associated exclusively with the actors primarily involved. The political losses associated with an increase in fares accrued to the mayor of the municipality of Libertador, although all the other municipalities, and therefore their mayors, also imposed the fare increase after a few weeks, but without suffering any political damage.

Decentralization implemented partially or unequally across politics and functions has made room for ad hoc government arrangements that cross the bridge between government institutions and agencies providing metro services. Sometimes these arrangements are on a metropolitan scale on both agency and government sides, but a metro agency is more likely than an urban government to operate on the metropolitan scale. In Caracas, these conditions bring about a multitude of arrangements and contracts within urban authorities, public utilities, central government agencies, and private providers. An agency is likely to make separate arrangements with various municipalities. More ambitious options to attempt coordination at metropolitan level in Caracas are limited to municipal partnerships and a council of mayors, regardless of the fact that Municipal Act refers to the option of a formal structure as a metropolitan district.

Partnerships among municipalities have become the arrangements closest to metropolitan co-ordination. They consist of inter-municipal agreements to establish wide-area authorities or agencies for particular services. In the Municipal Act Ley Orgánica de Regimen Municipal LORM (1989), many features of such agencies, such as accountability to the participant municipalities, duties, financing, composition, staffing, pricing, and so forth, are left to be determined with great flexibility by the partners involved. This flexibility is an advantage over the metropolitan district arrangement, which is designed more rigidly in the Municipal Act(LORM). Nevertheless, the main failure of municipal partnerships acting in a metropolitan area such as Caracas is the lack of scale adequacy. These arrangements are voluntary, so that scale issues are not adequately met if some municipalities in the metropolitan area are unwilling to participate. The lack of scale adequacy is a shortcoming in these partnerships for externalities related to environmentally sensitive services, urban development, or infrastructure planning, which could lead
to positive or negative spill over effects. A typical case in Caracas is the partnership of the five municipalities in the valley (Libertador, Sucre, Baruta, El Hatillo, Chacao) to contract out solid waste management and disposal. The dumpsite, or landfill lies in a municipality in the direct proximity of the conurbation, a municipality that is not part of the partnership. The external municipality is left to deal with the environmental consequences (land contamination, health risks, water pollution, and so forth) of hosting the landfill, or to negotiate with the contractor. The resolution of these issues is, however, of interest for the whole conurbation or metropolitan area, including the municipalities in the partnership.

The **council of mayors** is a consultative, non-binding group of mayors at the level of the metropolitan area. The council includes the representatives of Libertador, Chacao, Hatillo, Baruta, and Petare. Participation consists of attending the consultation meetings and exchanges between senior technical staff. The council produces statements on urban and metropolitan issues and tries to enforce some coordination on their members in the form of agreements at technical levels (standardization of procedures, documentation, and so forth). The council is less effective in producing and enforcing these agreements than in producing general political statements. Two reasons for the poor organizing capacity of the council are: a lack of fiscal power, since the council is not a structure fitted into any legislation, so it lacks any entitlement to revenue transfers or taxation powers; and that it is a voluntary organization, with territorial coverage or scale adequacy secondary to the political convenience of participation among mayors. Continuity is also affected by this fact and erodes any chance of enhancing organizing capacity.

The council of mayors plays a part in the political debate in the city, and thus in the national debate. Raising metropolitan issues such as environmental control, waste disposal, transport problems, water shortages, has been important. A combative stance has been used to support the demands of the local governments to central government, making the Council a good lobby for municipal demands. In the context of weak financial capacity and voluntary participation, the lobby seems the most appropriate role for this institution.

A **metropolitan district** is a meso-level government proposed in the Municipal Act (LORM, 1989). The rights and obligations of this form of government intrude on local government duties and finance. For this reason, the debate to activate this structure encounters the opposition of local governments, especially the politically strong counties of Caracas. Nevertheless, the problems of fragmentation and lack of scale in urban management have fuelled the debate around the Metropolitan District. Before the change in the national constitution in 1999, under the 1961 constitution there were at least three reforms proposed around this theme: two from central government; one from the national Congress. After 1999, the new constitutional framework overcame the early bottlenecks to establish a metropolitan
government in Caracas, and changed the designation of the Federal District to a Metropolitan District, while keeping the same combination of responsibilities as before. In addition to the change of name, the Metropolitan District was assigned a **coordinating role** for the municipalities in the metropolitan area. But, as in other reshuffling and decentralization processes, the legal arguments defining authority, mandates, transfers, and functions have lagged behind the initial political and institutional change. It has been argued elsewhere (Paiva, 2001) that these changes, although in the right direction when they explicitly recognize metropolitan coordination, have brought little change or improvement in the institutional framework of Caracas. Without legal support or sufficient authority, coordination at metropolitan level is doomed. Moreover, a new actor (an elected mayor for the Metropolitan District) is likely to have less capacity to continue, or bring depth to, ongoing processes such as the municipal partnerships or council of mayors referred to above.

