PART

06

Urban governance, management and finance

Quick Facts

1. Experience has shown that, on their own, the technocratic approaches traditionally used by urban authorities in Asia have had limited efficiency.

2. The past two decades have seen a broadening of the scope of governance in Asia from being related to the 'business' of government to that the 'process' of governance which involves various stakeholders.

3. Recent constitutional and statutory changes in a number of Asian countries reflect the recognition of the vital role of civil society participation in urban governance, as non-governmental and grassroots organisations demand greater involvement in local affairs.

4. Participatory budgeting leads to improvements in infrastructure, services and accountability, but various elements in Asian urban governance are standing in the way.

5. Many smaller urban settlements are finding it difficult to achieve development goals, due to inadequate financial, human, institutional and legal resources or frameworks, as well as poor political leadership, but national governments tend to ignore their predicament.

6. The emergence of mega urban regions in Asia has posed serious challenges to both urban planning and governance.

7. Urban authorities in Asia would need to spend close to US $10 trillion over 10 years if they were to meet all their requirements in terms of infrastructures and institutional frameworks.

Policy Points

1. Effective, broad-based governance increases cities' contributions to national economic, social and environmental development.

2. Since the highest rates of urban growth in Asia are found in small cities and towns, these must be empowered to manage their own development. Urban governance initiatives should be directed to smaller urban settlements, in the process stimulating development in adjoining rural areas.

3. Well-formulated, well-executed city cluster development schemes can bring a number of benefits, including much-needed employment and integrated urban infrastructure and services.

4. Mixed systems of government are predominant in Asia and are well-placed to bring about more comprehensive planning, mobilize appropriate financial resources, improve management efficiency, and involve the private sector.

5. Mega urban regions in the Asia-Pacific region need new urban planning and governance structures.

6. If urban governance is to be effective and sustainable, devolution of authority and power to urban local governments is needed, along with adequate financial, revenue-raising and human capacities. Decentralization requires central government support to avoid excessive regional disparities within countries.

7. Local governments associations should promote city-to-city ('C2C') cooperation for to support sharing and exchange of lessons learnt and good practices in order to achieve intra-regional learning on sustainable urban development and good urban governance.

6.1
Introduction

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Urban governance, management and finance had been on the policy agenda in the Asian-Pacific region for two decades or so but with the worldwide economic crisis that began in 2008 these issues have taken on a more visible and acute dimension. As governments turned to fiscal stimulus in a bid to kick-start flagging economies (see Chapter 3), the main beneficiaries were none other than cities in the expectation that they would generate substantial multiplier effects. Clearly, this recognition of the major role of cities in national economic prosperity was not unwelcome *per se;* however, it also highlighted the various institutional deficiencies and shortcomings that leave Asian cities ill-prepared to face present and future challenges.

As the ripple effects of the US financial crisis began to spread across the world, the Asian Development Bank (ADB) and the International Monetary Fund had already measured up the amounts of capital expenditure required if the Asian region as a whole was to upgrade both physical and institutional infrastructures to face up to those challenges: it would take US $4.7 trillion over 10 years to meet urban infrastructure requirements, an additional US $1.6 trillion to replace aging infrastructure and another US $3.1 trillion to strengthen institution-building and management capacity (Asian Development Bank, 2008a; IMF, 2008a, 2008b, 2009), or close to US $10 trillion in total.

In recent years, many Asian cities have sought to improve governance in a bid to achieve sustained economic and social development. However, the recent economic crisis has tended to worsen conditions in some cities already plagued by various governance-related woes such as slum and squatter settlements, traffic gridlock, inadequate water supply, poor sanitation, unreliable energy systems and serious environmental pollution. The gated communities of the rich and the ghettoized enclaves of the poor come as dramatic illustrations of an 'urban divide' (UN-HABITAT, 2010a) often characterized as 'a tale of two cities.' Inner cities deteriorate as development moves to outlying areas and results in automobile-induced urban sprawl. Pervasive graft and corruption mar the implementation of many projects. All these problems dent the capacity of urban areas to act as development hubs and call for a vital need for improved governance.

The general concept of governance has evolved over the years. In 1992, the World Bank defined governance as "the manner in which power is exercised in the management of a country's economic and social resources for development" (World Bank, 1992:3). However, the Bank's emphasis on management has been deemed too government-orientated. A few years later in 1995, the Organization for Economic Co-operation and Development (OECD) defined governance as "the sum of the many ways individuals and institutions, public or private, manage their common affairs" (OECD, 1995).

As noted by Cheema & Rondinelli (2005:1), "The fact that people's lives were also shaped by decisions made by individual entrepreneurs, family enterprises, and private firms; by multinational corporations and international financial institutions; and by a variety of civil society organizations operating both within and outside of national territories became more apparent." With this realization, urban authorities recognized the need for a broader understanding of governance, one that went beyond the formal institutional realm of government action. Consistent with this broader concept, the United Nations Development Programme (UNDP) has defined governance as "the exercise of economic, political and administrative authority to manage a country's affairs at all levels" (UNDP, 2003:170).

BOX 6.1: A DECENTRALISED POLITICAL 'SPACE' FOR SUSTAINABLE URBANISATION

Participatory local governance is one of the tenets of sustainable development and to be effective calls for a political 'space' which only decentralisation can provide. Widely different national institutional systems, as can be found in Asia, have long stood in the way of a universal framework, but the efforts deployed by UN-HABITAT since 1996 have finally delivered a well-recognised set of meaningful guidelines. These together provide for the improved coordination which public authorities need if they are to pave the way for more sustainable, inclusive cities and achieve the Millennium Development Goals (UN-HABITAT, 2010a).

As a follow-up to the 1996 Habitat II Conference in Istanbul, UN-HABITAT produced a draft *World Charter on Local Self-Government* modelled on the European Charter on Local Self-Government. The draft set out the rights and responsibilities of local authorities and gave them the stronger role they needed for a more effective implementation of the Habitat Agenda that had been adopted in Istanbul.

Despite the Habitat II call for more decentralised and participatory governance, the draft was met with dissent rather than consensus. Some countries saw it as too ambitious and too inflexible in view of the diversity of national institutional, socio-economic and historical backgrounds. This is why in 2001 member states requested UN-HABITAT to look for a compromise. Those in favour of the draft Charter felt that an international agreement would facilitate the implementation of the Habitat Agenda but they also found that the draft should better accommodate different types of constitutional settings. Opponents called instead for a declaration of principles which would not be as binding as the proposed Charter but would still support what was then known as the 'Istanbul+5' process.

In the meantime, many countries around the world continued their search for viable decentralisation options to improve local democracy and delivery of basic urban services. Experience shows that it takes a lot more than just political will for decentralisation to succeed. A range of actions must be taken in a variety of areas; this includes improved public accountability and political management through promotion of democratic and participatory decision-making arrangements, as well as enhancing the legitimacy and effectiveness of sub-national tiers of government through legal and fiscal reforms and capacity development.

A report on emerging decentralisation trends was commissioned by UN-HABITAT and was discussed at the first World Urban Forum in 2002. Whereas Habitat Agenda partners re-affirmed the potential role of decentralisation (including stronger local authorities, anchoring democracy in developing and transition countries, etc.), they also argued that a determining factor for effective decentralisation is the involvement of central government in the process. With local empowerment an essential building block of national and sub-national democracy, decentralisation becomes a major factor of democratic governance, economic growth and sustainable development at the local, national and international levels.

The next step came in 2003 when the UN-HABITAT Governing Council endorsed a proposal to create an Advisory Group of Experts on Decentralisation (AGRED) with a mandate to (i) examine and review existing policies and decentralisation legislation; (ii) develop principles and recommendations; and (iii) document cases of good practice in support of the international principles and recommendations on decentralisation and strengthening of local authorities.

After a fresh round of discussions at the 2004 World Urban Forum, another dedicated working group was set up the following year. This was when the Governing Council requested UN-HABITAT to identify a number of underlying principles on access to basic services for all which could pave the way for sustainable human settlements as well as enhanced human dignity and quality of life. Now working in parallel, the two groups each developed a set of principles that could be used as common denominators, being derived from existing policies, regulations and frameworks on decentralisation and universal basic services.

UN-HABITAT's efforts culminated when its Governing Council finally endorsed the *International Guidelines on Decentralisation and Strengthening of Local Authorities* in 2007 (see Box 6.8) and the *International Guidelines on Access to Basic Services* in 2009. These two sets of guidelines assist policy and legislative reform at the country level. As such they represent a significant milestone in the agency's efforts to mobilize member states and secure the decentralised political 'space' required for improved delivery of basic urban services and more sustainable settlements.

Source: http://www.unhabitat.org/pmss/pmss/electronic_books/2613_alt.pdf

As for *urban* governance, UN-HABITAT sees it as "the sum of the many ways individuals and institutions, public and private, plan and manage the common affairs of the city. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action can be taken. It includes formal institutions as well as informal arrangements and the social capital of citizens" (UN-HABITAT, 2005:20).

As globalization pervades urban societies, it has become quite obvious that local self-government plays a vital role in any effective democratic politics. UN-HABITAT's Global Campaign on Urban Governance (launched in 1999) is focused on participatory and inclusive governance. UN-HABITAT's Urban Governance Index provides a methodology to assess urban governance practices. When the UN-HABITAT Governing Council adopted a set of International Guidelines on Decentralization and Strengthening of Local Authorities (see Boxes 6.1 and 6.8), its members set out the main principles underlying the democratic, constitutional, legal and administrative aspects of local governance (UN-HABITAT Governing Council, 2007). United Cities and Local Government (UCLG) has also highlighted the importance of urban governance in effective democracy. In its 2008 Global Observatory on Local Democracy and Decentralisation ('GOLD') Report, United Cities and Local Government stated: "local self-government denotes the rights and the ability of local authorities within the limit of the law to regulate and manage a substantial share of public affairs under their own responsibility and in the interest of the local population" (UCLG, 2008:19).

# 6.2
Urban governance and operational structures

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Ever-improving economic and social conditions combine with internal and international migration and the widespread effects of globalization to change the nature of Asian-Pacific urban settlements. Demographic expansion brings more diversity to urban communities, in the process creating more tension and social fragmentation. At the same time, this expansion enables economies of scale and agglomeration with productive concentrations of capital (human, financial and physical) and larger markets for goods and services –

what is known as the 'productivity of social diversity.' The importance of social diversity and its role in productivity has, in turn, generated ideas and policies designed to enhance 'inclusiveness' in urban governance (Stren, 2001; Stren & Polese, 2000; UN-HABITAT, 2010a).

Urban authorities in the Asian-Pacific region have traditionally relied on operational structures and processes such as city and regional plans, zoning codes, regulations and standards, financing schemes, proper personnel management and the use of performance evaluation and audit methods for
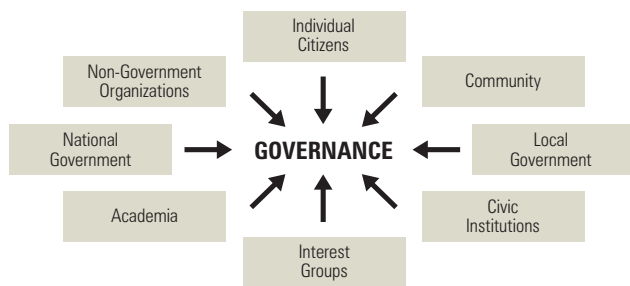
Source: Laquian (2005:109)

the sake of cost-effectiveness and accountability. However, experience has shown that technocratic approaches, by themselves, had limited efficiency in urban areas for two main reasons: (i) the informal sector makes a significant contribution to local economies, and (ii) urban authorities are chronically short of capital and operating funds. In recent years, urban authorities have greatly benefited from the participation of citizens, business, community and other civil society groups that have become actively involved in the governance process (World Bank, 2009; ADB, 2008b).

6.2.1 The stakeholders in urban governance

"Governance of human settlements in Asia today involves multiple actors and stakeholders, interdependent resources and actions, shared purposes and blurred boundaries between the public and the private, formal and informal, and state and civil society sectors. The active involvement of these varied actors in governance indicates a greater need for coordination, negotiation and building consensus." UN-HABITAT (2001)

Consistent with the shift to a broader scope, governance is now recognized as involving much more than the business of *government* which focuses mainly on the way formal institutions operate. The definition of urban governance has more recently been broadened to include "the critical role played by organizations in urban civil society where formal structures are weak and unable to provide basic services" (McCarney *et al.*, 1995; Laquian, 2005). As pointed out by McCarney *et al.*, (1995:95), "urban governance is concerned with the relationship between civil society and the state, between rulers and the ruled, the government and the governed."

Recent constitutional and statutory changes in a number of Asian countries reflect the recognition of the vital role of civil society participation in urban governance. In India, the 73rd and 74th amendments to the Constitution have done more than decentralizing authority and devolving power to local government units: they have also specified the roles to be played in governance by grassroots or community-based organizations, women's groups, the urban poor and

various emanations of civil society. In the Philippines, the 1987 revised Constitution upholds the right of community-based, non-governmental, and sector-based organizations to become directly involved in governance, enabling people, within the extant democratic framework, to pursue and protect their legitimate and collective interests and aspirations through peaceful and lawful means (Art. XIII, Section 15). In Pakistan, the law reorganizing urban authorities grants a formal role to non-elected members of the public: 'Citizen Community Boards' are empowered to spend one fourth of budgets on community needs. In Thailand, the Constitution Act of 1997 prescribes the establishment of local personnel committees with representatives not only from government agencies, but also "qualified persons" from local populations. The Thai Constitution (Art. 286 and 287) also grants citizens the right to recall votes when elected officials are not trustworthy (Amornvivat, 2004). In India, the infrastructure funding programme of the Jawaharlal Nehru Urban Renewal Mission (JNNURM) requires state governments to embed citizen participation in legislation (GoI, 2009).

A diagram used by UN-HABITAT's Urban Management Programme in its training materials lists eight main stakeholders in urban governance (Figure 6.1). Their mutual interactions enable urban societies to evolve consensus, formulate and enforce laws, adopt and enforce regulations, and legitimately manage urban affairs for the sake of justice, welfare and environmental protection.

- *Local Governments,* as part of their legislative, executive and judicial functions, promulgate, execute, finance and evaluate public programmes or policies. At the same time, local authorities rely on the public for inputs in policymaking and feedback on outcomes and performance.
- C*ivic Institutions* help secure consistency between particular concerns and the more general, public interests they typically advocate, and also assess and monitor performance. They augment government resources through voluntary efforts and resource mobilization in support of public programmes.
- *Interest Groups,* including the *Business Sector* and *Labour/Trade Unions* pursue more narrowly focused objectives that also contribute to public welfare. Private sector participation in the financing, operation and management of urban infrastructure and services has become a critical element in urban governance. As for labour unions, they stand for equity and social justice in the allocation of the benefits arising from public policies and programmes.
- The *Academic* community is an excellent source of research-based policy analysis that methodically assesses the effects and impact of specific public actions. Academic research also contributes to good management and governance, including with experimental pilot projects before these are mainstreamed in public programmes.
- *National governments,* on top of maintaining public order and the conduct of foreign affairs, can levy taxes, a prerogative that can be shared with local government units. Effective, strategically sound decentralization and

devolution has a crucial role to play in urban management and governance.

- *Non-governmental organizations* are voluntary groups that represent special interests based on issues, group affiliation, geographic areas and other fields. They act as advocates for specific causes and influence the formulation, adoption or implementation of public policies that help make urban areas more sustainable.

- *Individual citizens* exert their own influence on urban management and governance through participation in elections, plebiscites and referendums. They also evaluate how public programmes positively or negatively affect their lives, and use the media or civic action to make their voices heard and their influence felt. Although citizens may appear powerless as individuals, they can exert direct influence on local government when they are organized and mobilized around specific issues.

- Active participation of individuals organized at *Community* or grassroots level is the basis for peoples' initiatives, especially when regrouped in community-based organizations (CBOs). The community level is where public interests are best formulated, as citizens tend to be more aware of local conditions and local leaders in a better position to heed their demands, with human and material resources mobilized in the pursuit of common goals. Community-level stakeholders can also monitor and evaluate governance, ensuring better efficiency and equity.

The above-listed eight types of stakeholders in urban governance are crucial to economic, social and environmental sustainability in urban areas, to which they contribute in the following ways:

- Individual citizens, interest groups and communities, together with civic institutions, the academic community and non-governmental organisations, make possible the accurate identification of peoples' needs and requirements through interest aggregation and expression which can guide public authorities when devising policies and programmes, facilitate monitoring and evaluation, and promote transparency and accountability. Civil society can act as a two-way channel, including for feedback about the nature and performance of public policies and the need for any changes.

- Local and central governments are guided by grassroots participation in the formulation, implementation and evaluation of those policies and programmes designed to achieve common societal goals.

- Good urban governance enhances direct or indirect involvement of communities and various sectors of society in government affairs, which contributes to democratic decision-making.

- Active involvement of individuals, communities, interest groups, civic institutions and non-governmental organisations in urban governance facilitates the collection and allocation of resources in a fair, equitable and inclusive manner.

- Good urban governance comes hand in hand with agreed, appropriate ethical standards of behaviour and performance for holders of public office.

As sections 6.2.1 to 6.2.4 in this chapter show, many urban authorities in Asia have undertaken to reform local management and governance. For all these efforts, though, these authorities remain confronted with a number of critical problems. Effective governance structures and institutions may well be conducive to participation, but they do not always support the principles of broad-based governance. The management of urban services suffers from lack of coordination, as functionally orientated central government departments compete with geographically truncated local/urban authorities. Formal government programmes come into conflict with the interests of people living in informal settlements because administrative and legal reforms are not effectively adjusted to grassroots realities. Central-local relationships also need reviewing in order to facilitate broader participation in governance.

