

16. Lessons and Strategies for Sustainable Urban Futures

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Asia's future is urban. It is in developing sustainable cities. Urbanization is both driven by and supports economic growth. The economy of the PRC is doubling in size every 10 years; India is doubling in size every 13 years. The spatial patterns of land use in Asia are changing rapidly with growing concentrations of people and economic activity. Over the next 25 years to 2030, Asia's urban population is set to increase by about 1,100 million people or 70%. While the precise figures of urban and economic growth may be debatable, the scale of the transformation makes any imprecision irrelevant.

The challenge for urban governance in Asia is to accommodate rapidly increasing populations while facilitating improvements in the welfare of cities' inhabitants—raising living standards, services, and urban amenity over time. A particular challenge is to manage effectively the envelopment of rural areas on the rapidly expanding periphery of cities while developing synergies between urban areas and their rural hinterlands to the benefit of both urban and rural people. For improvements in urban welfare to be sustainable, they need to be achieved in a way that recognizes the interdependence of social, economic, and environmental systems, avoids damaging shocks, allows for an acceptable level of equity between the city's inhabitants, and provides a stable platform for the well-being of future generations.

Sustainable urban development in Asia will require major changes to the way cities are developed and managed. The growth of cities combined with existing management practices has resulted in large imbalances between demand and supply in the provision of infrastructure and services necessary for sustainable urban development. Cities have been swamped by growth

and have responded after the event, trying to catch up in infrastructure and service provision. Without change and with the continuing growth of cities, these shortfalls in supply will inevitably widen. While thresholds are unclear, widening infrastructure and service shortfalls will result in further degradation of the physical and social environment—negative externalities, which will slow and, in some cases, possibly reverse, economic development and improvements in welfare.

Development on this scale will always involve elements of chaos. Nevertheless, good city governance is able to accommodate and exploit change and achieve acceptable outcomes. A “new” urban governance needs to be developed in Asian countries where, as far as possible, cities actively guide urban development and the provision of infrastructure and services, rather than simply respond to problems and shortfalls. This will require a focus on strategic planning, financial viability, and delivery of sustainable outcomes. Urban systems are continually undergoing change by external and internal forces. Urban management and communities must monitor change, assess risks, and be open to the opportunities that change presents. The five global case studies demonstrate the importance of local governments’ constantly focusing on innovation and change, and on continually improving their performance. Many Asian cities tend to be very receptive to new technologies, but are less innovative when it comes to institutional reforms and approaches to change management.

There is no easy solution to strengthening city governance in Asia and improving the way cities are developed and managed. For this to be achieved, country-enabling environments that encourage proactive city governments and authorities need to be developed. Such frameworks need to be complemented by capacity building and institutional strengthening of city governments and authorities so they are able to exploit fully the policy “space” available to them. It will also involve the development of a culture of city building in city leaders, institutions, and communities based on citywide vision and concerns, proactive local government, and local initiative through participation and partnerships between different community groups. This will take concerted action over many years to develop, with incremental steps, learning from mistakes.

While there is no simple template for successful urban development and arrangements will vary between countries, this chapter attempts to draw out common themes from the analysis of urban development in Asia and the case studies. The chapter then focuses on strengthening the enabling environment for urban governance and on improving local government performance. The role of international development partners in urban development in Asia is also considered and some suggestions made for improving their performance.

COMMON THEMES

Diversity

The 12 countries in Asia considered in this book—Bangladesh, Cambodia, PRC, India, Indonesia, Lao People’s Democratic Republic (Lao PDR), Malaysia, Pakistan, Philippines, Sri Lanka, Thailand, and Viet Nam—display great physical, social, economic, and political diversity. While their cities face many common issues and problems, their differences are as great as their similarities. These differences need to be taken into account in developing country- and city-specific policies and activities and in prescribing Asia-wide frameworks and solutions. What applies here may not apply there. Strategies and programs for sustainable urban futures have to be carefully tailored to particular country circumstances and to the unique characteristics of the particular city-region.