### 3.1.2 Conclusion

The institutional framework of Caracas illustrates how difficult it is to obtain metropolitan coordination in capital cities. Although geographical or economic rationales define a metropolitan area with some precision, the governments of capital cities are dispersed, fragmented, and in many cases redundant in their competencies. Dispersion, fragmentation and redundancy are to some extent consequences of the specific path of institutional development in Latin American, with its tradition of centralized government and the changes introduced by the decentralization process. This has turned out to be more susceptible to political interference than to the argument of the adequate provision of metropolitan services. As Rojas (1999, p.9) explains: “The moving train of decentralization had to make – and still has to make – frequent stops and take long detours to bring national political parties and finance and sector ministries on board.” The result of these stops and detours is that capital cities such as Caracas find themselves in a difficult position with respect to the organization of effective government or dependable institutional arrangements capable of serving the demands of the metropolitan agglomeration at the appropriate geographical scale.

The existence of metropolitan regions is evident from many geographical and economic features. Examples of the physical-geographical case include Santiago, Bogotá (both located in valleys), and Mexico City (settled on the bed of a lake). Supporting the role of capitals as economic articulations in the global economy, researchers on world city development (Beaverstock, 1999; Taylor, 1997) have shown that capitals in Latin America are better represented as case studies than secondary cities in the region. In the view of the Inter-American Development Bank (2000, p. 141), as primate cities these metropolises are crucial for the economic development of their countries, and are seen as “the focal points of any strategy to spur economic growth.”
Here the stage is set for Caracas as a case study for this research. As a capital, and with the kind of institutional framework that has just been outlined, it serves to exemplify the developments taking place in Latin American capitals. Caracas epitomizes the case study in which to apply the research analysis to fulfil the objective of this research, namely to assess the critical need for urban government structures with a metropolitan reach (see paragraph 2.4.2, chapter 2). We return to this matter in chapters 4 and 5.

3.2 Monterrey: Export City

Secondary cities in Latin America are facing economic, social, and institutional challenges that show a metropolitan character previously found only in capital cities. These secondary cities are often capitals of regional administrations (regions, states, provinces); most of them were important locations for implementing the past development policies of import substitution (1950-1970) realized by many countries in the Latin American region. In recent years, these cities have evolved into important agglomerations in their nations, pulling the urban growth from the traditional metropolises (capital cities or primate cities), and sometimes reproducing the problems associated with metropolitan growth and an inadequate institutional framework on metropolitan scales. Moreover, while capital cities – through their primacy, resilience, and concentration of power – have access to resources of many kinds (financial, political, cultural), allowing them to undergo institutional change and metropolitan arrangements, secondary cities must often rely on their own endogenous resources to get through.

As mentioned earlier, Latin American countries experienced sustained growth in population and trade during the twentieth century, although these transformation occurred within economies of little or no diversification (Gilbert 1996; Ward 1996). The dependency of Latin American countries on a limited number of products had an impact in the definition of urban systems. On the one hand capital cities became the centres of power and articulation with world systems (Hall 2000; Frey and Dietz 1990), while on the other hand they were the production centres of the relevant products for their country (mining, agriculture, and so forth) and became the next important urban agglomerations in the country.

Similarly, the development policies of industrialization and import substitution implemented between 1950 and the early 1980s stressed the creation of growth poles, which soon became secondary cities in their urban systems. The development of these locations – often existing cities (Guadalajara in Mexico, for example), but sometimes completely new towns (Ciudad Guayana in Venezuela) – was accompanied by trade protection, incentives for industries to establish themselves in these centres, infrastructure development, extensive planning, and incentives for households to move in. In both cases (traditional production centres and new growth poles) these secondary cities functioned within clear centralized hierarchies.
Within these hierarchies, the role of the capital city remained unchanged as a centre of power and control. Although the location of political and economic power was unchallenged, population growth and the metropolitanization of the primate cities was perceived to be inconvenient and a sign of unbalanced urban development, so “growth pole” policies were also targeted to deconcentrate primate cities and obtain a balanced urban system with less primacy.