Another problem with urban governance is that it often fails to take into account informal stakeholders, although these play a significant role in community life. The urban poor living in slum and squatter settlements, and more particularly street vendors, waste pickers and people in other informal sector jobs, have become organized and can wield considerable political influence; to borrow UN-HABITAT's finding in connection with 'the urban divide' (2010), informal business associations can contribute to political inclusion. The reverse side of this welcome phenomenon cannot be ignored, though: organized crime syndicates become a *de facto* government in some low-income settlements, especially when they enjoy the support of corrupt government officials or civil servants (Aliani *et al.*, 1996).

Those intent on reforming municipal governance often overlook the class-based nature of urban society. City dwellers can be broadly divided into a small elite group, the middle classes, and the poor. Often, the ruling classes wield the most power because they are better organized, control greater economic resources and have better access to communication channels than other groups. As noted in UN-HABITAT's report *State of the World Cities – Bridging the Urban Divide* (2010:90), "The markets for land, basic services and labour are skewed in favour of private interests, enabling these to claim more than their fair share [and causing] massive displacement [...] to the detriment of the habitats and livelihoods of the poor." The urban poor hold the least degree of power although in recent years they have become better organized and in some cases, have been able to influence elections and thwart proposed forced eviction by public authorities. The middle classes are best placed to become politically engaged and in some Asian cities have become the moving forces behind the non-governmental and community-based organisations that have spearheaded much-needed governance reforms (ESCAP, 2002).

6.3
The principles of urban governance

▲
Yangon Town Hall, Myanmar. **©Bumihills/Shutterstock**

The cardinal principles of urban governance include responsiveness to the public's needs and demands, as well as accountability of decision-makers. Responsiveness goes hand in hand with the principles of participation, transparency and the pursuit of consensus, while accountability is linked to the rule of law, effectiveness, efficiency and equity (UNDP-TUGI, 2003). In most Asian-Pacific cities, the population can participate in the performance of public functions such as elections, the budgetary process and reviews of public actions. UN-HABITAT suggests further indicators of participation in urban governance such as: (i) formation of civic associations; (ii) number of people's forums; (iii) voting turnout in local elections; (iv) direct election of mayors; and (v) direct election of city councils. Monitoring of these indicators in a number of Asian countries, including Mongolia and Sri Lanka, measures progress made in urban governance (UN-HABITAT, 2005).

Practice so far shows that the process of urban governance requires more than formal adherence to government procedures. As the agenda of the UN-HABITAT Global Campaign on Urban Governance plainly states, "Governance is not government." Indeed, and as suggested above, governance is a more complex process that calls for active involvement from various stakeholders, including business and the public.

6.3.1 Participation and representation

Historically, central governments in the Asia-Pacific region have dominated local agendas. With ever more complex urban conditions and pervasive globalization, however, grassroots and special-interest groups as well as non-governmental organizations have demanded greater participation in local affairs. They have taken to campaigning in favour of causes like social justice, environmental protection and preservation, equitable gender roles, alleviation of poverty and other social causes. During the 1970s and 1980s, governments in countries like Indonesia, the Philippines, the Republic of Korea and Pakistan sought to restrict civic participation. These regimes have not survived, though, and strong-armed rule by leaders like Suharto in Indonesia and Marcos in the Philippines has collapsed (Douglass, 2005).

A comparative study of 15 countries in the Asia-Pacific region has identified almost a dozen techniques of participatory urban governance (ESCAP, 1999). The most direct form of participation is through local elections, referendums, petitions and attendance at committee meetings. In India, mission-specific non-governmental organizations have concentrated on advocating and fighting for developmental or remedial issues. They also use the mass media to campaign for specific

Elections in the Philippines, May 2010. **©Tony Magdaraog/Shutterstock**

reforms. Urban residents in Indonesia have become directly involved in the 'bottom up' planning process that brings up local concerns. In China, direct participation has taken the form of community consultation and dialogue with local officials. In the Republic of Korea, urban dwellers have come up with frequent demands for audits of, and investigations in, government programmes. In Thailand, the government has set up a "court of governance" which citizens can turn to in order to resolve conflicts with public authorities.

While local elections generally ensure public participation, the fact that the smallest municipal authorities generally lack resources to pursue public programmes acts as a major hindrance. The reverse can also happen: in China, central government has seemingly devolved authority to urban local governments while at the same time maintaining its grip on real power. Elections have been held in Chinese villages since November 2001 in a bid to eradicate local corruption. The central government decided, however, that no such open elections were to be held at the township, prefecture or higher tiers of government. The officials who framed the decentralization law merely expressed the hope that "as experience is gained with democracy at the bottom, similar elections will be required at the far more significant levels of the township … and gradually move up the ladder to provincial and national levels" (Eckholm, 2001:20).

In some Asian-Pacific cities, mass protests and demonstrations have been used by the population as participatory instruments. The "people power" revolutions in the Philippines have found echoes in similar waves of protest in Indonesia, the Republic of Korea, Thailand and other Asian countries. On top of these, pro-reform movements have exposed cases of graft and corruption in the mass media. Other major causes taken up by the public included affordable housing, employment,

welfare services and greater social justice for the urban poor. Civil society groups have campaigned for gender equality and environmental protection. In almost all Asian cities, thousands of community-based organisations and other civil society groups have taken up causes and exerted political pressures on power holders.

Participatory policymaking has recently been introduced in a number of Asian cities. In India, under the 1992 Constitutional Amendment Act, state governments must make sure that municipal councils are more representative with at least one-third of all seats reserved for women. In Pakistan, recent reorganization efforts have introduced a three-tier metropolitan governance structure in Karachi, including Citizen Community Boards, in order to encourage more participatory governance (see 6.2.1 above and Box 6.2).

Some Asian governments have deployed 'accommodating' policies that include marginalized groups in governance. In Kuala Lumpur and Quezon City, urban authorities have refrained from arresting sidewalk vendors and confiscating their goods, and instead build kiosks for them in legally sited areas, complete with water and sanitation facilities. In Bandung, Bangkok and Manila, community-upgrading programmes now provide housing and basic services *in situ,* rather than evicting squatters and slum-dwellers (except those occupying dangerous and disaster-prone areas). Most low-cost housing programmes for the urban poor in Asian cities now include clear provisions for self-help, mutual aid and co-financing, tapping the resources of the urban poor themselves in a bid to augment limited government resources through so-called 'enabling' strategies. A statute in the Philippines prohibits eviction of squatters or slum-dwellers unless they are relocated to a new site with acceptable housing and urban amenities (see the section on evictions in Chapter 4).

Inevitably, political leaders or activists on occasion have manipulated participatory governance for their own ends. For example, some public authorities have co-opted a number of non-governmental organisations as auxiliaries of political party machines, turning them into 'government-controlled non-governmental organisations' ('GONGOs') when not creating them from scratch. In Kolkata, a political party known as the Left Front has been accused of using its campaign in support of informal street vendors in a so-called "Operation Sunshine" that aimed at evicting homeless people living on the pavements. According to one researcher, the Left Front has actually cleared land to make way for land subdivisions for the middle classes (Roy, 2002).

6.3.2 Participatory budgeting

Participatory budgeting, whereby ordinary residents decide local resource allocations among competing items, has been quite late in coming to the Asia-Pacific region but it is gaining in popularity. The process originated in Porto Alegre, Brazil, in 1989. In a bid to involve low-income people and civil society groups in governance processes, the city empowered neighbourhood, district and city-wide groups and associations to elect budget delegates who identified spending priorities and decided which items should be implemented and funded. A participatory budgeting cycle was instituted whereby specific steps in the process were carried out at designated times over the course of the year. Evaluation found that participatory budgeting increased the numbers of desired outputs, raised the quality of public services and improved both transparency and the accountability of local officials.

In Indian cities, a number of civil society groups have engaged in analyses of state budgets, prepared budget briefs and influenced local legislators to allocate more resources to programmes that benefit poor and underserved communities. In Pune, the municipal authorities enabled both the citizens and city officials to submit requests for projects. In 2006 and 2007, the process was refined and members of self-help groups in low-income communities received specific training. In 2008 and 2009, the participatory budgeting exercise was extended to residents at the ward level. For example, in one ward where the collection, sorting and selling of solid waste was the main source of income, a rag pickers' professional group helped municipal authorities devise a budget that allocated funds for the construction of sorting sheds. In other municipal wards, residents participated in the formulation of budgets for the construction of bus stops and municipal markets, together with the allocation of designated zones for street vendors (Janwani, 2010).

In Indonesia and Pakistan in 2005-06, the Asian Development Bank provided training programmes in participatory budgeting in those locations where community consultation was explicitly required for formulation and voting. Because participatory budgeting was a new concept, the pilot projects involved preparation of training and instruction materials as well as expert technical advice. In the Pakistani pilot scheme, the government required that at least 25 per cent of development funds be set aside for projects proposed by Citizen Community Boards (Ahmad & Weiser, 2006).

In Indonesia, the government has set up an elaborate system of public consultation meetings that starts in villages and continues to the district level. The objective was

"enhancing civil society's awareness of resource allocation and the budgeting process and their actual involvement in the budget decision-making process" (Ahmad & Weiser, 2006). Advocates of participatory budgeting anticipated that through informed and constructive engagement, public service delivery would become more responsive to the needs of the poor.

Experience in Latin America shows that participatory budgeting leads to direct improvements in urban infrastructure and services such as water connections, clinics and schools, and therefore improves conditions for poor and marginalized groups. The large numbers of participants involved have a cumulative effect as they encourage even more citizen involvement. In fact, the experience in Pune, where the rag-pickers association were directly involved in budgeting, demonstrates that direct community involvement has the capacity to reverse policies and programmes which otherwise would have adversely affected the lives of the urban poor (UN-HABITAT, 2006).

The Asian Development Bank's pilot projects in Indonesia and Pakistan showed that although participatory budgeting has achieved largely similar results as in Latin America, some elements in Asian governance called for remedial measures. In Indonesia and Pakistan, for instance, municipal technical staff tended to dominate the budgetary process. Although local consultations were nominally open to all citizens, community leaders and local politicians tended to be the main participants. As a result, the tendency was to go for projects that mainly benefited specific groups. The interests of the poor and marginalized groups were upheld only when vocal civil society and other non-governmental organisations championed their own causes (Ahmad & Weiser, 2006).

6.3.3 The mechanisms for accountability and transparency

Two of the most serious governance problems in Asian-Pacific cities are how to enhance the transparency of public decision-making and how government officials can be made more accountable for their actions. Although legislation formally enhances transparency and accountability, corruption remains a serious issue in many Asian countries. As described in the *Urban Governance Toolkit* published by UN-HABITAT in 2004, corruption takes a number of forms, including bribery, embezzlement, theft, fraud, extortion, abuse of discretion, favouritism, nepotism and patronage (UN-HABITAT & Transparency International, 2004). Moreover, corruption is detrimental to the poorer segments of the population (UN-HABITAT, 2010a).

Many reasons can be given for the persistence of corruption in Asian cities. The more widespread are the following: (i) low pay for local officials; (ii) as in some more developed countries, the high costs of elections entice politicians to recoup expenses through corruption; (iii) faulty administrative methods (especially in procurement) can be manipulated for private gain; (iv) strong influence of family and kinship ties and other particular affiliations; and, (v) vague or overly complex rules or regulations give too much discretionary power to local officials (Kidd & Richter, 2003).

Faced with these problems, central governments and urban authorities in Asia have managed to improve transparency and curtail graft and corruption. Research has shown that in Hong Kong, China, one of the main reasons for corruption was the overly complex and cumbersome public procurement procedure. Each successive step in a tender was perceived as an opportunity for discretionary decisions, and therefore for corruption. Subsequently, streamlined procurement procedures have had a restraining effect on corruption. Hong Kong, China, has also set up an Independent Commission against Corruption with strong powers to punish erring officials (Wong, 2003). In Singapore, the certainty that corrupt acts, once discovered, are promptly and severely punished have also served to rein in corruption (Ali, 2000). In general, experience has shown that the most widespread anti-corruption strategy (and more specifically with regard to bribery, embezzlement, theft, fraud, extortion or abuse of authority) is to turn it into a criminal offence.

On top of combating corruption, some urban authorities in Asia have pursued various approaches to improve transparency and accountability. For example, the 'City Managers' Association Gujarat' has adopted a Code of Ethics to guide members in their daily routines. A major provision in the Code is an affirmation of the importance of keeping the community informed about municipal affairs. Members of the professional group encourage communication between citizens and all municipal officers. Another important item in the code is an assurance that municipal officials will not seek favour, and will not use insider information or other benefits of office to secure personal advancement or profit (UN-HABITAT & Transparency International, 2004).

As part of its Global Campaign on Urban Governance, UN-HABITAT has launched a more wide-ranging initiative in favour of accountability, participation, equity and effectiveness in urban governance, which takes the form of the 'Urban Governance Index' (UGI). Technically, the index can be described as an advocacy and capacity building tool with which citizens can monitor the quality of urban governance. In Asia, the index has been applied in Mongolia and Sri Lanka. The extent to which an urban authority genuinely seeks to enhance accountability can be assessed through specific actions such as: (i) setting up an Anti-Corruption Commission; (ii) establishing facilities that receive complaints from the public; (iii) requiring public officials to disclose incomes and assets; (iv) adoption of a code of conduct for public officials; (v) establishing systems for independent audits of public transactions; and (vi) formal publication of contracts, tenders, budgets and accounts (UN-HABITAT, 2005).

In Pakistan, the Karachi Water and Sewerage Board has adopted an "Integrity Pact for Transparency in Public Procurement Procedures", which includes a formal no-bribery commitment by all bidders for the Board's projects. In case of averred bribery, sanctions are immediately meted out against erring bidders or officials. The Karachi Board blacklists individuals or companies found engaged in bribery.

▲
Leh, India. Information and Communication Technologies have enabled even remote cities to inter-connect. ©**Think4photop/Shutterstock**

Similarly, in Guishan-e-Iqbal Town, Karachi, a system known as 'OPEN' (for 'Online Procedures Enhancement for Civil Applications') has been introduced through a memorandum of understanding between the Mayor and non-governmental organisation Transparency International; the scheme enables the public to monitor the process of applications and public procurement through the Internet. The system requires officials to input the date and time of each application they handle, which can be openly viewed in real time. This transparent method eliminates the need for personal contact with officials and prevents payment of so-called "express fees" to hasten procedures. At the same time, the scheme helps prevent delays in project execution (UN-HABITAT & Transparency International, 2004).

In many Asian countries, a strong and vocal press has not only enhanced transparency but also restrained corruption. However, rent seeking among some media professionals has had the reverse effect on occasion, although others stand out as defenders of the truth. In India, Indonesia and the Philippines, investigative journalists have been instrumental in exposing corruption cases that have resulted in the indictment and imprisonment of some officials.

Civil society activism has also forced local authorities to become more transparent and accountable. The role of civil society in development is now apparent not just at the local but the national levels, too (Sen, 1999). At the 14th summit of the Association of South-East Asian Nations (ASEAN) in Bangkok in March 2009, the heads of 10 member countries signed a regional charter that agreed to establish a rules-based entity largely similar to the European Union by 2015. Three member countries of the Association (Indonesia, the Philippines and Thailand) have fully recognized the role of civil society in governance, especially in the opening up of government processes and the active participation of civil society groups in decision-making (Macan-Markar, 2009).

6.3.4 New technologies and e-governance

Recent advances in information and communication technologies (ICT) in the Asia-Pacific region have had significant effects on urban governance. This is particularly true in India where it has been said that "the ubiquitous computer mouse has become revered as the vehicle of Lord Ganesha – the remover of all obstacles" (Data Quest CIO Handbook 2009, 2009:12). In India during the 1970s, electronic ('e') governance efforts focused on in-house applications of computers by government departments for the purposes of economic and social planning, fiscal monitoring, census, elections and tax administration. In the 1980s, the

country's National Informatics Centre undertook to link all district headquarters in an inter-connected national grid. In the early 1990s, the new technologies were used to involve the private sector, non-governmental organizations and civil society groups in governance. India's e-governance efforts have received support from international agencies like the United Nations, the World Bank and private companies specializing in the new technologies.

Many local authorities in India have by now introduced computers and the Internet in governance systems. For example in Delhi, municipal authorities have improved transport management with an automatic electronic vehicle tracking system. In Mumbai, urban authorities run an online complaint management system to elicit immediate feedback from the public. Bangalore has introduced a Fund-Based Accounting System that makes the city's quarterly financial statements available online. This direct monitoring answers taxpayers' queries about the way their monies are spent (Data Quest CIO Handbook 2009, 2009).

Other micro-level applications of computers and the Internet with regard to governance include payment of municipal charges, property assessment, tax collection, police operations, on-line response to public enquiries, electronic libraries, handling complaints and grievances, as well as information collection and dissemination campaigns. The new technologies have also enhanced efficiency with the shift away from manual paperwork, enabling a significant degree of services consolidation. The most visible example of this is the creation of 'single windows' or 'one-stop shops' (such as those advocated by UN-HABITAT (2010b) for urban youth inclusion) (see Chapter 3).