At the country level, there are major differences across virtually all indicators and in the enabling environments for urban development and management. Bangladesh, Cambodia, Lao PDR, Pakistan, and Viet Nam are the poorest countries considered here but have the highest rates of urbanization, with their urban populations estimated to increase by over 100% during 2005–2030. Malaysia is the wealthiest country, and its urbanization rate is estimated to be 66% over this period. Decentralization is much further developed in countries, such as India, Indonesia, and Philippines, than in Viet Nam or Cambodia. Moreover, while the PRC and India have decentralized systems, the guiding role of the central Government in the PRC is far more pervasive than in India. Slums and squatter settlements are more prevalent in India, Pakistan, and Philippines than in the PRC or Viet Nam, reflecting their histories and the role of central governments in controlling rural-urban migration and urban development.

Within countries, regional variations can be as wide as those between countries. There are major disparities in the economic performance of urban regions, and foreign investment is concentrated in a small number of “international” cities. This is particularly apparent in the PRC, with major income and employment differentials between the high-income, trade-oriented coastal cities and the inland cities based on underperforming state enterprises. It is also apparent in Thailand, with growth concentrated in the greater Bangkok urban agglomeration.

Within cities in Asia, there is also often great diversity in people’s incomes; cultural, religious, and ethnic backgrounds; and in people’s priorities and preferences. Consumption patterns vary widely. In virtually all Asian cities, there is an emerging middle class that, in some respects, lives

more comfortably than their counterparts in developed countries, demanding services of all kinds and improved urban amenity. There is also a much larger group of poorly skilled workers struggling to find and maintain regular employment in low-paid jobs, often in the informal economy, highly vulnerable to the economic cycle, with low levels of consumption. Urban policies have to be cognizant of the widely disparate groups that comprise the urban community and incorporate and balance the various interests involved. Urban development is a political as well as an economic process, and priorities and trade-offs will vary between countries, between and within cities, and over time as circumstances change.

There Will be Winners and Losers

In a globalizing world of trade and capital and labor market mobility, the economic performance of cities and their ability to generate employment and income are increasingly dependent on the cities' comparative advantage nationally and globally. This has led to an increased emphasis on the competitiveness of cities and their role in fostering investment, private sector development, and employment. An important focus of city governance is now necessarily on improving the attractiveness of the city to businesses by reducing unnecessary obstacles to productivity and by providing necessary infrastructure and services. Actions of government can provide incentives (and disincentives) to business development through the efficacy of the regulatory environment, flexibility of labor force rules and regulations, efficiency and transparency of taxation and user charges, and political stability and accountability. All these are related to good governance.

While a focus on governance and locational competitiveness is important, it is but one factor affecting the location and investment decisions of firms. Other factors include agglomeration economies, resource endowment, etc. There will always be cities that, regardless of the efficiency of governance, are unable to compete in attracting businesses and investment. Over the long term, there may be a tendency to equalization, as the unemployed move to more attractive locations or prices fall sufficiently—including for labor to raise returns on investment (or the costs of other locations rise due to the negative effects of agglomeration, such as congestion). However, depressed cities and regions will remain a problem for national and city governments. Regional disparities in the PRC are one example of this problem.

A focus on locational competitiveness and city governance should not mask the need for appropriate national policies to meet the challenge of depressed cities and regions. The design of such policies will vary depending on the underlying causes of poor economic performance but may include

measures, such as central government assistance with minimum levels of service provision or with key catalytic infrastructure, such as transport facilities. Policy development in this area is particularly difficult. The experience of countries worldwide with growth center and regional development policies has been at best mixed and the time frame for returns on investments has often been much longer than initially estimated. A starting point for such policies is ensuring that firms meet the full economic costs of locating and operating in rapidly expanding urban centers. Agglomeration economies are overwhelming when the benefits of agglomeration directly lift firms' bottom lines but the costs are largely unpriced and outside market forces.

Need for Policy Consistency

Policy defines the objectives of government action and the broad means to their achievement. It provides the basis for governments to develop and implement projects and programs. Policies affecting the development of cities are formulated at the national, provincial, and local levels. The integration of policy, when so many agencies and different levels of government are involved, is difficult and leads to inconsistencies and inefficiencies in policy implementation. Policy development frameworks and processes in many Asian cities need strengthening if desired outcomes are to be achieved.