In the context of state reform, these state-guided policies of centralized planning were quickly abandoned during the 1980s, setting the stage for a process of liberalization of the economy, reduction in the size of the state, and political decentralization. The secondary cities were suddenly open to competition through trade liberalization, with less central government support through state reforms, and operating with new political powers through decentralization (Hoshino 1994).

These changes in institutional and economic background brought positive hope together with immediate difficulties. Hope came in the form of an opportunity for cities and regions to have more autonomy in the design and implementation of their development policies or development visions. Dependency on central government planning declined. Difficulties appeared in the rapid withdrawal of central government support and capacity as part of the decentralization strategy. An array of unprepared regional and local governments arose, with unclear assignments of revenue and expenditure decisions (Salas, 2000). This state of affairs came about despite all the defects of the previous centralized system, and also despite the fact that decentralization policies implied processes of devolution and deconcentration of power that could build capacity into regional governments in the short term.

Many cities moved from the primate city towards a less dependent role, looking for a strong position in global markets for themselves. Traditional export centres, whether the product of genuine industrial and technological capacity or years of artificial protectionism (growth poles), now had the opportunity to interact with the expanded markets (trade groups, global markets) more directly than before. For example, Sao Paolo in Brazil, already a large and important city at national level, has evolved into a global city (Beaverstock and others 2000; Sassen 1991) with business activities involving advanced industrial production and specialized services. Another example is Valencia, in Venezuela, which developed into a modern industrial and export city after decentralization. In this case, the use of the new political room for manoeuvre and independence has meant that the regional government and the city have each taken responsibility for their development direction. The resulting performance has surpassed that of the traditional secondary cities in Venezuela such as Maracaibo (involved in oil export), and Puerto Ordaz (a typical growth pole established in the 1960s).

In short, these Latin American cities face interesting institutional challenges that
characterize them as dynamic, politically uncomplicated, ambitious, and metropolitan. First, they have recently been empowered to govern themselves. Second, central government support is receding, making room for the innovation and creation of new management capacity. Third, opportunities are emerging to participate more directly in extended markets. These qualities require an effective urban management prepared to grasp these opportunities. Fourth, in contrast with the capital cities, the political impasse at different levels of government and the number of power stakeholders in less complicated. And fifth, the metropolitan scale of the institutional challenges is becoming more relevant, to such an extent that the bottlenecks and diseconomies associated with a large metropolitan agglomerations are appearing more frequently in these cities.

Monterrey, the capital of the State of Nuevo León in Mexico, is a city of this type (Garza 1996a). It is facing economic, social, and institutional challenges of a metropolitan character. While the capital of the country (Mexico City) has to cope with political bottlenecks and metropolitan problems similar to those encountered in many other capital cities in Latin America, Monterrey has had to develop its own solutions to institutional organization and metropolitan problems with fewer resources and less attention. Mexico City is one of the largest metropolises in the world and has the benefits and deficiencies of concentration and metropolitanization on a large scale, ranging from extensive cultural opportunities at the positive end to environmental problems and administrative fragmentation at the other (Gormsen 1997; Ward 1998). Mexico City, as a capital and primate city, hosts a concentration of government agencies and is the centre of power. Nevertheless, the urban problems of Mexico City receive considerable attention from many parties, through its size, its importance, and its particular appeal. Urban management in Monterrey is confronted by the typical metropolitan problems arising from urban growth and economic transformation (urban transportation, comprehensive and feasible physical planning, environmental control, economic development, water supply management), without having the advantages or leverage of being the capital city. And at the same time, the blemishes and imperfections of a barely manageable metropolis are only too evident. As Garcia Ortega (1998, p. 4) points out: “If actions are not taken, the Metropolitan Area of Monterrey is at risk of collapsing in the near future with unsolvable problems such as those of Mexico City – without the Federal resources on which the capital survives”

In addition, the current fragmentation of the urban government and the projections of growth make the question about the need of a metropolitan government relevant. (Garza 1996b).