In Malaysia in 2002, the Ministry of Housing and Local Government instructed all local authorities to use computers and the Internet for the purposes of public transactions. That same year, the Government issued the Malaysian Government Multipurpose Card (known as 'Mykad') to facilitate business between citizens and public authorities. The single smart card was introduced initially in the "Multimedia Super Corridor," a 15 by 50 km high-technology incubation centre focused on Cyberjaya, a formal, planned township created in 1997 south of Kuala Lumpur. The town has since then been integrated with Malaysia's forthcoming new national capital, Putrajaya, which is overtly designed as a 'city of the future'. So far in Malaysia, e-governance has been applied to most government functions. For example, public procurement is conducted through *ePerolahan,* an online tender service for suppliers. Taxpayers are also able to file their tax returns online and have all their documents stamped by using a Mykad. Information and communication technologies have even been applied to the operations of the Malaysian judiciary system, with automation of court records, decisions, rules and precedents (Government of Malaysia, 2009).

Although these new technologies are becoming widespread in Asia, their application to e-governance is running against a number of issues. First among these is *equity,* marked by the wide gap among citizens (and geographical areas) in terms of access to modern means of electronic communication (the 'digital divide'). Most low-income urban dwellers do not own, or lack ready access to, computers, let alone telephones, radio sets or other communication equipment. In India, for example, states and cities differ widely for access to telephone services ('teledensity'), with just under 27 telephones per 100 people in Delhi in 2003, compared with 1.32 per 100 in Bihar, for instance. As for Internet connectivity, the International Telecommunications Union estimated in 2001 that bandwidth availability in India was at 1,475 megabits per second, as compared with 2,639 in Singapore, 5,432 in Republic of Korea, 6,308 in Hong Kong, China, and 7,598 in mainland China (GoM, 2009).

A second obstacle to effective e-governance is *interoperability* among the vast variety of information and communication systems available. In 2007, the Asia-Pacific Development Information Programme of the UN Development Programme (UNDP) released three publications recommending a road-map with a Government Interoperability Framework (GIF) based on flexible and universally comparable technologies focusing on good governance. As noted in the report, "All too often, today's e-government deployments can resemble a hand-stitched patchwork of incompatible ICT solutions rather than flexible and reusable assets that provide essential building blocks of services for citizens" (UNDP Asia-Pacific Information Development Programme, 2007:18). Based on the collaborative work of 14 governments that reviewed existing e-government systems, the report recommended the adoption of new guidelines to achieve interoperability based on an International Open Source Network.

A third issue related to e-governance is *security* as applied to dealings with public authorities. As in other parts of the world, people in Asia are often leery of relying on information and communication technologies for confidential business like taxes, bills and other functions. With widespread public concerns about computer hacking, identity theft and the use of the new technologies to carry out various forms of scams, safeguarding the security of relevant systems is a high priority among citizens and urban authorities in Asia.

While a number of Asian countries are still at early stages of e-governance, prospects for the application of information and communication technologies to public processes are quite favourable. This two-way process facilitates public participation in government decision-making as well as public authorities' responsiveness to civil society needs and demands. The ability for people to air grievances online has the potential of curbing petty graft and corruption. The efficiencies achieved via information and communication technologies in tasks such as collecting taxes, paying local bills, purchasing goods and services, and other routine and repetitive business have become widely acknowledged. If the role of new technologies in e-governance is to be further enhanced, however, Asian cities must build adequate capacities through appropriate staff training and well-chosen technical platforms and systems. Advocates of e-governance also stress that, when setting up systems, the emphasis should be on governance applications (software) rather than electronic components (hardware).

6.4
Types of urban governance systems

Makati City, Philippines. **©Jonas San Luis/Shutterstock**

Some national governments in Asia take a federal form but almost all operate in a highly centralized way. This feature can be traced to imperial history (Japan and Thailand), Western colonial experience (Indonesia, Malaysia, Myanmar, the Philippines), both imperial history and colonization (Bangladesh, India, Pakistan), or socialist ideology (People's Republic of China, Democratic People's Republic of Korea, Lao People's Democratic Republic, Socialist Republic of Viet Nam). In highly centralized Asian states, urban authorities are heavily dependent on national government resources.

Before some Asian countries became independent nation-states, they were ruled by autonomous, indigenous local authorities; after independence, these became subservient to central governments, which grant them only limited powers. Even the election of local officials is dominated by

central government parties and figures. In socialist countries, the communist party apparatus strengthens the hold of the national bureaucracy. Residents elect leaders at the lowest tiers of government but central and provincial governments appoint officials at intermediate local levels.

In general, Asian urban governance systems involve autonomous municipal corporations, metropolitan bodies and central government. Also involved are smaller local government units like districts, regencies, prefectures, cantonments and neighbourhood councils, but these are usually in a state of functional and other subordination under constitutional provisions or legislative statutes. Municipal governments are usually governed by charters that specify their objectives, territorial scope, structure and functionalities. Metropolitan entities may be created by municipal bodies in a bid to create region-wide federations, or alternatively they can be imposed by higher tiers of government. Central government is usually in charge of the areas where national capital cities are located (e.g., the Kuala Lumpur federal territory in Malaysia and the Bangkok Municipal Authority in Thailand).

6.4.1 The governance of towns & smaller cities

The emergence of very large cities in Asia, especially national capitals like Bangkok, Dhaka, *Jakarta Raya* (i.e., Greater Jakarta) and Metropolitan Manila has tended to focus the attention of policymakers on mega-city problems (Douglass, 2005). This exclusive preoccupation has been to the detriment of the development problems of smaller cities and towns. This is a serious oversight, because demographers have consistently documented the fact that smaller human settlements in Asia are growing at a much faster rate than mega-cities (United Nations, 2008).

In general, smaller urban settlements in the Asia-Pacific region face many problems such as lack of authority and power to deal with local issues, poor infrastructure and services, inadequately trained staff, a limited tax base, and heavy reliance on higher tiers of government for financial assistance. For all the efforts at decentralization and local autonomy, most municipal officials are vested with only limited authority and power, and any effectiveness they may have is a function of linkages with national legislative or executive bodies, including government departments. In almost all Asian-Pacific cities, governance structures include a policymaking body such as a town or city council and an executive arm like a mayor. However, because of the dominant power and influence of central governments, holders of those policymaking or executive functions are often mere appendages of individuals or groups at the national level.

A critical factor in the governance of towns and smaller cities is the inability of urban authorities to raise financial resources through taxation, borrowing, collecting user charges for urban services, or levying fees and fines. On paper, some decentralization schemes make fund allocations to urban authorities mandatory. In the Philippines, for example, the

Local Government Act of 1991 entitles local authorities to 40 per cent of the internal revenue they generate, and in Thailand, the Decentralization Act of 1999 mandated that by 2006, locally derived revenues should contribute at least 35 per cent of total local authority resources. In practice, however, central government fund transfers are subject to arbitrary decisions by national officials. Local leaders who do not belong to the political party in power or incumbent administration often find it a challenge to have their specified shares of funds released. Central government officials may use lack of funds as an excuse, or raise nit-picking questions about the documentation submitted by local officials to delay release. This makes central government fund releases unpredictable, which, coupled with the lack of local revenue resources, does not put local government officials in a good position to devise realistic fiscal plans.

Another serious problem is the inability of smaller towns and cities to attract and hold on to professional managers and technical personnel, who tend to see local government positions as mere stepping stones on their way to better careers, and pay, in larger cities or central government. The fact that elected local officials often wield more authority or power also serves as an enticement for administrators to run for elective political office.
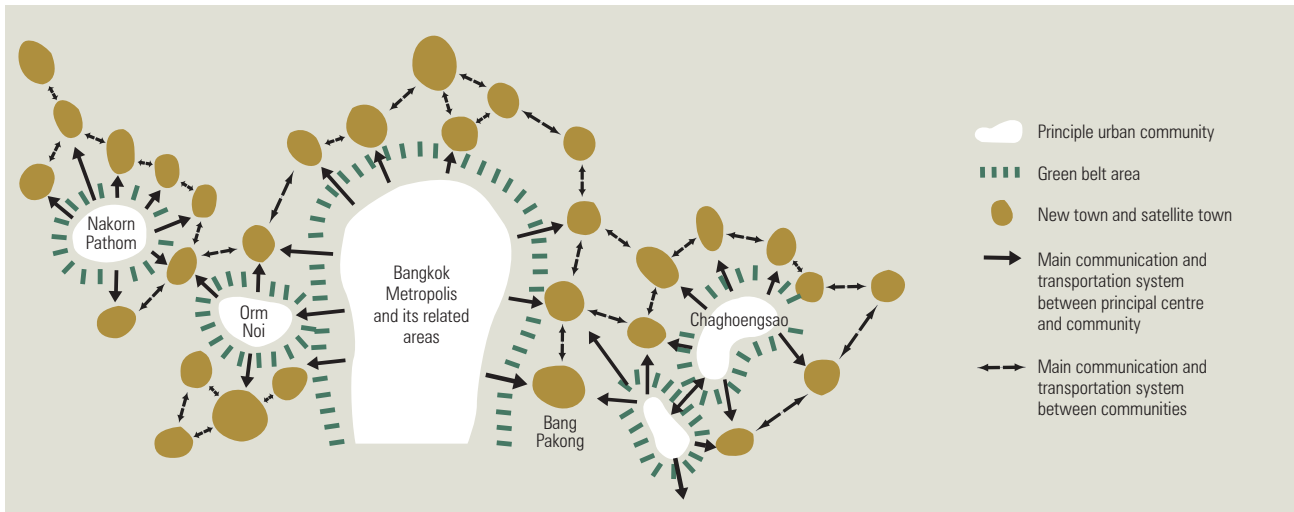
A variety of elements make it more difficult for many smaller urban settlements to achieve development goals: inadequate financial resources, limited professional and technical staff skills or abilities, traditional political leadership, antiquated institutional governance structures and outdated (often colonial) legal frameworks. National government officials often pay limited attention to the plight of smaller cities. National officials seem to be concerned about smaller urban settlements only at election time when local votes are needed. Even international financial institutions that might be willing to assist smaller urban authorities may be precluded from extending loans in the absence of sovereign guarantees, which central governments are reluctant to provide. For these and many other reasons, most towns and smaller cities in Asia are not able to live up to their developmental potentials. This has serious implications for their capacity to serve as development hubs with positive spillover effects for adjacent rural areas.

6.4.2 City cluster development

"Despite the fact that mega-cities in Asia are getting most of the attention of policymakers and development specialists, the highest rates of urbanization in the region are actually occurring in small and medium-sized cities where problems of planning and governance are more acute. The ADB, therefore, sees city cluster development as an appropriate instrument for enhancing development in smaller urban settlements." Asian Development Bank (2008d).

City cluster development (CCD) promotes the potential of cities and towns within a single urban region through strategic links with a combination of urban infrastructure and services as well as innovative financing schemes. Drawing the

Principle urban community

Green belt area

New town and satellite town

Main communication and transportation system between principal centre and community

Main communication and transportation system between communities

Nakorn Pathom

Orm Noi

Bangkok Metropolis and its related areas

Chaghoengsao

Bang Pakong

Source: Laquian (2005:171)

▲

Bangkok, Thailand. **©Vichie81/Shutterstock**

lessons of cluster-based economic and industrial development as a way of enhancing the competitiveness of certain areas where resources are concentrated, the Asian Development Bank has adopted the approach as an integral part of a long-term strategy designed to reduce poverty through "inclusive development and growth promoting activities." The Bank believes that well-formulated and well-executed city cluster development schemes can bring a number of benefits, including the following:

- Deployment of integrated urban infrastructure and services over whole city-regions, rather than confined to individual towns and cities.
- Availability of financial and other resources to develop urban clusters, with common taxation standards and operations, improved credit ratings and more equitable tax burdens among cities and towns in any given cluster.
- Better opportunities for attracting private sector participation in area-wide development projects, especially those focused on urban infrastructure and services.
- Improved capacity to deal with urban problems like environmental pollution, health, flooding and others that ignore political boundaries.
- Inclusive development that integrates both urban and rural areas in a region (ADB, 2008d:15).

The cluster approach is based on the seminal work of Porter (1990:26) who, from a business-orientated perspective, saw clusters as "groups of companies and institutions co-located in a specific geographic region that are linked by interdependencies in providing a related group of products and/or services." Following Porter, a number of development experts have expanded the concept as a form of economic development strategy focused on business clusters.

The methodology can give rise to planned development of clusters of towns and small cities or urban authorities located close to a large city within a metropolitan region. The development of the Bangkok-centred region shows how the cluster process can help plan mega-city expansion. Since 1855, the capital of Thailand has grown rapidly on the back of agri-food and manufacturing industries. In the 1960s, municipal authorities launched the Greater Bangkok Plan 2000, which envisioned a city of 6.5 million spreading over 820 sq km. In 1970, the capital merged with Thonburi to form Greater Bangkok, and two years later parts of the adjoining provinces of Phra Nakorn and Thonburi were in turn merged with Greater Bangkok to create the Bangkok Metropolitan Area. By the 1980s, the continued expansion of Bangkok gave rise to the Bangkok Metropolitan Region, which encompasses parts of the five neighbouring provinces of Pathun Thani, Nontaburi, Samut Prakan, Samut Sakhorn and Nakhon Pathom (see Figure 6.2).

Concerns over the planned development of the Bangkok Metropolitan Region in the late 1980s led Thailand's National Economic and Social Development Board (NESDB) to design a plan involving clustered development in specific areas (NESDB, 1990). More specifically, development nodes in the region were to be closely linked by infrastructure and communication networks. The Development Board noted the emergence of an "extended Bangkok Metropolitan Region" that included areas in an additional five provinces (Ayuthaya, Saraburi, Chachongsao, Chon Buri and Rayong). The total population of this extended metropolitan area was projected to grow to 17 million by 2010. However, the Government of Thailand did not adopt the Development Board plan. This was unfortunate, as the plan highlighted the need for a more comprehensive clustered development approach from the very beginning, which could have avoided the piecemeal approaches since deployed in the Metropolitan Region.

6.4.3 Clustered development and smaller city regions

Smaller city regions generally lack urban infrastructure and services. Because urbanized nodes are usually separated from each other by rural areas, building and managing integrated infrastructure and services is expensive. In these conditions, the clustered development approach can enhance integrated development of urban and rural areas through well-planned, comprehensive provision of urban infrastructure and services. The method can also be used to strengthen economic links among urban clusters. In Europe, for example, mega-region planning has effectively linked development clusters and enhanced complementary development. Japan has resorted to variants of city-cluster development when planning the development of various urban nodes. China, in its efforts to accelerate development in the countryside, has launched a number of city cluster development projects, especially in remote, less developed hinterlands. The Asian Development Bank is currently exploring clustered development in connection with a number of projects in Bangladesh, India and Sri Lanka (ADB, 2008e).

The Government of India has used city clusters as a way of promoting development in about 20 cities, including Ahmedabad, Mirzapur and Tirupur (see Box 6.3). The rationale is that government capital expenditure on infrastructure will generate alternative employment for the tens of thousands of workers laid off by textile mills, brass foundries, jewellery workshops and other small and medium-size enterprises. Other specially targeted areas for cluster-type projects are Behrampore, Coimbatore and Howrah where, again, many workers have been made redundant. As part of the employment schemes, those jobless people would be guaranteed an annual 100 days' paid work in public works projects (Chowdhury, 2009).

Although smaller cities are growing faster than mega-cities, Asian policymakers are likely to focus on the latter in the near future. Four main factors can be found behind this trend:

- Central government officials with the power to control urban development resources are concentrated in capital cities and other large city-regions, and their political power bases are in those areas.

- A strong desire to achieve "global city status" on the part of central government and mega-city officials focuses attention on larger conurbations.
- It is easier to expand urban infrastructure and services from existing mega-cities out to outlying small settlements and rapidly urbanizing rural areas in order to achieve economies of scale and agglomeration.
- Smaller urban settlements are usually fragmented and it is difficult to organize and mobilize local officials to pursue common objectives.

At the moment, urban decentralization is sought through devolution of central authority and power to the smallest and lowest administrative tiers like urban districts or villages. Unfortunately, such small urban settlements lack the financial resources, professional and managerial skills, technological capabilities or political leadership to bring about comprehensive urban development. The principle of 'subsidiarity', which mandates the assignment "to the lowest level of government possible those local public goods and services which can best be delivered at that level" (UCLG, 2008) is an excellent way of achieving a democratic way of life. However, if central governments fail at the same time to devolve required resources to appropriate levels of governance, then sustainable economic, social and environmental development will be extremely difficult to achieve (see Section 6.6).

6.4.4 The governance of metropolitan and mega urban regions

In recent years, most Asian governments have been focused on mega-cities and mega urban regions. These sprawling city-regions are usually governed by several bodies, and on top of this also suffer from administrative fragmentation among central and provincial/state departments and agencies. Lack of cooperation or coordination among urban authorities and central and provincial/state bodies pose major challenges to metropolitan planning and governance (Bigio & Dahiya, 2004; Dahiya & Pugh, 2000).

In general, Asian governments currently use three types of governance approaches for metropolitan areas and city-regions: (i) autonomous urban authorities; (ii) mixed systems of regional governance; and (iii) combined metropolitan authorities. Historical and cultural factors have influenced the evolution of each type of governance system. Each type also comes with specific benefits and shortcomings.

Autonomous urban authorities

In a system of autonomous urban authorities, cities, towns and municipalities within a city-region are distinctly separate from each other both functionally and territorially. Every local authority is in charge of its own planning, policymaking, legislation and programme/project execution. The city charter or statute creating the city clearly defines the boundaries of the local unit. In some countries, like the Philippines, the *Revised Administrative Code* and other statutes specify the attributes required for city status such as population size and annual income.

The autonomous status of local authorities in a city-region creates many problems. Because such authorities have different revenue-raising capabilities, they cannot provide the same scope or quality of urban services or amenities – especially when the richer urban authorities are reluctant to share resources with poorer ones. Businesses may try to take advantage of urban authorities by making them compete against each other, demanding tax concessions or other favours if they are to locate in a specific area. Further adding to this fragmentation is the fact that cooperation among local officials can be difficult where they belong to different political parties or factions.