Historically, the development of many Asian countries has been driven by strong, directive, national policy agendas. Since the 1990s, however, there has been a movement toward more of a guiding, less-intrusive national policy role and the decentralization of government activities to provincial and local governments. A challenge for governments in Asia is to develop consistent, effective policy frameworks for urban development within governments and across the different tiers of government. A reading of the case studies suggests that in some cases, policies—including decentralization policies—are giving mixed signals, pulling and pushing in different directions.

An example of conflicting frameworks in many Asian countries is policies for land markets and policies encouraging improved local government performance. There are close interrelationships between the efficient operation of land markets, land titling, and secure property rights that are often a national concern, and land taxes, local economic development, and land-use planning, which are usually matters for regional and local governments.

Land titling and secure property rights underpin the efficient operation of land markets and facilitate investment and local economic development. Land markets cannot operate efficiently when prospective purchasers or lessees are not sure as to the rights they are buying—there can be no fair price.

Even if land is obtained, it is then difficult to use as collateral to obtain finance because the lending institution is unsure of its rights in case of default. Unclear titling and ownership also affect regional and local governments, restricting their ability to value land and levy land taxes, leading to under-collection of taxes and legal disputes over taxes levied. Similarly, local land-use planning and land development procedures are complicated and restricted by unclear property rights. Land development becomes time consuming and is often impeded by the illegal occupation of land. This is particularly a problem in the rapidly growing, peri-urban areas of Asian cities.

The benefits of capacity building at the provincial and local government levels in such areas as land taxation, local economic development, and land-use planning will always be undermined by inadequacies in land titling and land markets. The policy frameworks need to be brought into line so that they are mutually reinforcing.

Comprehensive land reform to develop efficient land markets involves complex political, legislative, and administrative issues at all levels of government. It will not be achieved quickly and it may be necessary at the city level to develop “quasi markets,” such as in special development zones, to attract investment. Such interim approaches may be unavoidable for provincial and local governments but are a poor substitute for the far broader benefits of national, efficiently functioning land markets.

The case studies clearly illustrate the damaging effects of poorly functioning land markets and inadequate land titling on local economic development and the performance of local government. Well-managed land markets are a primary factor contributing to the success of urban development in Hong Kong, China; Malaysia; and Singapore. Recent improvements to Thai land administration and management systems have contributed significantly to stabilizing property markets in Bangkok, following the 1997 Asian financial crisis. The case study on the reform of property taxation in Andhra Pradesh, India shows the relationship between land titling and properly administered land valuation systems and the successful collection of property taxes by local government authorities.

Policy consistency is also an issue in cities in Asia where multiple local governments usually exist. Left to themselves, there will inevitably be differences in approaches to land development, building standards, land-use planning, environmental standards and management, infrastructure provision, and property taxes and user charges. While some differences may be desirable, they can also be damaging to the development of sustainable cities and the management of citywide issues. Problems can include substandard construction of buildings, economic rent-seeking from land speculation, nonviable extension of infrastructure services into peri-urban areas, shortfalls in the

quantity and quality of infrastructure services, and citywide environmental problems. A challenge for central governments in Asia is to set broad policy directions for city building, for regional and local governments to work within. This policy framework should emphasize effective citywide strategic planning and coordination and balance the need for consistent citywide policies with the benefits of local initiatives and innovation.

Mixed Results from Decentralization

Decentralization is being pursued by virtually all national governments in Asia to varying degrees and with mixed results. Decentralization is pursued by central governments because it provides for the more effective identification of local needs and for local resource mobilization to meet them. Empowering local communities is an instrument for achieving more effective and efficient service delivery. While the situation varies between countries, there is a general lack of clarity and confidence in local authorities as to their roles and powers under decentralization. Relatively few local governments appear to understand or utilize the opportunities that decentralization has made available to them. There is often uncertainty on the part of local authorities, a lack of capacity to develop and finance appropriate policies and programs and possibly a level of caution about central government's real expectations. These problems are particularly acute in countries, such as Cambodia and the Lao PDR, moving from centrally planned economies and with severe local resource constraints, and in Indonesia and the Philippines, which have undertaken radical decentralization reforms. While some tentative "feeling the way" is prudent, inaction can become entrenched and the benefits of decentralization lost.