Monterrey is representative of Latin American cities, featuring increased interaction with the world economy and redefining their interaction with the centres of power (political and economic) of their own national systems. Interaction with the world
economy accompanies the liberalization of national economies. Additionally, the restructuring of the national systems is a consequence of the processes of decentralization and political reform introduced during the last decade (Kresl 1998; Richardson and Rowland 1994; Weiss 1999).

3.2.1 Institutional framework

The elements discussed in the following pages are illustrative of the institutional framework functioning in Monterrey. These elements are the metropolitan realm, the economic position, and the structure of urban government. The metropolitan realm concerns the geographical characteristics of Monterrey. Important features of the urban economy are discussed in the section on the economic position of the city. Finally, under urban government in Monterrey, the combination of government, agencies, and institutions acting within the metropolitan government are reviewed. Some general conclusions about export cities drawn from these comments are presented.

Metropolitan realm

Monterrey is the capital of the State of Nuevo León (see figure 3.7), one of the 31 federal states forming the United States of Mexico. With 2.6 million inhabitants, it is the largest city in the state, concentrating 85% of the state’s total population (García Ortega 1998). Monterrey has a strong primacy role within the federal entity. Mexico has 74% of its total population living in urban environments (World Bank 1998); one fifth of the country’s total population lives in the megalopolis of Mexico City.

Monterrey has experienced demographic growth, urban expansion and urban sprawl for the last 50 years; it became one of the earliest extended metropolitan areas of Mexico. These metropolises have been the most important agglomerations for the

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<tbody>
<tr>
<td>Country's total</td>
<td>66,846,833</td>
<td>81,249,645</td>
<td>2.02</td>
<td>-</td>
</tr>
<tr>
<td>Cities' total</td>
<td>31,946,773</td>
<td>41,827,179</td>
<td>2.80</td>
<td>-</td>
</tr>
<tr>
<td>MA Mexico City</td>
<td>12,968,029</td>
<td>14,866,240</td>
<td>1.41</td>
<td>D.F., Mexico State</td>
</tr>
<tr>
<td>MA Guadalajara</td>
<td>2,210,293</td>
<td>2,809,132</td>
<td>2.48</td>
<td>Jalisco</td>
</tr>
<tr>
<td>MA Monterrey</td>
<td>1,929,196</td>
<td>2,526,092</td>
<td>2.80</td>
<td>Nuevo León</td>
</tr>
<tr>
<td>MA Puebla</td>
<td>862,453</td>
<td>1,209,986</td>
<td>3.53</td>
<td>Puebla</td>
</tr>
<tr>
<td>MA León</td>
<td>633,945</td>
<td>810,570</td>
<td>2.55</td>
<td>Guanajuato</td>
</tr>
</tbody>
</table>

Source: Sobrino, 1994
country in terms of population and economic development. This centre-periphery national urban system has a top level of cities – Mexico City, Guadalajara, Monterrey and Puebla – each with more than one million inhabitants. These cities acted as centres of economic growth during the import-substitution era (1960-1980), and are now restructuring their economic base to accommodate a new situation. Half the population in the country is concentrated in these cities (see Table 3.4); they remain dominant in a country which is shifting from increased urbanization to metropolitanization (Richardson and Rowland 1994).

Monterrey is the most important city in the northeast of Mexico and benefits from intensive trade with the United States of America, as a result of historical development and the proximity of the USA/Mexico border. In fact, Monterrey is one of the Mexican cities where new economic tendencies (liberalization, North American Free Trade Agreement-NAFTA) can be seen to have a direct impact as measured by trade flows, restructuring of the manufacturing base, employment composition, consumption patterns, and territorial occupation by households and firms (Hiernaux 1995; Vellinga 2000).

Monterrey has long had a private sector that has been involved in policy issues, with strong lobbies in the state and central governments, and direct participation in politics. The economic elite of Monterrey has been actively involved in shaping a city and region that mirrors their interests. This aspect of the institutional framework
remains a relevant feature of Monterrey with regard to its position in the national urban system, the national economy, and its own trade and international relations. The urban management of Monterrey and the regional government of the state of Nuevo León have therefore an active counterpart in the private sector: a counterpart experienced in policy discussion and accustomed to direct debate and actions fostering its own interests. Moreover, this private sector actor has a thorough understanding of its territory of action, whether metropolitan or regional, and a vision about territory that is more clearly defined than that of its counterparts in the different levels of government.