TABLE 6.1: ALLOCATION OF RESPONSIBILITIES FOR URBAN FUNCTIONS IN A MIXED SYSTEM OF REGIONAL GOVERNANCE

Function	Central Government	Metropolitan Government	Shared by Regional & Urban Authorities	Purely Urban Local Government	Private Sector
Electricity supply	Policy setting	Financing & management	Management	Metering, Collecting user charges	Financing, Management
Water & sewerage	Policy & financing	Financing & management	Management	Metering & collection	Financing, Management
Transport & Traffic	Policy & financing	Financing & management	Management	Regulation & control	Financing, Management
Housing & related services	Policy & financing	Financing & management	Management	Maintenance, Housing codes & building standards	Construction Financing Management Popular housing
Solid waste collection	Policy setting		Environmental standards setting	Management Supervision of NGO efforts	Financing Management Civil society efforts
Solid waste disposal	Policy	Financing & management	Financing	Sorting, composting	Financing Management
Education	Policy	Management	Management	Management, Supervision of disposal sites	Financing Management Business ventures
Health	Policy & financing	Metro level hospitals	Management, Financing	Local health clinics	Service provision
Police and security	Policy	Metropolitan police commands	Management & financing	Local police forces	Additional private security
Fire protection	Setting standards	Financing & Management	Management	Local fire Departments, Volunteer brigades	Equipment supply
Environmental protection	Policy & standards	Financing & management	Management	Management	Civil Society efforts

Source: Laquian (2005:121)

In Dhaka and Karachi, attempts have been made to set up metropolitan authorities to coordinate area-wide activities, but local officials have resisted these efforts, fearing a reduction in their powers. Central government departments in charge of public works, transportation and communication, environmental control and other services also object to such metropolitan bodies and refuse to give up their powers and authority. The case of Metropolitan Manila illustrates the problems arising from autonomous urban authorities (see Box 6.4).

Mixed systems of regional governance

In a mixed system of city-region governance, authority and power are vested in formal structures such as central government departments, regional authorities, metropolitan bodies, special-purpose authorities, cities, towns and villages. Each of these governance bodies is responsible for functions such as policy-setting, financing, planning and implementation of programmes and projects. In some cities, a specific governance structure may be responsible for just one function. In others, a number of units may share the responsibility for specific services.

Under a mixed system of regional governance, specific functions may be carried out by separate agencies operating at different levels. These functions may also be shared by a number of government bodies. A survey of 14 metropolitan areas in Asia has focused on the allocation of responsibilities of key urban functions among various bodies in a mixed regional governance system, and the results are shown in Table 6.1.

In some Asian city-regions like Delhi, Dhaka, Jakarta, Karachi and Kuala Lumpur, various entities share responsibility for specific activities. For example, in the case of water supply, a central government department (usually 'environment and natural resources') may be responsible for ensuring availability of raw water by protecting a watershed area. A special authority may be responsible for impounding water and managing a system of reservoirs. A government-owned or controlled corporation or a private concessionaire may look after the purification and distribution of potable water; it may also take care of metering water consumption at the household or plant level. In some cities, water charges are collected at the neighbourhood level. In mixed systems, therefore, specific functions may be allocated to a government body or shared by a number of entities (including private firms).

Mixed regional government systems predominate in Asia. In general, central or senior levels of government serve as the apex body in order to overcome local government fragmentation and lack of coordination. In recent years, the need to provide area-wide services such as regional transport, waterworks, energy and waste management has enhanced the need for mixed systems of governance to bring about more comprehensive planning, mobilize appropriate financial resources and improve management efficiency. A noteworthy feature of mixed regional governance systems is the vigorous participation of private-sector providers of urban services, reflecting their insistence on a more "businesslike" approach to urban affairs. The Kuala Lumpur case study (see Box 6.5) shows how a mixed system of regional governance can operate and involve privatization.

Unified metropolitan government

In those city-regions with unified metropolitan governments, a single governing body plans, manages, finances, supports and maintains services in an area-wide territory. Any local authorities within the city-region are subordinated to the unified government. This approach has been used mainly in national capitals where the central government's authority is dominant (e.g., Seoul). It is also favoured in countries in transition, such as China (e.g., Beijing, Shanghai and Shenzhen (see Box 6.6) and Viet Nam, as well as in cities that have suffered from protracted war conditions such as Kabul.

Supporters of unified metropolitan government argue that it achieves efficiency in the management of area-wide services. Urban problems such as environmental pollution, epidemics, floods and organized crime are impervious to formal political boundaries. Large-scale government systems take advantage of economies of scale, agglomeration and location. Rationalized regional tax structures enable access to more financial resources, as do the higher credit ratings deriving from the pooling of local authority assets. Higher incomes also enable unified metropolitan governments to attract highly qualified urban management professionals.

On the other hand, unified metropolitan government has been criticized as tending to become too large, bureaucratic and inaccessible to citizen demands. Supporters of local autonomy view a regional authority as an unnecessary tier between traditional local authorities and the provincial/state or central government. Some civil society activists abhor the bureaucratic attitudes of region-wide authorities. Because central governments often appoint officials who head unified metropolitan structures, elected local officials also view them as undemocratic and unresponsive to the needs of their constituencies.

BOX 6.5: A MIXED SYSTEM OF REGIONAL GOVERNANCE: KUALA LUMPUR

▲
Kuala Lumpur City Hall. **©Two hundred percent/GNU Free Documentation License**

Kuala Lumpur became the capital of Malaysia in 1963. Having gained 'city' status in 1972, by 1974 it was turned into a federal territory, covering an area of 243 sq km. However, the territory's sphere of influence extends beyond administrative boundaries to include the adjoining satellite towns of Petaling Jaya, Ampang, Selayang and other urban areas in the Klang Valley region. In 2006, the city proper had a population of 1.6 million but the Greater Kuala Lumpur region was host to 7.2 million. In the National Physical Plan of Malaysia, the Kuala Lumpur-Klang Valley-Seramban area is referred to as the Kuala Lumpur City Region, with a potential population of 8.6 million by 2020.

The Kuala Lumpur City Hall is the centre of local government and is responsible for municipal functions such as public health, sanitation, waste management, town planning, environmental protection, building control, social and economic development and maintenance of infrastructure within city boundaries. The city is headed by a Mayor who is appointed by the Federal Territories Minister of Malaysia for a three-year term. Other local authorities in the Greater Kuala Lumpur area are under the control and supervision of Selangor state. Major national government functions are carried out by relevant ministries. Politically, residents in the Greater Kuala Lumpur area are represented by 11 Members of Parliament in the Malaysian House of Representatives.

The establishment of the federal territory of Putrajaya in 2001 and the attendant transfer of executive and administrative offices have focused Kuala Lumpur's development on business, trade and technological innovation. Under the strategy known as "Malaysia Incorporated", the role of urban authorities in the region shifted from simple delivery of urban services to partnerships with private business and the citizenry to achieve sustainable economic, social and environmental development. In 2007, the Prime Minister of Malaysia created a 'Special Task Force to Facilitate Business' in order to coordinate development in an inclusive sort of way. For example, the government has sought to coordinate transport systems in the region through cooperative management. In the same vein, the Malaysian government has instructed local authorities to consult with, and gain feedback from, residents before reporting to the Economic Council, a body chaired by the Prime Minister. The government has also used e-governance to coordinate operations between local authorities and government departments. A single window now enables entrepreneurs and the public at large to deal with public bodies via the 'myGOVernment' portal. Inter-agency dialogue and communication as well as any decisions abide by the government's slogan of "One Service, One Delivery, No Wrong Door".

Sources: Jusoh et al. (2009); Muhamad (1997)

6.5
Mega urban region development
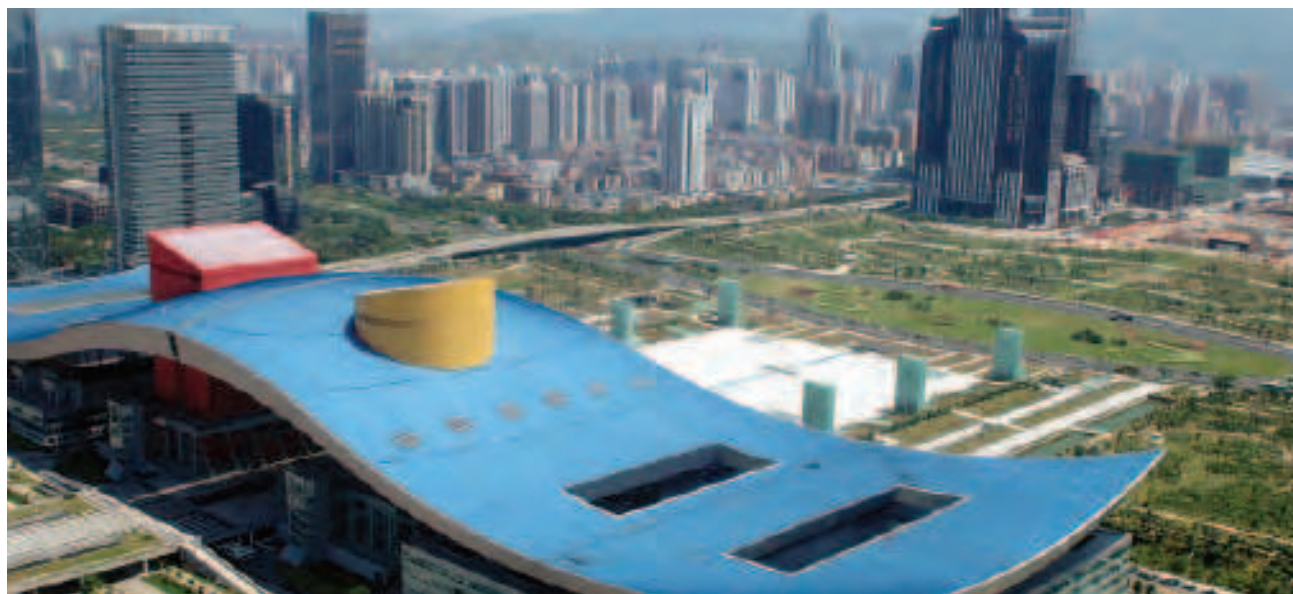
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Shenzhen government building, China. ©**Bartlomiej Magierowski/Shutterstock**

The emergence of mega urban regions in Asia has posed serious challenges to both urban planning and governance. Traditional approaches to planning in the region have focused on the physical dimension, i.e., building and maintaining infrastructure and services. However, this focus on "hardware" is sorely inadequate when it comes to managing the growth of mega urban regions whose development is closely linked to the economic and social forces of globalization.

An equally important challenge posed by mega urban regions is the need to manage and govern the multiple political jurisdictions at work in the expanded built-up areas. Governing frameworks in mega urban regions are extremely fragmented: vertical division among various tiers of government (national, regional, metropolitan, city, district and neighbourhood) mixes with the functional fragmentation of government departments (public works, transportation and communications, environmental control) and territorial fragmentation (metropolitan area, chartered cities, municipalities, villages).

The problems created by fragmentation in a mega urban region are readily apparent in China's Pearl River Delta region. Historically, development in the region focused on older cities like Guangzhou (formerly Canton), Macao, China and Hong Kong, China. The latter two, being former Western colonies with 'special administrative region' (SAR) status, are not readily accessible to Chinese citizens. Restrictions also apply to Shenzhen and Zhuhai, both special economic zones. All in all,

the Pearl River Delta region involves three types of urban settlements – the three large cities of Guangzhou, Shenzhen and Hong Kong, China; the eight medium-sized cities of Zhuhai, Foshan, Jiangmen, Zhongshan, Dongguan, Huizhou, Zhaqing and Macao, China; and finally, 22 small county-level cities and about 300 towns. In addition, the region also features a great variety of urban local governments such as prefectures, districts and 'designated' towns and villages.

While all the urban settlements mentioned above are located in China's Pearl River Delta, cooperation among them as well as coordination of government actions are extremely difficult. This situation is reflected in the proliferation of infrastructure and urban services brought about by competition among urban or local authorities. As shown in Figure 6.3, the Pearl River Delta features no fewer than eight international airports. In addition to Hong Kong, China, the region also has three major seaports and 70 smaller ones along its extensive seaboard. On top of the Beijing-Guangzhou-Kowloon railway, expressways and ultra-modern telecommunication networks crisscross the region. To deal with this proliferation of infrastructure projects and achieve better region-wide coordination, planners from both Hong Kong, China and the Chinese mainland have proposed the creation of a "South China Megalopolis" which would be host to a population of 51 million and generate US $1.1 trillion in gross domestic product by 2022. The megalopolis would require an (as yet undefined) efficient governance framework (Yeung *et al.*, 2009; Enright *et al.,* 2003; Wong & Shen, 2002).

FIGURE 6.3: **SOUTH CHINA'S PEARL RIVER DELTA REGION**

⚓ Port	—— Expressway/State highway
✈ Airport	—— Express train (initial phase)
├─┤ Railway	▪▪▪▪ Express train (near-term)
	╌╌╌ Express train (long-term)
	⋯⋯ Express train (long-term vision)
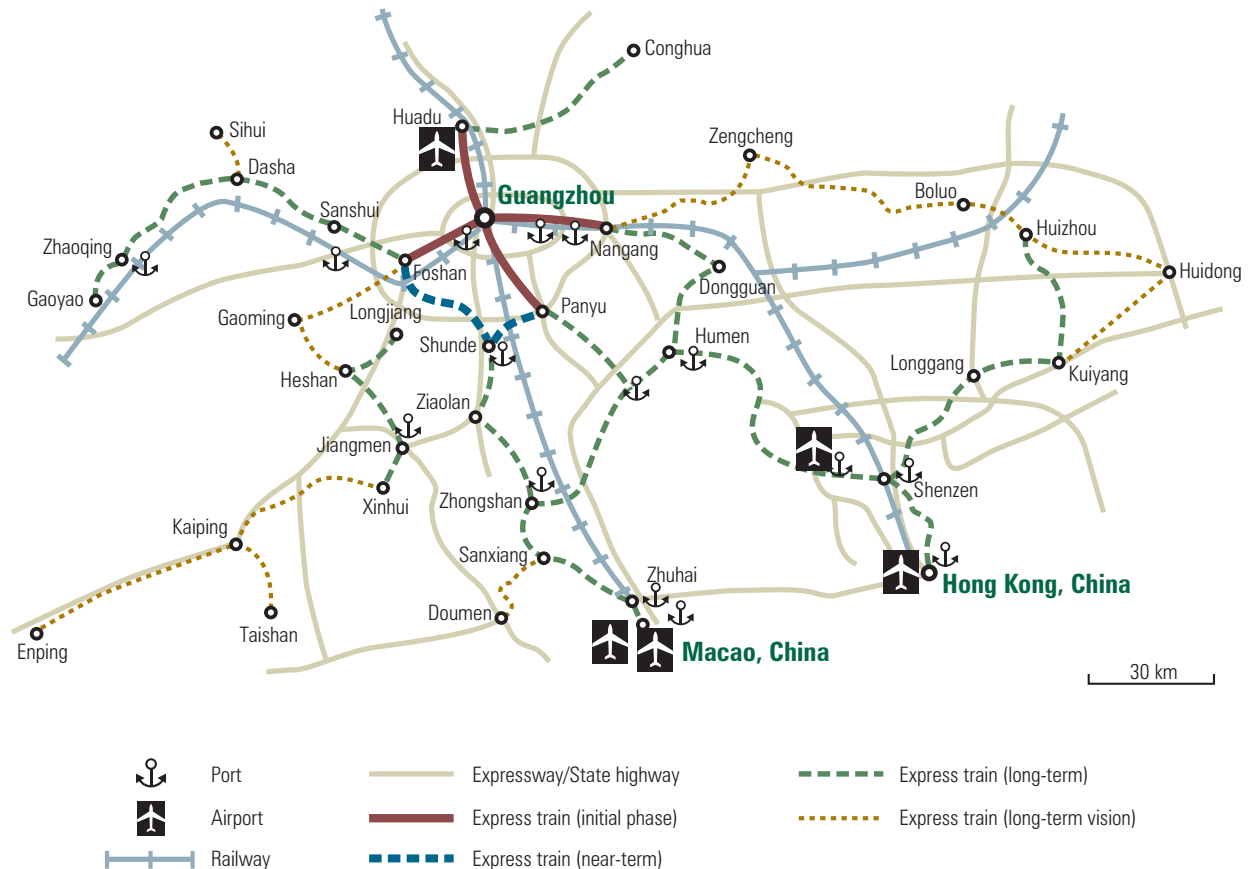
Source: Xu & Xu, 2002:131

BOX 6.6: **UNIFIED METROPOLITAN GOVERNMENT AND GOVERNANCE: SHENZHEN, CHINA**

Shenzhen was the first special economic zone (SEZ) established in China. Before 1979, it had a population of about 30,000, which more than doubled to 70,000 after the change of status. By 1988, Shenzhen was turned into a provincial-level city. China's National People's Congress gave Shenzhen the authority to pass its own laws and enforce its own zoning codes and regulations in 1992. By 2007, when Shenzhen's population had reached 8.6 million, its gross domestic product amounted to an equivalent US $ 90 billion, making it the fourth richest city in China.

Shenzhen is under the jurisdiction of the Guangdong Provincial Government. Its 'sub-provincial city' status also places it directly under the authority of China's central government. The Shenzhen Municipal People's Government is the unified authority for the city's seven districts. Policymaking is lodged in the Shenzhen Municipal People's Congress and the Shenzhen Committee of the Chinese People's Political Consultative Conference, a primarily advisory body. The municipality is headed by a Mayor, who is assisted by a Deputy Mayor and a number of assistant mayors who act as the heads of functional departments or bureaus.