Few regional or local government administrations appear to understand that decentralization calls for greater autonomy and responsibility for policy development and a reduced dependence on central government for resources and other advice. Respective roles and responsibilities for developing and implementing policy have often been clouded by a lack of clarity in legislation defining the financial and administrative responsibilities of the various levels of government. This was the case in Indonesia with the initial decentralization legislation that gave provincial and local governments much the same powers. Policy on regional development can also be ambiguous, with central government both wishing to decentralize and wanting control. Some central government involvement is necessary in strategic planning, coordination, resource mobilization, establishment of minimum service standards, and in major infrastructure projects of national importance, but it should facilitate—rather than substitute for—local development efforts.

At the city level, the role and importance of regional and urban development policy are poorly understood. Even with decentralization, many institutions continue to look to central and provincial governments for advice and direction on policy development. Local efforts are inhibited by limited skills and experience in policy development and analysis and by poor information and data. Implementing policy also has problems, with significant weaknesses in program and project design and implementation and financial management and control. The weakness of policy development and execution frameworks in Asian cities significantly undermines the effectiveness of decentralization efforts.

There appears to be a critical need for central governments to clarify their decentralization policies and expectations of local government. This goes beyond legislation and government directives to an ongoing dialogue with local government as a partner in development and appropriate training and technical assistance. Clear, consistent enabling environments and policy frameworks are central to such efforts.

Importance of Leadership

Probably the clearest message from the case studies is the importance of local leadership in achieving results. The role and importance of leadership are prevalent in virtually all the case studies, in particular the Chittagong Service Delivery and Resource Mobilization Project in Bangladesh, issue of municipal bonds by the Ahmedabad Municipal Corporation in India, Naga Metropolitan Development Council in the Philippines, Muang Klaeng Pra Sae River Rehabilitation Project in Thailand, and the Tarakan balanced approach toward urban development in East Kalimantan, Indonesia. Without strong political and community leadership, none of these projects and activities would have been initiated or driven through to successful completion.

Local leadership plays a critical role in identifying issues, engaging the community, defining priorities for action and approaches and solutions, and in mobilizing resources to achieve outcomes. The sources of leadership range from individual action—an individual sees a problem and initiates a solution—to community, nongovernment, and private sector groups, to formal political processes. Its impacts can range from small local interventions to citywide initiatives. Leadership is successful if it can involve the community and galvanize action. Leadership explains why some cities in Asia are proactive, progressive, and better able to accommodate change than others. To some extent, leadership is able to substitute for weak institutional capacity by providing drive, networks, and direction.

The case studies demonstrate different styles of leadership. Political leadership and commitment to change are important; however, academic, business, and institutional leadership is also important. As part of capacity building, there is a role for programs aimed at strengthening local leadership and sharing information on successful initiatives.

Strengthening Urban Management

Improved urban management is essential to the sustainable development of Asian cities, including the provision of land, infrastructure, community services, logistics, communications, and environmental management. Successful urban management is multisector and involves multidisciplinary engagement in activities related to urban policy development, planning and administration, finance, development, operations, and maintenance of cities. It also involves creating enabling mechanisms to facilitate engagement between governments, business, and communities in building and maintaining better cities. Many Asian cities lack an urban management framework and the institutional and coordination arrangements that allow effective, citywide strategic planning, community participation, and infrastructure and service provision.

Problems of Coordination

Coordination of policy, planning, and service provision is a major problem for Asian cities. Decentralization, the rapidly expanding size of cities, the number of governments at various levels involved in city governance, and the range of special-purpose authorities providing city infrastructure and services have all contributed to the need for effective formal and informal frameworks of coordination. Coordination is necessary vertically between central and local governments and special-purpose authorities, and horizontally between subnational governments and institutions. Cities are rarely governed at the city or city-region level and, even if they are, there are also usually numerous local authorities. Some infrastructure and services may not be able to be efficiently provided by smaller local authorities. Duplication of infrastructure can be a problem. Some infrastructure requires citywide provision and other infrastructure in a city is a small part of a much larger national network.

Coordination is inevitably problematic. Cities are large complex systems, with many stakeholders with varying interests. Local authority boundaries are important in minimizing coordination problems, as are clear understanding of jurisdictions and functions. Frameworks of coordination need to be established to facilitate the resolution of cross-border issues, such as environment and transport problems, and to manage interactions with rural areas.