Monterrey is located in the centre of the State of Nuevo León, on a plateau with a dry climate in the northeast of Mexico. Having been a city of continuous growth throughout the last 100 years, with times of prosperity and industrial expansion, the functional territory of the city has expanded. Indications of this development are the constant enlargement of the administrative definition for the metropolitan area used (or proposed) by the management institutions and planning agencies of the metropolis. In 1950, the Regulatory Plan of the City of Monterrey included the municipalities of Guadalupe, San Nicolás de los Garza, and San Pedro García in the Metropolitan Area of Monterrey or AMM (Garza et al., 1995). Later, in 1967, a new planning institution came into force, which included the original municipalities and added Garza García to the metropolitan denomination. In the 1980s, there were already 8 municipalities forming the AMM as a consequence of conurbanations, and early in the 1990s the AMM received its current administrative definition including 9 urban municipalities (Fasci 1995; Garza 1995).

Monterrey is a mature metropolis; it is in the process of desurbanization, an advanced stage of the urban dynamic cycle described by Van den Berg (1987) and identified by Richardson (1994) in several Mexican cities, with Monterrey showing the largest rate of desurbanization. In this desurbanization stage, households and firms tend to move out of the city centre, favouring locations in the near and far periphery of the city. This phenomenon produced an erosion of the fiscal base of the municipalities in the centre of the city, so that this in turn began to lose appeal and fell into a pattern of urban decline. In desurbanization, increasing inequality has a spatial consequence; some municipalities and locations enjoy relative prosperity and attempt to isolate themselves and defend their advantageous position from the problems of the metropolis (Aguilar 1997). It is at this stage that metropolitan coordination and the search for wide territorial government arrangements are critical.

The metropolitan realm does not only manifest itself in government arrangements and demographic trends; it is also evident in public service bottlenecks and coordination failures. For instance, water has been in short supply and inadequately provided in the city during the last few decades, with peak moments of chronic
shortages and social unrest (Bennett 1995). Her studies of water supply in Monterrey were conducted to identify the characteristics of urban infrastructure politics and the problems hindering the interactions of the federal government, the private sector, and the social actors (Bennett 1995). However, the underlying spatial dimension of the water service remains metropolitan or regional. The allocation of this dimension corresponds with the assignation of water supply management as a typical metropolitan urban utility in the literature (Barlow 1997; Bauroth 2000; Berg and others 1993; Lefevre 1998).

**Economic position**

Monterrey has a wide manufacturing base, producing glass, cement, chemicals, beer, and related goods. In addition, Monterrey has developed a number of specialized services related to these industries and firms. These captains of industry comprise a clearly defined elite, native to Monterrey and present in some debates as Grupo Monterrey. This elite has developed during the various processes and phases of the industrialization of Monterrey during the last 100 years. It embodies a tight family-related structure (Vellinga 1989) which influences the economy and social relations in the city. Although some corporate structures still carry family members on their executive boards, the corporate and transnational aspirations of the main industrial groups have permeated to the professionalization of the management level. Their aspirations have somehow been realized, since some of these groups have been transformed into important players operating beyond the confines of Monterrey, Nuevo León, or even Mexico. In this regard, economic groups in Monterrey work at the international level (Pozas 1995).

Monterrey ranks as one of the most productive agglomerations in the country. GDP figures for the federal states show that Nuevo León is pre-eminent in manufacturing and services, maintaining stable developments in these indicators, and with a relative contribution to the national product that ranks high among the states; 6.47% in 1993 (INEGI, 1998) falls just behind the states for Mexico City (D.F. and Mexico state) and Guadalajara (Jalisco). Moreover, while Mexico City is experiencing a decline in the manufacturing sector coupled with an expansion of the service sector, Monterrey is maintaining a high profile as a manufacturing centre (see Figure 3.8 and Figure 3.9). This contrast could be accounted for by the different conditions found in these two cities: while the central metropolises (Mexico and Guadalajara) expanded and benefited during the import substitution years (1960-1980), Monterrey also worked throughout that paradigm, but the ambitions and independence of the private sector made a difference in terms of industrial integration, flexibility, trade strategies, and so forth. In this way, Monterrey became less dependent on protectionism and subsidies authorized by central government as part of the national development policies (Aguilar-Barajas 1990; Garza 1999; Vellinga 2000). The economic elite of Monterrey had a parallel agenda in addition to that of the government in power: an agenda that profited from the development
paradigm in operation, while at the same time establishing a solid position for Monterrey and its industrial conglomerates (or the prominent families of the Monterrey Group) in the economy.