The unified government has greatly facilitated timely decision-making in Shenzhen. In the early years of the city's development, urban infrastructure and services were managed by wholly government-owned enterprises. In order to sustain the massive scale and rapid rate of infrastructure development, however, the municipal government soon ventured into public-private partnerships with foreign companies for the financing and management of such infrastructure.

In a review of the Shenzhen unified metropolitan government system in 2008, an Asian Development Bank group of Indian and Chinese experts mentioned the entrepreneurial spirit of Shenzhen authorities as the key to the city's development. The unified system made the formulation of a region-wide plan possible; it has also effectively dealt with the problems caused by local government fragmentation, clarifying the specific roles of central, provincial, city and other urban or local authorities. As for governance, the Shenzhen municipality has provided effective methods of public participation through consultative committees and groups at various levels. On top of this, efficient information technology systems enable citizens to air complaints and make suggestions to improve the delivery of urban services.

Source: Asian Development Bank (2008c:19-27)

6.6
Decentralization and government functions

Ripon Building, Chennai. Established in 1688 Chennai (Madras) is the oldest municipal government in India.

In the decade after World War II, decentralization in Asia mainly involved *deconcentration* of bureaucratic structures, from central governments to field offices. Later, governments took to *delegation* of authority and power to special purpose-units which, although they enjoyed some form of autonomy, continued to be run by the centre. By the mid-1980s, central governments engaged in *devolution* of authority and power to urban authorities, which involved effective transfers of functions and power.

As observed by Cheema & Rondinelli (2005), devolution was associated with market liberalization and recognition of the complementary role of the private sector in public projects. Since the 1990s, devolution has enhanced local democracy in urban areas, with civil society (including non-governmental and community-based organisations) and business taking on increasingly important roles in local government affairs.

In their decentralising drive, Asian governments have resorted to three types of policies: *deconcentration, administrative delegation* and *political devolution* of authority and power.

6.6.1 Deconcentration

Decentralization through *deconcentration* shifts administrative responsibilities for urban affairs from central government ministries and departments to regional and local bodies, establishing field offices and transferring some authority for decision-making to field staff. Under deconcentration and strictly speaking, the authority and power of centrally appointed officials are "localised" only to the extent that they are exercised in a specific geographic region. Although they operate at local level, these "deconcentrated" officials do so as agents of the central government.

In some countries, so-called "decentralization" programmes have been launched to strengthen and autonomise local government. However, so long as the central government machinery remains intact, these programmes do not actually achieve their objectives. In Thailand, for example, a number of "decentralization" programmes have only served to make local elective positions more attractive to national politicians instead of achieving local autonomy, because central government failed to give away any of its functions (see Box 6.7).

6.6.2 Delegation

Delegation involves shifting management authority from the central government to local authorities, semi-autonomous or parastatal bodies, state enterprises, regional planning and area development agencies, as well as multi- or single-purpose public authorities (Wongpreedee, 2007). In practice, though, delegation does not really strengthen local autonomy because the units created and given delegated powers still belong to the central government, and therefore retain an element of primacy over local bodies. The specific authority and power of the units to which authority is delegated are set out in the statutes or executive orders creating them.

In China, the central government has delegated authority to four large cities (Beijing, Chongqing, Shanghai and Tianjin) that remain under its direct control and where it appoints the mayors and other top officials. In practice, municipal officials enjoy some leeway in their managerial functions (mayors, for example, are empowered to approve projects up to a specific budget amount without prior government approval). However, because these officials have only delegated authority, central institutions can discipline or even fire them at will.

Some sub-provincial or prefectural level cities in China can also find themselves under direct central government control. For example, although the Shenzhen Municipality nominally comes under the jurisdiction of the Guangdong Provincial Government, it has been given the status of a prefectural-level city under central government control, with associated financial and other benefits. Top municipal officials exercise an entrepreneurial type of leadership and promote programmes and projects, but they remain central or provincial government officials.

As in the rest of the world, Asian-Pacific countries generally organize central government departments along functional lines like public works, communications and highways, commerce and industry, education and health. The resulting functional fragmentation can stand in the way of coordinated action. This can be overcome with delegated functions and power to special-purpose units with jurisdictions over clearly defined areas. For example, the Port of Singapore Authority was turned into a State-owned commercial company in 1997 in order better to manage the operations of one of Asia's busiest seaports. The body was originally set up in 1964 to take over the functions, assets and liabilities of the Singapore Harbour Board. The Authority's operations expanded with the development of the Jurong Industrial Estate in 1965, the conversion of the former British naval base into the Sembawang

BOX 6.7: DECONCENTRATION AND DECENTRALIZATION IN THAILAND

As a "unitary and indivisible state" (Sec. 1 of the 2007 Constitution), the Kingdom of Thailand features three functional tiers of government: central, provincial and local ('*tambon*' or sub-district, and '*mooban*' or village). The Ministry of the Interior, through its Department of Local Administration, plays the central role in this framework. The Ministry also has authority over the Bangkok Metropolitan Administration that governs the national capital.

Administration of Thai provinces is the responsibility of governors who coordinate provincial departments, which are field units of the central government. The Provincial Department of Local Administration manages municipalities as well as the City of Pattaya. District Heads appointed by the Department of Local Administration exercise authority over sub-districts *('tambon')* and villages.

As part of its decentralizing drive during the 1990s, Thailand moved to reform its deconcentrated local government system with the 1994 *Tambon* Council and Administration Organization Act. The 1997 Constitution and the 1999 Decentralization Act also promised to strengthen local governance. Articles 284 and 285 of the Act granted autonomous powers to local authorities to carry out policy formulation, administration, finance, and personnel management. Articles 289 and 290 enabled urban authorities to carry out additional functions in order to provide suitable living conditions.

However, and despite the supposed decentralization of powers to urban authorities, under a 1997 act it fell to the central government to appoint provincial governors, who also chaired the 'Provincial Administrative Organization' (PAO). This latter position subsequently became elective six years later, and in 2004 the first PAO elections took place in all of Thailand's 75 provinces. However, all the chairs went either to former national government officials or established local politicians, and none to other types of candidates.

An analysis of the results of the Thailand's 2004 PAO polls concluded that granting more powers to local governments through the Decentralization Act had not actually strengthened local autonomy. All it managed to do was to make local office more attractive to traditional centre-orientated politicians. A new (2007) Constitution grants autonomy to local authorities (Section 14), but Thailand has effectively retained a centrally dominated government system.

Source: Wongpreedee (2007:454-470)

Wharves, the opening of the Tanjong Pagar container berth in 1972 and the Pasir Panjang Wharves in 1974. The Authority opened the World Trade Centre in 1972 and the Singapore Cruise Centre in 1991. The 1997 change of status also enabled the port authority to retain its core business (container terminals), and its delegated authority was expanded to allow it to engage in related harbour-front developments, warehousing and logistics, including the management of the Singapore Expo Convention and Exhibition Centre in Changi (National Library of Singapore, 2005).

▲
Vientiane City Hall, Lao PDR. **©Juha Sompinmäki/Shutterstock**

6.6.3 Devolution

Devolution is a form of decentralization that involves the transfer of authority and power from central to local government units to enable the latter to provide services and infrastructure, raise local revenue, and to formulate, adopt and carry out policies and programmes. Recent decentralization in India and the Philippines is a good example. A crucial element in political devolution is *fiscal decentralization,* where local government units are granted the authority to raise and spend financial resources and are entitled to specific central government fund transfers.

A strong commitment to liberal democracy has been a prime mover behind devolution of powers to urban authorities. In the Philippines, the American colonial government was prompt to introduce municipal corporate bodies and city charters after pacifying the country by military force at the beginning of the 20th century. In the 1960s, the independent Filipino government passed the Barrio Council Law that gave local autonomy to rural villages. The Local Government Code of 1991 devolved authority and responsibility to provinces, cities, municipalities and villages over functions such as public health, infrastructure development, social welfare and peace and order. The national government officials who used to manage these functions were transferred to local authorities. The law granted broad powers to urban authorities to levy taxes, contract loans, engage in economic enterprises, collect user charges, levy service fees and impose penalties and fines, but many of the local authorities failed to exercise these powers for lack of resources (Laquian, 2002a).

Some evaluations of devolution programmes in Asia have suggested that rapid and large-scale transfer of responsibilities and authority to urban authorities creates a number of problems. In Thailand, for example, the Decentralization Act of 1999 initially had the positive effect of increasing the share of local public expenditures in gross domestic product from 1 per cent in 2001 to 2 per cent in 2002. The share of local authority expenditures in the total public sector budget also increased, from 5 per cent to 7.3 per cent in the same period. However, research found that the bulk of local government expenditures (around 40 per cent) went to pay for administrative costs, mainly due to the reallocation of personnel from central government agencies to local areas. In fact, less than one-third of the expenditures for transferred programmes were paid from local funds and the rest were paid from central government allocations (Amornvivat, 2004).

In Indonesia, the devolution programme mandated by law in 1999 but officially launched in 2001 transferred authority and power to urban authorities at the level of the '*kabupaten*' (regency), '*kota*' (town or city), '*kecamatan*' (sub-district) and '*kampung*' (village). Substantive areas formerly under the responsibility of the central government were transferred to urban authorities. Three years after the launch of the programme, an evaluation found a number of problems. First, the resources allocated to urban authorities do not match the functions assigned to them. Second, reliance on proceeds from natural resources development (oil, mining, forestry) creates a serious imbalance among urban authorities, as regencies and towns in resource-rich areas secure the bulk of funds. Third, the heads of regencies, districts, sub-districts and other lower-tier urban authorities have been made elective, but this democratic enhancement has given rise to "money politics," petty graft and corruption. Finally, the fact that provinces remain formal branches of central government (with governors acting as both heads of autonomous regions and representatives of central government) restricts effective devolution of powers in a significant way, because the bulk of fiscal resources and formal authority remains vested in provincial and central authorities (Decentralization in Indonesia, 2009).

In the Philippines, the Local Government Code of 1991 mandated functional transfers to lower tiers of government. As in Indonesia, the Filipino central government failed to devolve commensurate resources to urban authorities. The devolution programme also failed to recognize that the strengthening of autonomous urban authorities could cause fragmentation. This is a serious problem because metropolitan

areas are precisely the units with adequate economic and leadership capabilities to carry out crucial urban functions. Specific provisions in the 1987 Constitution of the Philippines make it extremely difficult to set up metropolitan authorities because they require voluntary agreement among local leaders and residents. Given the severely fragmented nature of urban authorities in the country, it is not surprising that hardly any metropolitan authorities have emerged in the Philippines in recent times (Laquian, 2002b).

A similar policy that devolved authority to the smallest urban authorities and at the same time denied it to higher-level units was carried out in Taiwan, Province of China in the mid-1990s. Constitutional reform devolved authority to village and township authorities. However, the law also provided that provincial governors (until then an elective position) were now to be appointed by the central government, effectively strengthening the latter's hold over local affairs (Cheng & Hsia, 1998).

In China, almost a decade after local elections were first introduced, they do not involve senior officials at higher local government tiers. In late 2008, a draft proposal on "Shenzhen's Reforms for the Future" was posted on the city's official website, including direct elections for deputies to the district's People's Congress as well as mayoral elections. While this announcement was hailed as indicative of Shenzhen's potential leadership in political reforms, the proposals have not been implemented (Yeung *et al.*, 2009; Bergsten *et al.,* 2008).

Decentralization has become a major theme of governance reform throughout the Asia-Pacific region over the past decade. Local democracy has been enhanced as a result, although under a wide variety of forms and patterns, and the outcomes, have reflected the diversity of national backgrounds. Clearly, these arrangements feature many weaknesses and further reforms will undoubtedly be required (UCLG, 2008). UN-HABITAT's recent set of guidlines are designed to assist all government tiers in this admitedly complex endeavour (see Box 6.8).

BOX 6.8: **UN-HABITAT'S GUIDELINES ON DECENTRALISATION: AN OVERVIEW**

Decentralisation is a major component of the democratic governance required to achieve sustainable development at all levels of government. Strengthening local authorities and other intermediate tiers is important as these are considered as the "closest partners" of national governments for the purposes of the universally recognized 1996 Habitat Agenda.

The 2007 *International Guidelines on Decentralisation and Strengthening of Local Authorities* are split into four main sections: (i) "governance and democracy at the local level", (ii) "the powers and responsibilities of local authorities", (iii) "administrative relations between local authorities and other spheres of government", and (iv) "the financial resources and capacities of local authorities". They set out a number of basic rules, including representative and participatory democracy to empower citizens to take part in decision-making and build the capacity of local government to carry out their tasks. The Guidelines also advise politicians and local authority officials to "discharge their tasks with a sense of responsibility and accountability. At all times, they should maintain a high degree of transparency."

The Guidelines highlight the principle of subsidiarity as the "rationale underlying the process of decentralisation". Subsidiarity promotes separation of powers and is closely related to the principle of 'proportionality'. While decision-making should be as close to the citizen as possible, decisions of public interest should be taken at the level where they can best be carried out; the Guidelines request

increases not just in local authority functions, but also in the capacities needed for the effective exercise thereof. For instance, Indonesia's 2001 "autonomy laws" show how the principle of subsidiarity can be effectively mainstreamed into a country's decentralised framework.

Far from operating in a void, local authorities are engaged in multi-level systems of governance where they need adequate degrees of autonomy while cooperating with other tiers of government. It is imperative for decentralised governance systems to recognise the significant role played by local authorities at the sub-national level. This is why the Guidelines call for formal legislative recognition of local authorities (and where possible in the constitution) as autonomous sub-national entities with the potential to contribute to national planning and development. They further recommend formal, clear and equitable sharing of powers and responsibilities, whereby the powers entrusted to sub-national tiers of government are commensurate with the financial resources made available to facilitate the delivery of expected services. In some cases, it can take an Act of Parliament to reinforce or specify existing constitutional arrangements. For instance in Australia, the Commonwealth (i.e., federal) Constitution makes no reference to local authorities, which on the other hand are recognized in the

constitutions of all individual federated states (and the Northern Territory), where a comprehensive Local Government Act sets out their powers, roles and responsibilities.

The UN-HABITAT Guidelines emphasize the importance of local autonomy, including where decentralised authorities draw most of their financial resources from central government grants and transfers. In Indore, India, municipal authorities have demonstrated that political commitment as manifested in simple but firm measures can mobilize large, untapped tax revenues and meet a significant part of a local authority's services requirements. Such autonomy represents a major boost for local democracy, as it provides an institutional framework conducive to well-balanced national development. In a decentralised governance system, management of public finances must be based on the principles of openness and accountability, including public participation in financial matters as well as equitable distribution of national revenue and tax-raising powers.

The Guidelines having been approved by UN member states, they must now be mainstreamed into, and adapted to, national institutional frameworks in order to improve urban policies and the delivery of basic urban services. To this end, UN-HABITAT focuses on three components to fast-track implementation: (i) advocacy and partnerships at the national level, (ii) capacity development, and (iii) monitoring and reporting on progress.

Sources: Alain Kanyinda, UN-HABITAT.

Jodhpur, 'the Blue City', India. **©Luisa Puccini/Shutterstock**

6.7
Financing urban development

Guangzhou, China. ©**Hung Chung Chih/Shutterstock**

In almost all Asian-Pacific cities, the lack of financial, human and technological resources poses a serious challenge to good governance. It has been said that many Asian countries have "rich cities, but [economically] poor city governments." One possible reason for this is that most urban authorities in the region are not using to the full their powers to raise revenue from local sources. As a result, they are heavily dependent on tax revenue allocations, grants-in-aid and other forms of financial assistance from central and provincial/state governments. Furthermore, the power of urban authorities to borrow from domestic and foreign sources to finance infrastructure and other capital-intensive projects is often legally constrained by central governments. Institutional and private sector investors as well as foreign venture capitalists are often reluctant to extend credit for local urban projects without national government ('sovereign') guarantees.

6.7.1 Intergovernmental transfers

Crucial issues in inter-governmental fiscal relations primarily involve the appropriate level for raising revenue and allocating it among different tiers of government. Traditionally, it falls to central governments to collect the revenue required for basic functions as well as for economic and social development across the country. When determining the allocation of authority between central and urban or local authorities, governments face two problems: *vertical imbalance,* where the bulk of resources go to the central government, creating a serious "fiscal gap" at the local level; and *horizontal imbalance,* where inequality occurs among various local government units with different developmental resources and capacities.

Because of the highly centralised nature of the fiscal systems in most Asian countries, urban authorities have traditionally been heavily dependent on central government fund transfers.

In recent years, decentralization laws have given urban governments more authority and power to raise local revenue and decide on expenditures. In Thailand, for example, the 1999 Decentralization Law stipulated that by 2006, locally raised revenue should make up at least 35 per cent of a local authority's total resources. Prior to 1999, more than 80 per cent of local authority financial resources came from central government fund transfers (Amornvivat, 2004).

In Thailand, central government fund transfers take four different forms. First, *general-purpose grants* are made to local authorities based on specific indicators such as population size, amount of locally raised revenue, number of villages in the local unit, numbers of students and elderly people, etc. Second, *specific grants* are earmarked for individual projects such as infrastructures. Third, *subsidies with functional transfers* are allocated to urban authorities to manage the transition from central to local service delivery. Fourth and finally, *sector-specific block subsidies* are earmarked for well-defined purposes (education, health or public works). Thailand introduced these types of subsidies in fiscal year 2003 with the proviso that they would end once the beneficiary local authority had achieved the 35 per cent target set for local revenue share. Under the stage-by-stage process set out in the decentralization law, general- and specific-purpose grants started in the year 2000 and were continued until 2006. Those subsidies involving functional transfers started in 2001 and sector-specific block subsidies in 2003. With this phased implementation, the Government of Thailand hoped to make fund allocation more rational. However, the system does not seem to have put an end to the occasionally arbitrary and politically-influenced process of fund transfer management (Amornvivat, 2004).