Nevertheless, the changing of the paradigm during the 1980s, the dramatic debt crisis in those years, and the Peso crisis in 1995 had an impact on the national economy from which Monterrey was not spared. The level of employment in the city is very sensitive to economic shocks, and Monterrey’s urban unemployment has moved above the national rate in recent difficult periods.

In the context of liberalization and financial crisis, the recovery of the manufacturing
potential of the city is significant. According to Garza (1996, p. 168): “Monterrey should consolidate its traditional manufacturing specialization by stimulating the development of advanced technology firms while stimulating the development of services to the producer, which are essential to the efficient realization of modern productive processes.” The implication is that, rather than a tertiary revolution, the transformation of the manufacturing base is the key issue in the economic development of Monterrey. Garza also recognizes that this commitment represents a challenge for urban development, and “a need for the appropriate modernization and technical upgrading of the administrative bodies in the metropolitan areas (Garza, 1996, p 168).”

When we consider the impact of the North American Free Trade Agreement (NAFTA), we see that Monterrey is included within the traditional metropolises of the Mexican urban system (Mexico City, Guadalajara, Puebla) rather than being classified as a border city. This is increasingly the classification for the group of cities with dynamic growth and high-level trade relations through maquila operations with firms from the United States. These border cities have been described as the clear winners in the NAFTA, but further analysis has revealed that non-border cities also have a stake in the benefits of NAFTA through the activation of the installed industrial base and traditional clustering practices. Monterrey, being a non-border city (it is located further that 200 kilometres from the border) with a manufacturing base and an established entrepreneurial character, has maintained its position as one of the most dynamic urban economies in Mexico. Analysis of the impacts of NAFTA on the Mexican urban system reveals that Monterrey is the non-border city which
should benefit most, ranking well above León and Puebla, the immediate followers (Richardson, 1994).

**Urban government**

The urban government of Monterrey is highly hierarchic, and has a tendency to fragment. The hierarchical feature is a response to the traditional ways of exercising political power, which in Mexico have been centralized, presidential, and unipolar (Ward and Rodríguez, 1999). The fragmentary feature is a result of the processes of political decentralization and increased representativity at local and regional levels (by way of direct elections). These processes have brought the desired accountability and flexibility to lower levels of government, in line with the objective to modernize the State. However, the processes have also brought a desire to increase decision power (over revenues and expenditures), and have therefore produced a constellation of political groups, interest groups, local authorities, mayors and council members all laying claim to this decision power. These claims include the creation of new municipalities, new state laws for the devolution of functions, and extended taxation powers for local authorities. Since these claims are uncoordinated within the metropolitan area, with different characteristics and reach from one municipality to the next, or from regional government to municipalities, the result is a divergent, fragmented implementation of policy.

Mexico is a federal country which three levels of government: federal government (national level); state government (31 states); municipal government (see Table 3.5). The forms of metropolitan government are not described in the constitution, but planning regulations and infrastructure provision is often coordinated or produced at the metro-level. Traditionally, state and municipal authorities have been fiscally dependent on the federal government, which is typical of a centralized government (Rojas 2000; Ward and Rodríguez 1999). Until recently, State Governors were appointed by the President, an indication of the line of accountability of the post, directed towards central government rather than to local or regional electorates.

In Nuevo León, municipalities are created by the state legislature through a procedure that does not establish any functional criteria based on area, population, or existing utilities (Pineda Pablos 1994). The local government is formed by an elected assembly, which serves for three years. In law, local government is responsible for the provision of several urban public services, although the limited fiscal power of municipalities gives room for the direct intervention of central and state government in infrastructure investment, fiscal support, direct subsidies, and so forth. Local government in Mexico is defined as a public organization accountable to the community it represents, but also as an agent of central and state government action (Ward and Rodríguez 1999).
In Monterrey, there are nine municipalities constituting the Monterrey Metropolitan Area (AMM); they are independent of each other, as is any municipal authority in the country, with its own assemblies and regulations. Despite this independence, the importance and size of the city provides opportunities for coordinated action. On the one hand, there is a demand for metropolitan coordination in the implementation of projects of infrastructure and social programmes, since federal funds and transfers are earmarked by sector and targeted to relevant urban areas. Furthermore, as the capital of the state of Nuevo León, the regional government has an active role in metropolitan issues, since state priorities are often equivalent to urban priorities and so they concern the metropolitan territory of Monterrey.