Local revenue-raising capabilities vary widely across Asia's urban authorities, with larger and richer bodies often better positioned to meet their own needs. Guided by this consideration and as far as India is concerned, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) has devised a graduated pattern for fund allocations to urban infrastructure and governance projects. Under the scheme, the percentage of funds allocated by the central government, the states and local, urban or parastatal bodies or local financial institutions was dependent on the population size of cities as well as the nature of projects (Government of India, Ministry of Urban Development, 2009).

6.7.2 Local revenue sources

In Asia, local authorities can generally collect revenue within their jurisdictions, levying taxes on property or real estate, sales and motor vehicles, surcharges on personal income tax, excise, user charges, fines and penalties as well as fees from local amenities such as public markets or abattoirs. In India, Nepal and other South Asian countries, the 'octroi' (French for 'toll', a tax traditionally levied by municipal authorities on commercial goods that are brought into their territories) used to be a major source of local revenue. However, at present, in India the *'octroi'* is used only in Maharashtra state and even

there, some enterprises are actively campaigning for its abolition (Indiainfo, 2009; Pradhan, 2008). In Nepal, the Local Government Act of 1999 empowered urban authorities to raise property-based taxes, but many did not use these extensively because "political office holders preferred to collect revenue through '*octroi*', which was not directly felt by voters and was easy to collect administratively" (Khadka, 2002:11). However, in the year 2000, the '*octroi*' tax was abolished in Nepal.

In Asia, the bulk of local revenues are collected by central governments in the form of personal or corporate income taxes, import duties, value-added (VAT) and excise taxes, user charges and income from government enterprises. By tradition, central government shares a portion of the revenues from these sources through internal revenue allotments (IRAs), grants and various forms of subsidies to urban and other local authorities. In the Philippines, for example, the Local Government Code specifies that urban authorities are entitled to such revenue allotments based on population, land area and the principle of "equitable sharing" (i.e., proportional sharing of funds where poorer urban authorities are entitled to a larger share). In 2008, it was projected that the total internal revenue allotted to local authorities in the whole of the Philippines amounted to about US $4 billion. Of this amount, 23 per cent was earmarked for provinces, 23 per cent for cities, 34 per cent for municipalities, and 20 per cent for '*barangays*' (villages or urban communities) (Llanto, 2007).

Critics of the internal revenue allotment system have questioned the formula used for calculating the amounts to be transferred. While population is considered a fair criterion, size of land area has been questioned because the boundaries of urban authorities are arbitrarily set. Some officials argue that the individual performance of urban authorities in terms of socioeconomic development should be used as an additional criterion for allocations, which would be larger for the more progressive municipal bodies. Other officials have objected to the efforts of some legislators bent on amending the law that mandates automatic disbursement of internal revenue allotments upon approval of the national budget. They claim that in practice, those urban authorities governed by the same party as the one controlling the central government are promptly provided with their allotments, which is not the case for those controlled by opposition parties.

Although the Philippine Local Government Code of 1991 has been seen as enhancing local autonomy, evaluations have shown that its fiscal provisions do not go far enough to enable urban authorities to raise revenue. Six major factors are at play here. Two have to do with restrictions on the tax powers of lower tiers of government, according to Tapales (1993). First, those items that urban authorities are allowed to tax are listed and specified in the law (real property, and the professions (under the form of licenses and fees). Any items not specified in the law are considered the purview of the central government (like personal income taxes and import duties). Second, some of the items that urban authorities are allowed to tax, or require licenses for, typically do not bring in high revenues (taxes on fighting cocks or dog licenses).

Effective revenue-raising is also restricted at the local level in the Philippines because unduly complex procedures challenge both local officials and tax-payers, which only political connections can bypass. Many urban authorities lack the trained personnel required for proper assessment, collection and audit (after the Local Government Code became law, many Department of Finance officials who had been seconded to local authorities transferred to other jobs because local government pay and benefits were too low). On top of this, administrative revenue-raising methods are often outdated, overly complex and cumbersome (provisions for assessment, collection and reporting of real estate taxes are often so complex that tax payers resort to fixers and bribe tax collectors to "facilitate" transactions). The system is bypassed in another way: national politicians have traditionally used their power to allocate government funds to their constituents as the basis of their local influence through "countryside development funds" and other forms of pork barrel politics. The availability of such central government funds acts as a disincentive for local leaders to raise funds from local sources (Tapales, 1993).

Finally, local authorities in the Philippines find that securing loans for capital expenditure from domestic or foreign market sources is not much of an alternative to revenue-raising through taxation, as foreign bank or financial loans generally require approval by central government authorities.

The case of Makati, the business district of the Filipino capital Manila, shows that local authorities with rich tax bases usually find it easy to raise revenue and do without central government allocations. The Makati municipality holds an estimated US $420 million in assets and ranks third among Filipino cities in terms of income. The population soars from a permanent 0.5 million (2007 estimate) to 3.7 million in daytime as the district is host to many banks, companies, offices and educational institutions. Thanks to this prosperity, Makati is not heavily dependent on national grants or subsidies. In order further to accelerate its own development, the Makati municipality has proposed that the central government give it more authority to borrow funds for infrastructure development and to allow it to engage in higher-yielding types of business (Seva, 2007).

6.7.3 Property-based taxes

In Asia, most municipal revenue bases are weak because the collection of property-based taxes – the traditional source of local authority revenue in technologically advanced countries – is hampered by antiquated assessment techniques, poor record keeping, inadequate land titling systems, non-computerization of tax rolls, and petty graft and corruption. According to research for the Asian Development Bank, most taxable properties in Asian cities are under-assessed and fewer than 5 per cent of real estate taxes are based on real market value (Roberts & Kanaley, 2006).

In theory, property-based taxes are the most appropriate sources of local revenue. They satisfy the criterion of *autonomy,* as urban authorities are empowered to fix tax rates according to local conditions. Property-based taxes also enhance *accountability,* since residents are directly aware of the tax liability and they can complain if tax revenues are mismanaged or do not support their preferred policies. Property-based taxes are also *localized* and their incidence is clearly *observable.* Because of the directly observable relationship between tax revenues and their allocation to specific expenditure items (infrastructure, amenities, security, etc.), they enhance *compliance* on part of taxpayers. Furthermore, property-based taxes are *equitable* because they are based on the value of properties owned by different individuals.

Evidence in Asia has shown that property tax proceeds account for less than 20 per cent of local authority revenues. As some of those authorities have found, streamlining property assessment and collection systems has dramatically increased revenues. In India, cities have moved to the unit-area method of property tax assessment. The use of information technology, and geographic information systems (GIS) in particular, has dramatically improved property tax collection. In Metropolitan Manila, Quezon City has computerized all tax rolls, resulting in significant increases in revenues (by a multiple of three between 2005 and 2008 for real estate taxes, for instance) and eliminating petty graft like the issuance of fake receipts by collection agents (Echeminada, 2008).

In Karnataka state, India, the government set up the Bangalore Agenda Task Force to spearhead reforms. One of these involved the development of a revenue model based on geographic information systems (GIS). To improve real estate tax collection, ward maps were prepared that indicated the location of properties. The features of the properties were then verified by on-the-ground enumeration and physical surveys. Property tax records were integrated into a computerized database directly linked to maps. A pilot test of the geographic information system carried out in Ward 76 of Bangalore City brought some refinements to the GIS application and resulted in a series of various display and reporting options for improved real estate tax collection (Kalra, 2009).

6.7.4 Domestic and foreign borrowings

With their fairly large capital amounts, long durations and revenue-generating capacity, large urban infrastructure projects lend themselves well to domestic or foreign borrowings (including syndicated bank loans and bond issues). Since the year 2000 in China, government-owned or controlled enterprises under the responsibility of local authorities have taken to issuing bonds to finance infrastructure. By 2005, the value of corporate bond issues outstanding in the country had reached US $59.9 billion, made up of (long-term) bonds, (medium-term) notes and (short-term) commercial paper. It falls to China's National Development and Reform Commission to approve all bond-financed fixed-asset construction projects. Bond issuers are required by law to obtain credit ratings from approved specialist agencies, and all bond issues must be underwritten by official financial institutions like the China Construction Bank. Typical bond maturities range between 10 and 20 years with interest rates between 4 and 5.8 per cent (ADB, 2008c).

Muzzaffarabad, Pakistan. **©UN-HABITAT/ Veronica Wijaya**

In most Asian countries, though, the problem with domestic or foreign market borrowings has to do with lack of access: either because it is formally restricted (especially in the case of foreign borrowings), or because local banking or financial markets are not large enough, or because borrowers are not considered suitable for one reason or another. This is where regional development banks and their financial expertise can play a significant intermediary role.

Before 2003, the Asian Development Bank would grant loans denominated in US dollars, Japanese yen or euros only. In order to respond to the changing needs of Asian member countries, in 2003 the Bank began to grant loans denominated in a number of local currencies. These were initially restricted to private sector borrowers, but were extended to public authorities in 2005. Local currency loans enable cities and other local authorities or bodies avoid foreign exchange risk on interest and principal payments, making project costs more predictable. The Bank offers two formats when lending funds in local currencies: *back-to-back* funding, for specific projects only; and *pool* funding, where the Bank maintains a pool of liquidity in a local currency such as Indian rupees or Chinese '*renminbi'* that can be tapped for various projects (ADB, 2008e). Whatever the format, local currency loans require reasonably well-developed banking and financial markets in the country of the currency, where its top-quality credit-rating enables the Bank to borrow relatively large amounts at the best possible rates; the proceeds are on-lent to local companies which (for a number of reasons, including

lack of a formal credit rating) may not have as easy or cheap an access, if any, to financial or bank loan markets.

India was one of the earliest countries to use local currency loans to finance infrastructure projects. In early 2003, the Asian Development Bank granted Powerlinks Transmission Limited a rupee-denominated, fixed-interest rate loan for a 1,150-kilometre power transmission line from Siliguri in West Bengal to Mandaula near Delhi. The power from the Tala Hydro Electric Power Project in Bhutan would support industrial development in northern India's urban areas. The overall objective was to reduce poverty through more robust economic growth, human resource development, narrower gender disparities and stronger urban governance. The ADB provided up to US $70 million in Indian rupees; this reflected the fact that all project revenues were in local currency and that the company needed to match its liabilities with its rupee-denominated assets (ADB, 2003).

In February 2004, the ADB launched its first bond issue denominated in Indian rupees with an aggregate principal amount equivalent to US $100 million, a 10-year maturity and a 5.4 per cent coupon. This issue, priced at 17 basis points over the comparable Indian Government rate, was a 'first' on three other counts: it was the first-ever bond issue by a foreign entity on the Indian capital market, the first by a supranational entity and the first rupee-denominated issue awarded the top 'triple-a' rating by Fitch, Standard and Poors and Moody's Investment Services. The ADB on-lent the proceeds to Powerlinks in the form of a 15-year

fixed-rate loan, providing the long-term, fixed-interest rate, local-currency financing the company badly needed for infrastructure projects in urban areas, again in northern India (ADB, 2008e).

In China, Shenzhen's huge port development projects required large amounts of financing, which as it turned out blended a variety of domestic and foreign sources, including: (i) loans from foreign governments; (ii) issuance of shares; and (iii) a bond issue. The construction of the port of Yantian, for example, was financed by a US $116 million loan from the Government of Japan. The Shenzhen Municipality also raised capital by issuing shares in the three companies in charge of port development, which together raised about US $155.6 million in capital when they were first listed on a stock exchange (ADB, 2008c).

As the Indian and Chinese experiences show, domestic and foreign borrowings are good sources of capital or finance for infrastructure development. Other Asian countries have also tried these approaches but have run against a number of constraints. For one, borrowings from foreign banks or markets usually require sovereign guarantees which central governments are reluctant to provide for fear of foreign exchange risk and its potential impact on budget expenditures. Moreover, in some Asian countries, institutional structures such as investment banks, stock markets and bond rating agencies may also be underdeveloped, making borrowings rather difficult.

6.7.5 The private sector and urban infrastructure finance

Private sector participation (PSP) is playing an increasingly significant role in urban Asia as a source of both revenue and management expertise in connection with development projects. 'Private sector participation' refers to all types of cooperative ventures whereby the private and public sectors together carry out government-type functions without any financial risk on the government's side. This latter aspect is what makes private sector participation different from conventional public-private partnerships (PPPs), where the public sector shares in any financial risks. Most urban infrastructure and services projects entail large investments, require advanced technology and take a long time to design, finance, construct, and maintain. This is why most Asian urban authorities have resorted to a variety of private sector participation modalities including 'design-build-operate', 'build-operate-transfer', 'buy-build-operate', or 'build-own-operate-manage' arrangements.

The benefits of private sector participation include access to capital to finance lumpy infrastructure projects, the ability to use the advanced technologies offered by modern firms and to secure funding from regional or global financial institutions that are familiar with the PSP format. China has taken advantage of these features in a large number of projects, so much so that by 2005, it was estimated that more than 40 per cent of the country's total output, 60 per cent of economic growth and 75 per cent of new employment were contributed by the private sector. Box 6.9 provides a case study of private sector participation in China.

6.7.6 Privatization of urban infrastructure and services

In many Asian cities, the private sector currently carries out the financing, operation and management of urban infrastructures such as transport, electricity, gas supply, telecommunications, and solid waste collection and disposal. All government does is to set policies and procedures for private companies to go by. The main argument in favour of privatization is that private companies tend to be more efficient than public bodies when it comes to managing business-like operations like public utilities. The profit-making rationale is said to result in efficiency gains that make private ownership and management of urban services more cost-effective than public ownership, whereas in developed countries government agencies tend to be prone to political interference, patronage, nepotism, and graft and corruption.

The crucial issue facing urban authorities in Asia is how to determine the benefits and drawbacks of privatization schemes. Important questions raised by privatization include:
a) Are such schemes really more efficient and cost-effective than publicly-run utilities?
b) Do such schemes actually tap into private sector capital and expertise?
c) How does privatization affect the lives of the urban poor?
d) Are privatization schemes conducive to political interference, anomalies, graft or corruption?

A case study of the water provision in Greater Jakarta ('Jakarta Raya') provides some insights into the effects of privatization (see Box 6.10). The switchover resulted in greater efficiency, especially because it cut down overstaffing and patronage in the water agency. The scheme brought in international financing, but the extent of local private investment was unclear because the private partner (the son of President Suharto) relied more on political connections than local capital. A major criticism of the scheme was that it delivered more water services to well-off communities than to low-income areas. In 1999, when President Suharto was overthrown, the political anomalies involved in the scheme were exposed. This would go to show that like other economic arrangements with demonstrated positive potential, privatization is exposed to the risk of corruption and mismanagement.

6.7.7 Land as a resource for development

In Asian cities, a frequently neglected resource is the use of urban land. Tapping land as a resource is a distinct advantage in socialist countries like China and Viet Nam where land is owned by government. In these countries, land is usually not sold outright but leased for periods of 50 to 70 years. In China, Art. 18 of the Administration Law on Real Estate (1994) sets out that all fees paid by developers when granted land use rights are to be turned over to the State Treasury. These funds

BOX 6.9: **PRIVATE SECTOR PARTICIPATION IN URBAN DEVELOPMENT: SUZHOU, CHINA**

▲
Suzhou, China. **©Mikhail Nekrasov/Shutterstock**

Private sector participation under a variety of forms has enabled the city of Suzhou, founded in 514 BC, to become a powerhouse of China's development. A combination of local resources with foreign and domestic capital was behind the launch of five economic development zones, the largest of which was the Suzhou Industrial Park, a joint venture between China and the Government of Singapore.

The city set up the Suzhou City Construction, Investment and Development Co., Ltd. (SCCIDC) in August 2001 to manage the planning, financing and construction of urban utilities as well as to look after industrial investments and assets. Accordingly, five subsidiaries were created to manage gas supply, port development and other ventures. The company also set up seven holding subsidiaries and 11 shareholding companies. In 2007, the SCCIDC's combined capital assets were worth US $3.37 billion.

In order to finance infrastructure projects, Suzhou relied on a combination of capital allocations from municipal authorities, domestic bank loans and foreign direct investment. By 2007, the Suzhou Municipal Finance Bureau had allocated US $689 million to the SCCIDC for various projects. In addition, urban authorities extended loans amounting to US $551 million to the company's subsidiaries. The company issued shares to finance road construction and gas works. The China Development Bank financed the construction of the Suzhou train station and domestic commercial bank loans supported other projects. The main plank in the project was the city's allocation of more than 170 ha of public land to Suzhou Industry Co, Ltd., in order to strengthen the company's assets.

In order to attract foreign direct investment, Suzhou offered incentives and privileges. Investors in the Suzhou Industrial Park were allowed to lease land for plants and factories, some of which could be available on a turn-key basis. The Park guaranteed investors adequate and reliable sources of energy, potable water, efficient sewerage, solid waste management, telecommunication facilities, a well-trained and disciplined workforce and comfortable housing for expatriate staff. The municipality also extended tax exemptions to foreign investors, waiving the standard 15 per cent corporate tax under certain conditions.

Another factor behind Suzhou's success was that the central government delegated powers to enable the municipality to manage its affairs efficiently. Local authorities guaranteed foreign investors that any projects in line with national policies could be approved within three days. China's Ministry of Foreign Affairs facilitated the issuance of visas to foreign investors. The Suzhou Industrial Park operated its own customs office and bonded logistics centre, greatly reducing delays for goods shipment and delivery. Suzhou owes this success with foreign investors to a combination of efficient management reforms and privileges.

Source: Asian Development Bank (2008c)

BOX 6.10: **PRIVATIZATION OF WATER SERVICES: GREATER JAKARTA**

In 1997, the Indonesian government privatized the water and sewerage system in Greater Jakarta. Britain's Thames Water Overseas, Ltd. and France's Suez Lyonnaise des Eaux took over the utility in partnership with Indonesia's own PT Kekar Pola Airindo and PT Garuda Depta Semesta. The concessionaires took over *Pam Jaya,* the metropolitan water and sewerage system. The International Finance Corporation, the World Bank and the Asian Development Bank financed most of the privatization scheme.

With the transfer of management from Indonesian to foreign concerns, 2,800 of the 3,000 *Pam Jaya* staff were seconded to the concessionaire. Problems arose because local staff were paid 2.5 to 5 times less than those directly hired by the foreign concessionaire. Moreover, the 1997-98 Asian financial crisis raised the foreign-currency denominated costs of the project. Subsequently, President Suharto fell from power in 1999, creat-ing problems because the main Indonesian partner was headed by his son.

The first two years of the project went quite well. The foreign consortium claimed that water connections increased by 50 per cent. However, a more in-depth evaluation found that although production rose initially, water rates were increased by 40 per cent and then raised again on at least six occasions. Privatization did not benefit low-income residents as the concessionaire extended more lines to well-off areas. Internally, local staff turned against the foreign concessionaire and campaigned to return the water company to municipal management. An almost exclusive focus on potable water supplies was detrimental to sewerage and wastewater disposal operations, with adverse effects in a city where flood damage is a routine by-product of the rainy season. Finally, adverse foreign exchange rates caused a dramatic increase in the indebtedness of the water company (the value of the Indonesian Rupiah fell more than 300 per cent vis-à-vis the US dollar) which the company could not entirely recoup through persistently higher charges.

The main features of the water privatization scheme were as follows:	
1. Total population in service area:	11.0 million
2. Water production per day before project was launched:	1,320,325 cubic metres
3. Number of utility connections:	567,398
4. Population serviced before privatization:	38-42 per cent
5. Expected population to be serviced after privatization:	43-61 per cent
6. Cost of every 10 cubic metres of water (US dollars):	1.00
7. Non-revenue water before privatization:	53-57 per cent
8. Expected non-revenue water after privatization:	47-49 per cent
9. Expected water connections to households in poor areas:	55 per cent

Source: Hasibuan (2007); Argo & Laquian (2007:224-248)

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are earmarked solely for financing urban infrastructure and land development schemes. A revision of the law in 2004 allocated 30 per cent of the land fees to the Ministry of Finance and 70 per cent to the relevant local authority. The law provides that all land use fees must be paid in full upon approval of the development of land parcels, which enables urban authorities to budget this resource in a rational way.

Although many urban authorities in China have used land fees to fund infrastructure and services, some have run against a number of problems. Experience has shown that land as a resource for investment tends to encourage short-term developments. This is because the bonanza from the unlocked monetary value of the land is available only for a limited period (usually at the beginning of a project). Unless the urban authority has access to alternative sources of financing, it must rely on other partners (like private investors) to pursue long-term projects.

Elsewhere in Asia, where land is privately owned, using it as a resource to support development is more complicated. In these countries, the government must purchase private land at fair market value if it is used for public purposes. In Bangladesh, India, the Philippines and the Republic of Korea, government can use its right of "eminent domain" (also known as compulsory purchase/acquisition, or expropriation) to gain access to private land for public purposes, but this can entail expensive and long drawn-out litigation. Some forward-looking urban authorities in India and Bangladesh have engaged in "land banks", which involve purchasing land for future public use while it is still relatively cheap. However, in many cases, private landowners increase plot values once they hear of the government's intentions.

Recognizing the importance of land as a resource, the Government of India has suggested the repeal of the Urban Land Ceiling Act and rationalisation of the Stamp Duty Act to enable state governments to make more land available for urban development. Revising the Stamp Duty Act, for example, would involve reducing the rate on land transactions from 13-14 per cent to 5 per cent, which would stimulate land sales. In Indonesia, Thailand and the Philippines, where land speculation is widespread, urban authorities have imposed punitive taxes on idle land with the double aim of discouraging the practice and earning additional revenue. Some urban authorities have exercised their right to clean up idle lands, charging the costs to absentee landowners. In the Republic of Korea, public authorities can develop private land in exchange for ownership of a part of the plot. In Hong Kong, China, and Singapore, land swaps have enabled public authorities to use well-located plots for public infrastructure and other development projects.

6.8
Performance in service delivery management

▲
People's committee building, Ho Chi Minh City, Viet Nam. **©Magicinfoto/Shutterstock**

In the past, most urban authorities in Asia viewed the availability of urban services as a simple issue of service delivery. With the increasing complexity of urban life, the higher costs and expanding scale and scope of services, it has become clear that fresh steps such as decentralization and local finance reforms were needed. At its 22nd session in April 2009, the Governing Council of UN-HABITAT acknowledged the need for complementarity between the agency's guidelines on access to basic urban services and those on decentralization (UN-HABITAT Governing Council, 2007, 2009). The Council called for the strengthening of local authorities to achieve this objective: UN-HABITAT's governing body also highlighted the need for transparent and accountable management of public services as well as partnership with the private sector and non-government organisations for the delivery of such services.

6.8.1 Water supply and sanitation

Under the Millennium Development Goals (MDGs), the proportion of the population without sustainable access to drinking water and basic sanitation was to be cut by half by 2015. By 2008, Eastern Asian cities, particularly in China, had already achieved 98 per cent coverage, and some countries (Malaysia, Republic of Korea and Singapore) have achieved universal coverage (World Health Organization & UNICEF, 2010). However, in some Asian cities, access to individual piped water connections has not yet achieved the 96 per cent level (Pakistan: 95 per cent; Nepal: 93 per cent; Mongolia: 97 per cent; Indonesia: 89 per cent; and Bangladesh: 85 per cent). More alarming still was the finding by the United Nations Joint Monitoring Programme (JMP) for Water Supply and Sanitation, namely, that the proportion of urban residents with adequate supply of safe water actually *declined* between 1990 and 2008, from 96 to 95 per cent in Pakistan, 96 to 93 per cent in Nepal, 92 to 89 per cent in Indonesia, and 88 to 85 per cent in Bangladesh (World Health Organization & UNICEF, 2010) (see Chapter 4).

If the decline in safe water supply to urban residents is worrying, lack of official attention to water and sanitation is even more so. An Asian Development Bank impact evaluation of water and sanitation projects in China, India, Malaysia, the Philippines and Sri Lanka found that where local authorities paid inadequate attention to sanitation, results were mixed and limited (ADB, 2010). The Bank concluded that, in contrast to government-sponsored projects, those run by non-governmental organizations (NGOs) that provided sanitation services through community mobilization proved more

successful. As stated by the Bank, "It is not enough to simply provide adequate quantities of good quality water. India's model, where sanitation subprojects were implemented by NGOs, shows that sanitation, hygiene, and health promotion are needed and complementary, and these represent a distinct factor for success." (ADB, 2010:2).

The role of community residents as organized by non-governmental organizations can be illustrated by the Orangi Pilot Project model launched in the 1980s in Karachi. The scheme involved two levels of sanitation: the basic level was made up of the latrine in a house and the underground lane and sewerage collector; and the second level included the connection to the trunk sewer, the natural drainage channel and the treatment plant, which are under public authority control. Proper integration of these two parts of the system was crucial to the success of the Orangi scheme. This led to replication in 338 settlements in 18 cities all over Pakistan, as well as in 47 villages in Sind and Punjab provinces (Anzorena, 2009).

In a number of Asian cities, water providers, private or public, have used positive management approaches to extend safe supplies to the urban poor. In Indonesia, India, Viet Nam and the Philippines, subsidies from the Global Partnership for Output-based Aid (GPOBA) have enabled water companies to serve low-income communities. Some urban authorities have reviewed policies related to land tenure and agreed to extend water to squatter areas regardless of legal issues. As already mentioned in Chapter 4 (see Box 4.15), in some slums in Dhaka a non-governmental organisation known as *Dushtha Shasthya Kendra* (DSK) has acted as an intermediary with the public utility to facilitate access to water and sanitation. In Metropolitan Manila and with support from the above-mentioned Global Partnership, the privatized water company set up a "flagship programme" that extended connections to more than 20,000 homes, benefiting 120,000 people. Maynilad, another consortium providing water to the western sector of Metropolitan Manila, entered into private agreements with leaders in low-income areas whereby residents could have access to water if they managed the collection of individual charges based on consumption measured by one water meter for the whole community.

Traditionally in urban Asia, water providers tended to be more interested in *expanding networks* than in proper management. In recent years, good water managers have stressed demand regulation and management as a solution to water problems. *Demand regulation and management* includes rational allocation of water among competing users based on a system of priorities, using quotas as a method of water allocation, and appropriate pricing. Water systems have also adjusted their operations to city-region scale, including public spaces for effective control of watershed areas: they allocate water supplies to agricultural producers, domestic households, commercial units, production enterprises, government agencies and various institutions. In many Chinese city-regions, systems have been able to save significant volumes of water through improved use and conservation methods in agricultural production (lining irrigation canals, shifting to sprinkler methods, etc.).

Appropriate pricing of water has proven to be one of the most effective approaches to limit waste. In Metropolitan Manila, the Maynilad concessionaire found that a consumption-based, graduated charge scheme was an effective way of tackling wastage. The gradual pricing method enabled Maynilad to lower household charges (especially in low-income urban areas), with cross-subsidisation by commercial and industrial users (Singson, 2008). Phnom Penh provides another good instance of effective water management (see Box 6.11).

Over the past few years in Asia, comparative performance data on urban water utilities has been collected by the Asian Development Bank in its Utility Data Book. Similar documents have been developed for one subregion (the Southeast Asian Water Utilities Network) and two major countries (India and the Philippines). Comparative performance information is also available for Indonesia and Viet Nam thanks to respective national water utility associations and the World Bank's International Benchmarking Network for Water and Sanitation Utilities (IBNET) platform. These efforts need considerable strengthening and support if reliable information is to be available on a regular basis.

In South Asia, utilities find themselves in a low-level 'equilibrium trap' where poor services result in low water charge recovery, and the concomitant lack of economic viability makes it difficult to improve service standards. Equally or even more importantly, institutional structures in the urban water sector do not provide adequate degrees of autonomy in service operations, as in most cases water and sanitation remain as departmental functions within urban authorities. Even where separate water utilities have been set up in some South Asian cities, adequate degrees of operational autonomy remain out of reach, particularly with regard to staff recruitment and remuneration policies.

Still, a number of good performers have emerged among water utilities in various subregions. Some utilities have proved particularly successful against various socio-economic and political backgrounds. Table 6.2 summarises good practice from a few top performers. Their experience can provide a basis for performance improvement by others.

- *Autonomy of the utility in day-to-day operations* is critical and essentially stems from its *legal status*. Most well-performing utilities are autonomous by law, either as a statutory entity or as set up under company law. South Asia's relatively poorer performance may have to do with lack of autonomy as most utilities operate as municipal departments and have no autonomous status.
- *Utility governance* seems to be a crucial determinant both in terms of *Board composition and autonomy* (including external experts), and *autonomy in recruitment policies,* particularly including market-based wages (as in Singapore, Ho Chi Minh City, for instance). Ability to provide market-based wages to recruit and retain good staff appears to be a critical factor in utility success.
- *Appropriate incentives* include performance-linked wages as well as access to government grants or donor concessionary

BOX 6.11: EFFECTIVE WATER MANAGEMENT: PHNOM PENH

▲ Phnom Penh. 13.8 million residents now have access to safe water, including those living in slum and squatter areas ©**Komar/Shutterstock**

One of the physical casualties of the 1975-93 war in Cambodia was the almost total collapse of the water supply system in the capital, Phnom Penh. By 1993, barely 20 per cent of the city's population had access to water and low-income residents suffered from shortages. The system was able to deliver only 10 hours per day. Non-revenue water (i.e., leakage, illicit connections and other losses) represented as much as 72 per cent of production. The system's earnings barely covered 50 per cent of operating costs. In 1994, the Cambodian government changed the management structure of the Phnom Penh Water Supply Authority (PPWSA). The utility was provided with external assistance amounting to US $130 million from the Asian Development Bank, the World Bank, the United Nations Development Programme and the Governments of Japan and France.

The Water Authority management immediately launched a programme that increased water production; reduced the proportion of non-revenue water; maximized water bill collection; and revised charge schemes to reflect the true cost of water delivered. To reduce non-revenue water, the utility replaced old pipes with new ones, installed accurate water meters, set up an emergency leak repair team on duty 24/7; divided the distribution network into zones and identified problem areas, and cancelled contracts with water wholesalers. The bill collection system was computerized, meter readers were trained, incentives were given to customers who paid regularly and on time and penalties were imposed on those who did not. Water rates were rationalized, with customers using less water charged less than those using more.

The staffing of the authority was streamlined, with the number of personnel reduced from 20 per 1,000 water connections to only four. Most importantly, the Water Authority deployed an efficient customer service programme, made bill payment more convenient, and acted quickly to deal with customer complaints.

By 2009, the Authority was listed by the Asian Development Bank and the World Bank among the most efficient water utilities in Asia. About 90 per cent of Phnom Penh's 1.5 million residents now have access to safe water, including those living in slum and squatter areas. 'Non-revenue' water has been reduced to 6.1 per cent in 2009. Finally, the proportion of customers who pay bills on a regular basis has more than doubled from 45 per cent in 1994 to 99 per cent in 2009.

Source: Chan (2009)

loans. To make such performance-linked incentives effective, information systems back stringent reporting requirements. Most well-performing utilities have clear operational goals and performance-linked improvement plans. These are monitored throughout implementation.

- *Strong customer orientation* has acted as another major success factor; this involves understanding, and responding to, customer needs, as well as an ability to terminate service delivery for defaulters. Empowerment of local staff (e.g.,

the Manila Water Company) also supports this strong customer orientation. Customer awareness campaigns and use of various communication channels are widespread.

- *Internal innovation in operations management* seems to be critical to ensure viability and financial sustainability over time. Such innovations are made possible by operational autonomy and triggered by performance-linked incentives. Almost all utilities listed in Table 6.2 use innovative methods to improve operational efficiency through reduction in

TABLE 6.2: **MAIN CHARACTERISTICS OF WELL-PERFORMING WATER UTILITIES IN ASIA**

	Phnom Penh Water Supply Authority, Cambodia	Public Utilities Board (PUB), Singapore	Jamshedpur Utilities and Services Company, India	Manila Water Company, the Philippines	Hai Phong Water Supply Company, Viet Nam
Autonomy and governance					
Legal Structure	Municipal-owned	Statutory body under the Public Utilities Act	Private company, owned by Tata Steel	Private company with 25-year concession	Statutory body owned by Provincial People's Committee
Board composition	Includes the General Director (GD), and local and national government representatives	Includes broad spectrum of stakeholders appointed by the relevant Minister	Includes owners and relevant experts	Includes private shareholders, with stakeholder involvement for transparency	Under Hai Phong People's Committee and managed by Transport, Urban and Public Works Dept.
Staff recruitment and wages	GD hires and fires staff; training and higher wages as key incentives; focus on teamwork and training	Decisions on hiring and promotions lie with PUB, market-based wages	Full control of the management, market-based wages	Managing Director (MD) in control; 80% are agency employees; market-based wages; employee stock option plan; 'best employee' awards	Autonomy as per State-Operated Enterprises law, but external pressures on high staffing levels. Pay scales determined by HPWSC and backed by trainin
Rate setting and approval, regulation	Proposed a 3-step increase in rates over 7 years; 3rd step redundant as revenues covered the costs by then	PUB suggests rates; final approval by Cabinet on recommendations from Ministry of Finance	Full control of rates, with owners (Tata Steel) meeting operating losses	Progressive regulatory framework by Metropolitan Waterworks and Sewerage System (MWSS)	HPWSC suggests rates; final approval by Haiphong People's Central Committee (HPCC) after checking by TUPWS and the Finance Department
Incentives and monitoring					
Performance contract/ targets	Performance evaluation of staff based on measurable results	Must meet performance targets set by owners	Performance targets reviewed every 6 months	21 key performance / business efficiency indicators	Yes, but targets set at low levels
Business plan and funding	-	Funding approved on the basis of a business plan prepared by PUB	Capital provided by owners, backed by rigorous financial viability assessment	BP updated every 5 years; funding from MFIs* and private equity; Initial public offering in 2005	Required by lenders with financial covenants (where any)
Operations and innovations					
Customer Orientation	Developed a utility-customer relationship based on long-term community building; Awareness campaigns to generate broad support for tariff increases	Innovations in bill payments; customer feedback regularly sought; good complaint response record	24/24 customer complaint centre with service standard guarantees	Strong focus under sustainable development framework; decentralization and empowerment of local staff; significant improvement in customer service	Regular reporting by public media; customer surveys; focus on one phuong** at a time for better service
Benchmarking	Participates in regional benchmarking	Internal benchmarking done	Extensively used for internal processes	Extensively used internally to set targets	Participates in national benchmarking
NRW / UFW management***	Dramatic improvement over 12 years: NRW reduced from 72% to 6%, staff per 1,000 connections ratio down from 22 to 4	High performance with UFW down to 4.8% in 2002	NRW reduced to 11.5%; focus on total productive maintenance and setting up of district metering areas	Reduction in NRW from 63% in 1997 to 25% in 2007	-
Cost recovery	Collection ratio improved from 48% in 1993 to 99.9% by 2006	Very good with operating ratio at 0.58 in 2002	Very good with operating ratio at 0.62	Very good with full cost recovery, and generating market-type returns for MWC	-
Serving the poor	Overall coverage increased to 90%. families in poor communities with subsidized/and instalment-based connection fees; use of a revolving fund to reach the poor	100% access; targeted subsidies for lower-income users	Improved access for the poor through corporate social responsibility	Reduced rates for the poor; special grants in recent years (subsidised rates for new connections and basic sanitation)	-

* MFIs: Multilateral financial institutions
** A phuong is an administrative subdivision
*** NRW: Non-revenue water; UFW: Unaccounted-for water
Sources: Asian Development Bank (2004); Baietti et al. (2006); Southeast Asian Water Utilities Network and Asian Development Bank (2007);
http://www.adb.org/water/actions/CAM/Internal-Reforms-Fuel-Performance.asp, http://www.adb.org/Water/Champions/chan.asp, and http://www.adb.org/water/actions/CAM/PPWSA.asp

▲
Dhaka, Bangladesh. Cycle rickshaws carry passengers in all seasons including monsoon. **©Manoocher Deghati/IRIN**

non-revenue water and improved cost recovery, including billing and collection systems.