Monterrey remains within one state. In contrast with such capital cities as Caracas, Mexico City, Washington, or Buenos Aires, there are no conflicting federal entities governing one urban agglomeration. Nevertheless, as mentioned above, the capital of Nuevo León is a metropolis covering at least nine municipalities which differ in size, number of inhabitants, and geographic and socio-economic conditions. These municipalities are: Apodaca, García, General Escobedo, Guadalupe, Juárez, Monterrey, San Nicolás, San Pedro Garza García, and Santa Catarina. In population terms, the most important are Monterrey, Guadalupe and San Nicolás. These local government authorities are entitled by constitutional mandates to provide urban public services, but they provide very little themselves; these responsibilities are largely taken over by the regional (state) and federal (central) governments.

Recently, the decentralization process has given hope and encouragement to the local authorities, to strengthen their fiscal autonomy and take on the complete assumption of their responsibilities. Even so, sensitive elements of local government action, such as land use regulation, building permits, and strategic planning, are still in the hands of the higher tiers of governments, notably the state government (García Ortega 1998).

As in any primate city, the political administrative subdivisions relate to power balances. Land use regulation, physical planning, and infrastructure provision give substantial political leverage to the government authority in charge of the relevant

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**Table 3.5 - Levels of government and distribution of powers**

<table>
<thead>
<tr>
<th>Level of government</th>
<th>Executive functions</th>
<th>Legislative functions</th>
<th>Justice functions</th>
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<tbody>
<tr>
<td>Central</td>
<td>President</td>
<td>National congress</td>
<td>Courts</td>
</tr>
<tr>
<td>Regional (states)</td>
<td>Governors</td>
<td>State assemblies</td>
<td>Courts</td>
</tr>
<tr>
<td>Local</td>
<td>Mayors</td>
<td>Municipal councils</td>
<td>Courts</td>
</tr>
</tbody>
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Source: Garza, 1995

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decisions by way of political clientelism and populism. García Ortega (1998) detected in his study of Monterrey that the legal-administrative framework places decision-making at state and central government level. Local participation and local management is limited in scope, while private urban developers declare themselves satisfied with the regulations and plans made at the levels of government that are accessible to them, and so remain less accountable to the electorate. An indication of the lack of representativeness of the local authorities is that, at between 50% to 70%, the rate of abstentions in local elections has been high since the elections of 1982 (Cervantes Galván 1995) Even if this tendency for abstentions is a result of other political processes taking place in Mexico and Monterrey, it has to be noted that local authorities lack effective control over their designated responsibilities. These have been taken over by other levels of government, mostly central government (Ward and Rodriguez, 1999), so that the political value of municipal posts is low.

All nine of the AMM mayors (intendentes) are obliged to work in coordination under the authority of the governor. Government arrangements in the AMM covering the functional territory are rare, however. There are several institutional arrangements in the planning area that seek coordination: a) a coordination arrangement between the SEDUOP and the municipalities; b) bilateral consultative arrangements between Santa Catarina and San Pedro; c) technical support from SEDUOP to municipal planning agencies. Despite their inclusion, these institutional arrangements remain consultative in nature and lack effective authority on and through the various government agencies they seek to coordinate. Similarly, the scope of functions on which these arrangements operate is often reduced to one element or function (that is, urban public transport coordination, water provision, land use regulations), a situation that makes it difficult to coordinate horizontally to resolve the problems and demands of the metropolitan territory. Basically, the history of metropolitan management in Monterrey tells us that management has been carried out with different goals and through different structures – technical, consultative, or executive – and through particular and ad hoc legal arrangements at different moments in time (Garza et al., 1995).