- *Upfront rate increases have not been needed, and public procurement rules are generally enforced.* Among high-performing utilities, water rate endorsement by politicians is widespread, restricting the scope for increases. As a result, initial emphasis has generally been on cost reduction through efficiency improvements rather than rate increases. Rates are politically endorsed at the local level and often ratified by the state or national government; however, this process by itself does not seem to act as a major hindrance to utility performance. This makes high performance on billing and collection efficiency an essential requirement for success. Public sector procurement rules are generally adhered to, which, again, does not seem to have hindered performance.

6.8.2 Urban transport, energy and air pollution

In 2001, about a third of residents in Jakarta, Manila, Seoul and Singapore and 50 per cent of those in Hong Kong, China, used public transport. The proportions of those going on foot were 40 per cent in Dhaka, 31 per cent in Shanghai, 24 per cent in Osaka, 23 per cent in Jakarta and 20 per cent in Delhi. Despite these patterns, however, use of private automobiles in Asian countries has been increasing in recent years, accounting for 34 per cent of trips in Jakarta, 32 per cent in Bangkok, and 30 per cent in Metropolitan Manila. This pattern is consistent with global trends, which see rapid increases in car ownership as average urban income per head ranges between US $3,000 and US $10,000 (in purchasing power parity terms) (Veolia Environmental Services, 2009).

Another trend in Asian cities is the introduction of rail-based transport systems, including high-tech magnetic levitation trains in Shanghai. While these state-of-the-art transport modes have enhanced the status and prestige of some cities, the bulk of the populations have found transit fares too expensive. In general, Asian urban authorities have paid scant attention to the mobility needs of the urban poor. For example, although many low-income people commute by foot, they find that sidewalks are hardly practicable as street vendors often clog already limited space. Bicycle lanes are provided in only a few cities. The urban poor are crammed in slow-moving buses, while better-off car-drivers create traffic jams. The majority of traffic accidents involve pedestrians and cyclists. Most serious of all, the health of urban pedestrians is adversely affected by the air pollution generated by the transport modes they cannot afford to use, rather than by those they use. Unequal access to urban transportation and energy is reviewed in Chapter 4.

In Asian metropolitan areas, transportation is estimated to account for at least a third of total greenhouse gas (GHG) emissions. Research has shown that a shift from small private cars to energy-efficient public transport (like diesel-powered articulated buses) can dramatically reduce greenhouse gas emissions (Veolia Environment Services, 2009). Bus rapid transit systems (BRTs) can be built (and operated) much more cheaply and rapidly, than rail-based equivalents. In those cities relying heavily on smaller vehicles, a shift from diesel to compressed natural gas (CNG) can further curb emissions, as in New Delhi (see Box 5.7 in Chapter 5).

However, despite the averred benefits of such alternatives, the transport policies favoured by Asian urban authorities instead promote privately-owned vehicles and expensive rail-based rapid transit systems.

6.8.3 Solid waste collection and disposal

One of the major challenges faced by Asian cities is the collection and disposal of solid waste. Most urban authorities have set up specialist departments to deal with this issue, but their efforts are often complemented by community-based alternatives where voluntary grassroots groups fill the gap in waste collection. This type of scheme is found in Bangalore (garbage collection and composting), Dhaka (marketing of compost produced by backyard composting), Chennai (collection, sorting, recycling and composting), and Delhi and Hanoi (garbage collection and recycling).

On the outskirts of the southern Indian City of Chennai, a women-led grassroots organization has demonstrated that civil society can play an important role in improving the quality of life and local governance (see Box 6.12).

Many such projects have been supported by organizations committed to environmental sustainability and have achieved significant results. However, in many instances, private solid waste collection and disposal companies and local government units have not been supportive, often viewing civil society groups as overly critical and, at times, confrontational competitors. As a result, these environmentally-concerned efforts have rarely been integrated into municipal solid waste management systems (Laquian, 2004).

BOX 6.12: WHEN GRASSROOTS GROUPS IMPROVE BASIC MUNICIPAL SERVICES

When in the mid-1990s near Chennai, India, a municipality suspended waste collection services, a local women's group filled in the gap and eventually persuaded officials to support their revolutionary scheme, in the process demonstrating how grassroots groups can have a positive effect on urban governance.

At the time the small town of Pammal generated 17 tonnes of solid waste daily, 10 of which were collected by the municipal sanitation service. Like any other town *panchayat* (local governing body) across India, the Pammal municipal council lacks adequate (including financial) capacities and was prevented from employing new staff by a cumbersome approval procedures with the state government. For lack of a solid waste disposal facility, the *panchayat* dumps waste on a dried-up lake bed within the town's boundaries. In one middle-income neighbourhood of Pammal, residents used to dispose of waste on vacant lots, as the *panchayat* failed to collect waste left at official collection points. In 1994, a group of 10 women bent on cleaner streets founded

a *'Mahalir Manram'* ('women's association' in Tamil). It took time to sensitise neighbours to the need to pay for the house-to-house collection service they set up.

When in 1996 an unsupportive councillor caused the *panchayat* to discontinue waste collection, *Mahalir Manram* organised a door-to-door collection service using tricycles and collection points, causing anger among those residing next to the mounting piles of waste. In response, the women's group resolved to turn waste into manure and travelled widely to learn more about vermicomposting. Having reassured sceptical residents that the technique would not create any nuisance (odour, insects), they were given land where they built a sustainable facility. Since then, the scheme has been composting over 80 per cent of all solid waste generated in the neighbourhood. Sales of compost as well as recycled paper, plastic, metal, glass and rubber have generated regular revenues. The volume of neighbourhood waste dumped at the town's

disposal site has been reduced to 10 per cent of total waste. On top of this, the scheme has created a cleaner environment, persuading people of the benefits and sustainability of community-managed waste.

News of the composting success story has spread far and wide. The mayor of Chennai has become a vermicomposting enthusiast and relations between the *panchayat* and *Mahalir Manram* have greatly improved, as solid waste is now taken seriously by local politicians and officials.

In the process, the women of Shri Shankara Nagar have demonstrated that innovative initiatives by local-level civil society can have dramatic ripple effects, improving not just the environment but also urban governance. The experience also showed that strategic networking with higher-level political figures is vital to building consensus for public action, as civil society's 'can do' determination and spirit of self-help are sure to create antagonism in some quarters.

Based on: Dahiya (2003)
Source: http://www.eldis.org/assets/Docs/45646.html

6.9
Cooperation networks

Ulaanbaatar, Mongolia. **©Sang H. Park/Shutterstock**

With good governance now recognized as a vital development instrument, national, regional and global cooperative networks have grown that enable interested individuals to exchange ideas, best practice and lessons learned, sharing them with municipal officials, administrators and researchers. They operate at the individual and institutional levels. For example, as early as 1913, the International Union of Local Authorities (IULA) began to support information exchanges among members with regard to governance and urban management.

In the field of urban planning and management, the East Asia Organization for Planning and Housing (EAROPH) has been conducting conferences, seminars and workshops since foundation in 1956. The organisation also publishes technical papers and monographs on urban planning, management and finance that are destined for urban and regional planners as well as housing specialists. The Eastern Regional Organization for Public Administration (EROPA) has also served as a support mechanism for good governance through regional conferences, technical seminars and workshops, training programmes, observation-study tours and publications.

In 2004, the International Union of Local Authorities merged with the World Federation of United Cities-United Towns and Metropolis (an organization of metropolitan areas) and the consolidated organisation became known as United Cities and Local Government. The UCLG Asia-Pacific Regional Section supports "strong and effective democratic local self-government throughout the region/world through promotion of unity and cooperation among members" and facilitates information exchange among local authorities in the region. CITYNET, a regional network of local authorities, supports the strengthening of institutional planning and management capabilities at the local and grassroots levels through technical cooperation among local authorities as well as governmental and non-governmental bodies. The network supports capacity-building through training, exchange of experts and sharing of experience and know-how (Tjandradewi & Marcotullio, 2008).

With the rapid increase in city-to-city ('C2C') relationships in Asia in recent decades, CITYNET has sought to assess their efficiency. In 2005-2008, the network carried out a survey of more than 70 urban authorities in over 20 Asian countries. Respondents were asked to rate (on a scale of one to four) which specific elements were considered important or

Huahine island, French Polynesia. ©**Xavier MARCHANT/Shutterstock**

not for the success of city-to-city cooperation. Interestingly, the survey found that respondents' rankings clustered around three levels. The environment, health and education and the social-cultural dimensions were found to be the areas where city-to-city links made the most significant contribution. Security/disaster management, employment/economic development, and housing/shelter ranked second. Urban infrastructure, municipal finance and gender/poverty were where city-to-city cooperation found to contribute the least (Tjandradewi & Marcotullio, 2008).

The CITYNET survey highlights the shortcomings of current approaches to urban development in Asia. More specifically, the findings suggest that most Asian local authority officials still hold on to a traditional approach, one that focuses on technical aspects related to urban management rather than governance (let alone finance). Lack of emphasis on gender empowerment and poverty reduction further emphasises this restrictive notion of urban management. These blind spots point to the need for an urban vision that places the highest priority on democratic decision-making, community participation, inclusiveness, equity, empowerment and people-centred development, as recently highlighted by UN-HABITAT (2010a).

In almost all Asian countries, there are associations of local governments and local government officials that support good governance. For instance, the All-India Council of Mayors, a non-statutory body made up of elected representatives of municipal corporations, has raised concerns about issues related to decentralization and lobbies for legislation and administrative measures that strengthen local governance. Also in India, the City Managers Association acts as a cooperation network in support of urban reform. Across the northern border, development issues are advocated by the Municipal Association of Nepal. The Association of the Cities of Viet Nam promotes cooperative links among cities in areas like construction, management and development. The Mongolian Association of Urban Centres promotes good governance and exchange of urban planning experiences amongst cities and towns in the country.

In the Philippines, good governance is strongly supported by a number of local associations such as the League of Provinces of the Philippines, the League of Cities, the League of Municipalities, the Vice Governors League, the Vice Mayors League, the Provincial Board Members League and the Philippine Councillors League. Similar organizations exist in most Asian-Pacific countries, where they lobby national governments on urban development and governance issues.

Although most local authority associations work hard to achieve good governance, four main factors tend to dampen their effectiveness, as follows:

- Most local officials belong to political parties and partisan groups and this tends to make sustained and truly collaborative actions difficult.
- Elective local officials may be in office only for short periods, which stands in the way of continuity in policies and programmes.
- Many of the associations lack the financial and technical capacities required for effective good governance programmes.
- Given the wide variety of local governance systems in Asia, lessons learned in one jurisdiction might not be replicable in others.

6.10
Diagnosis and future challenges

▲
Tokyo, Japan. Urban management remains a day-to-day challenge even in well-managed cities. **©Aaleksander/Shutterstock**

In the Asian-Pacific region as in other parts of the world, cities have become the engines of economic growth and social change, but their sustainable development is largely dependent on effective and efficient management and governance. Unfortunately, over the past few years, the global economic crisis has had a detrimental effect. The additional financial resources provided by fiscal stimulus (in China, Japan, Republic of Korea, Singapore and Taiwan, Province of China) have concentrated on infrastructure and social investments in large conurbations, overlooking small and medium-sized urban areas. This is unfortunate because if urbanization is to accelerate the development of rural areas, policies and projects should focus on smaller urban

settlements, where demographic growth is stronger. City cluster development may encourage this approach and it will be interesting to see whether countries other than Bangladesh, China, India and Sri Lanka adopt it in the very near future.

A notable trend in Asia is the fact that a number of countries have made significant strides in the transition to more participatory and democratic forms of governance. This is particularly apparent in Bangladesh, Indonesia, Malaysia, the Republic of Korea and Taiwan, Province of China. Other countries – India, Pakistan, the Philippines and Thailand – have embarked on decentralization (in the form of deconcentration, delegation and devolution of powers to local/urban authorities); although any tangible benefits remain

to be fully realized. In a number of countries, a significant proportion of urban dwellers now enjoy the benefits of liberal democracy, such as grassroots participation and engagement of civil society groups in public affairs. However, financial empowerment largely remains a challenge for Asia's urban authorities, and many are still found struggling to provide basic infrastructure and services.

Delegation of power to those urban authorities encompassing metropolitan areas arguably has prevented these from fragmenting into autonomous units. This urban management approach has had positive effects in countries in transition like China and Viet Nam, where mixed or unified metropolitan governance has delivered urban services in an efficient sort of way. As might have been hoped, water and sewerage, public transport, energy generation and distribution, and solid waste management are the services most favoured by coordinated management under area-wide authorities. At the same time, smaller local authorities have improved capacities in areas like water and electricity charge collection or even solid waste management thanks to community engagement.

Some urban authorities in Asia have financed development projects through public-private partnerships, foreign direct investment and more innovative schemes. Some have resorted to information technologies and e-governance to improve revenue-raising, keep the populations informed and involved, and take advantage of global development opportunities. Welcome as they are, these innovations must not obfuscate the need for a wholesale overhaul of Asian cities' basic legal and institutional frameworks and structures, some of which are still rooted in traditional practices. In this regard, the collection, analysis and dissemination of accurate and reliable information about urban trends has a crucial role to play if urban authorities are to be in a position to formulate and implement well-adapted, forward-looking reforms in the face of current and forthcoming challenges.

Raising the financial resources required to face those challenges remains a serious issue for most urban authorities in the Asian-Pacific region. Most are still financially dependent on higher tiers (central and/or state/provincial) of government which control the bulk of tax revenues and are often reluctant to share with urban authorities. In some Asian countries, however, urban authorities have been able to tap dormant or fresh financial resources. In India, Malaysia and the Philippines, computerization of tax rolls has significantly increased revenues from property taxes. China, India, Indonesia and Viet Nam have harnessed private sector participation in large-scale urban infrastructure. On top of this, the Asian Development Bank has also developed innovative techniques (like loans denominated in local currencies) to finance urban infrastructure and services.

In Asia as in other developing regions, environmental problems are increasingly being felt in cities and city-regions. However, most local officials are only beginning to understand how carbon taxes can raise the resources needed to mitigate or tackle climate change. More extensive sharing of information about carbon taxes and other innovative revenue generation methods is needed if local officials are to manage urban settlements and improve urban living conditions in a forward-looking way.

As highlighted in Chapter 5, the by-effects of global warming stand out as the most serious threat confronting settlements in the Asia-Pacific region. Some of the largest urban settlements in the region are located in coastal areas where rising sea levels may seriously disrupt urban life and livelihoods. While some urban authorities have instituted emergency preparedness procedures to cope with extreme weather conditions, many lack the financial and managerial resources effectively to deal with serious calamities.

In view of the environmental problems they are to face in the future, a rapid assessment of 10 Asian cities by the Institute of Development Studies has focused on their capacity to plan and implement integrated climate change resilience programmes, based on a number of relevant 'good governance' components (Tanner *et al.*, 2009). The results highlight the need for integrated urban management systems, including comprehensive planning, provision of infrastructure and services, adequate financing and improved management capacities.

Although environmental issues represent an important future challenge for urban governance, current, basic issues remain, such as poverty eradication, sustainable development (economic, social and environmental), social equity and the security of individuals and their living environment, which together only strengthen the case for integrated approaches. In its Global Campaign on Urban Governance, UN-HABITAT mentioned a growing international consensus that "the quality of urban governance is the single most important factor for the eradication of poverty and the emergence of prosperous cities." Good urban governance, according to UN-HABITAT, is inextricably linked to the welfare of the populations. It enables women and men to access the benefits of urban citizenship including adequate shelter, security of tenure, safe water, sanitation, a clean environment, health, education and nutrition, employment, and public safety and mobility. Most importantly, good urban governance provides urban citizens with the platform that allows them to use their talents to the full to improve their social and economic conditions (UN-HABITAT, 2005).

Over the past decade, the UN-HABITAT Global Campaign on Urban Governance has significantly raised the awareness of the importance of good governance among urban authorities in the Asia-Pacific region. In this regard, continued monitoring and evaluation is crucial for sustainable urban development in the region. Cities can use the Urban Governance Index to improve the way they fulfil their mandates. In the past few years, much of the discussions on urban governance have moved beyond conceptual, definitional and normative issues. More and more cities in Asia are formulating, implementing and evaluating reforms aimed at improved governance. Their experiences and the lessons learned from them have a crucial role to play in any future progress.

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