Councils, mandates. Currently, there are two institutions dealing with metropolitan management in Monterrey, both part of a system described in the Act of Urban Development of the State of Nuevo León of 1991. These institutions are: a) the Commission of Urban Development; b) the Consultative Council of Urban Development. An amendment to this Act in 1993 confirmed these institutions and added a technical institution in the form of the Institute of Urban Studies of Nuevo León (INSEUR-NL), which provided the structure with support and systematic knowledge (Garza et al. 1995). These institutions are mainly political bodies, including members of different levels of government or advisory agencies with little mandatory power, although the subject of their attention is urban management (Davey, 1996). In a broader sense, the centre of their attention is planning issues
regarding land-use regulation, physical planning, building regulations, and so forth. The Commission of Urban Development is responsible for the supervision of city plans, but not for their formulation. If the local authorities do not draw up plans, the commission outlines land use, infrastructure locations, and plot subdivisions, and has a say in the construction of public buildings. The territorial dimensions of the commission are those of the state of Nuevo León, not a metropolitan authority in itself, even though it accumulates a set of responsibilities of strategic value and metropolitan interest. The members of this commission include representatives of the state government, central government, the federal delegation of Petróleos Mexicanos, and the electric power company. It is an open institution by law, since it is expected to invite representatives of relevant social groups, and also other public institutions (Garza et al., 1995).

The Consultative Council of Urban Development is responsible for the formulation of the urban development plan for the state, and also for the regional and city levels of this plan. The Council is also an advisory body associated with the governor’s office. Participants of this council for the AMM are representatives of universities, the commissions of the State Legislature that are related to human settlements and urban development, private sector bodies (industrial sector and urban developers), and trade unions. Commissions convened in other cities in Nuevo León consist of participants selected by the state government.

3.2.2 Conclusion: Institutional issues at Export Cities

The institutional framework of Monterrey makes it clear that, even without the complexity of a capital city, export cities also experience difficulties in coming to governmental arrangements that achieve metropolitan coordination. A combination of new economic opportunities, new government structures, the distribution of power, and shifts in national urban systems has brought about an institutional profile with governments who are uncooperative and whose responsibilities overlap. They are uncooperative, because they need to maximize the devolution of decision making from the upper levels of government. Sharing hard-earned decision power to design revenue and expenditure programmes with other municipalities, or yielding this decision power to shared strategies is difficult to bring about, since local governments tend to see this power they have obtained as their sole prerogative, looking after metropolitan interests in the long run. Through this same mechanism, public services tend to be duplicated and – in the medium term – to overlap each other. Urban government actors (municipalities, one-purpose agencies, regional offices) all have legitimate claims to provide public services to the city, but again, the scale element is understated and there are no strong initiatives to coordinate the provision of services on the metropolitan scale. However, urban governments in cities such as Monterrey are creative and learning-oriented in their institutional development, since these secondary cities are more exposed to a context of change. Such change has been a strong feature in Latin American in the last twenty years,
determined by processes of economic liberalization, decentralization of the State, and increased political participation.

Economic and geographical features reveal that the metropolitan scale is emerging as a tangible component of urban management challenges (Garza, 1999). That is to say, the demands confronting local and regional governments and specialized agencies active in the city’s government are on a metropolitan scale. These demands include adequate public transport to guarantee accessibility, water supply for the whole conurbation to guarantee public health levels, sound urban development to constrain sprawl and land speculation, and the avoidance of urban inequity. These challenges are related to the need for export cities such as Monterrey to acquire and secure their position as important agglomerations within the urban system of their countries, where they are expected to find a position for themselves within the more open and general development strategies. In fact, while capital cities seem to be less affected by the paradigm change reform in Latin America implies, secondary cities need to establish or consolidate their integration with global markets, since they operate with less protection and interference from the capital and central government (Barnes and Lebedur, 1998). Finally, these external factors call for a coordinated form of government within export cities, since the issues of accessibility and living quality add to the performance of these cities in a liberalized context (Hamilton, 2000).

Monterrey is, therefore, a representative case of an export city in Latin America. Monterrey was the second case study of this research; while Caracas represents the capital cities, Monterrey is the counterpart export city. The institutional structure of Monterrey shows interesting developments and changes, and this configuration has provided the opportunity to assess the critical need for urban government structures with a metropolitan need, as the objective of this research states. The analysis of the research is reported when the account returns to Monterrey in chapters 6 and 7.
Notes

1 According to Beaverstock and colleagues (1999, p. 455) the definition of Gamma world cities consists of cities that have global service centres for at least two sectors (the sectors being accounting, advertisement, banking and law) and at least one of those must be a major service provision centre.

2 Taylor (1997) considers for his research the following Latin-American cities: Mexico City, Sao Paolo, Santiago, Caracas, Bogotá, Buenos Aires, Montevideo, Rio de Janeiro, Lima, and Brasilia. With the exception of Sao Paolo and Rio de Janeiro (which together with the capital Brasilia are the most important Brazilian cities) all these cities are capitals of their countries.