They are also important for citywide infrastructure and service provision in areas, such as strategic planning, financing and cost recovery, and quality and reliability of service provision. Central governments and other more senior levels of government play an important role in establishing and implementing coordination frameworks. They must practice what they preach in order to establish a culture of coordination.

Improvements to coordination and decision-making processes do not occur organically. Analysis and monitoring can improve their structure, efficiency, and effectiveness. This could potentially be a productive area for assistance with urban management.

Institutional Strengthening and Capacity Building

Capacity building of city governments and local institutions is central to meeting the challenge of growing cities in Asia. Underperformance in the provision of city infrastructure and services is the inevitable consequence of weak institutions. Local institutions are generally lacking in human, financial, and technical resources and in systems for strategic planning, policy development, management, and financial budgeting and control. Strengthening local governments and local institutions will take time, resources, and concerted effort. Strategies for achieving stronger city institutions are essential to achieving sustainable improvements and should be the first priority for assistance for urban development.

The pace of urbanization in Asia and of decentralization of governance has left many regional/local institutions ill prepared to conduct the business of government. The bureaucratic nature of operation, complexity of organization structures, and overlapping of agency functions hamper the efficiency and effectiveness of many institutions. There is often strong resistance to institutional reforms and to the introduction of technologies and systems that threaten job security, hierarchies, and established workplace practices. There is a lack of strategic planning and a poorly developed culture of consultation on matters of public interest and concern. Institutions have poor customer and client orientation. Many institutions have little experience of developing partnerships with community groups or private enterprise and no experience of business development. Financial management is poor, with little focus on developing the local revenue base. Many of these issues are local, but central government assistance is necessary to guide and encourage reforms, including through staff development and training programs and assistance with systems development. Improvement in the performance of local governments and regional state-owned enterprises is vital to enhancing the competitiveness and sustainability of cities in Asia.

Human capital underpins the sustainability of the projects presented in the case studies. Most local governments in Asia, especially those outside the larger cities, lack the critical mass of skills, competencies, and technologies needed to create and manage efficient institutions. In some countries, like Indonesia and the Philippines, there is a huge loss of intellectual capital caused by the migration of skilled people from the country. While many of these people continue to contribute to the development of the country through remittances, these countries are deprived of critical human capital needed to support their development. Increasingly, efforts are needed to develop a large pool of urban development and management skills and expertise to meet the growing pressures of urbanization.

Stakeholder Participation, Network Building, and Partnerships

Developing sustainable cities within decentralized governance frameworks relies on developing processes at the local level for defining and fulfilling local needs and for holding local authorities accountable for their performance in both meeting needs and balancing competing priorities. Such processes require stakeholder participation and the building of broad networks and partnerships involving all elements of civil society—government and government agencies, communities, nongovernment and local community organizations, and private sector interests and organizations. The case studies virtually all relied for their success on building frameworks for active stakeholder participation. To be effective, stakeholder participation requires involving these groups in strategic planning as well as activity design, financing, and implementation. This is resource intensive and trust building is continuous and time consuming. It is critical for city development to mobilize all of the assets of the city—its intellectual, physical, and financial capital—and to develop partnerships and strategic alliances between the various interest groups. Transparent systems and processes for stakeholder participation, network building, and partnerships are not generally well developed in Asian cities, and this acts to undermine the development of cities.

Local economic development is a particular area for network building and partnerships. Much regional business tends to be parochial in nature with a focus restricted to the local market. Networks and partnerships are critical for regional businesses and organizations to build up the marketing, information, and supply chain networks necessary for business expansion and for cities to develop broader trade and investment opportunities. Networks, strategic alliances, and innovative public-private and community-based partnerships can be critical elements of strategic infrastructure for regions and cities to diversify and develop growing, often more service-based economies.

The building up of networks, however, takes time and is difficult, particularly as there can be cultural, social, and religious barriers to overcome. Few local governments appear to appreciate their role in creating an investment and business climate for encouraging development.

Reforming City Planning

Most countries in Asia have put considerable resources into economic and spatial planning processes at the regional and city levels over the last 50 years. While the details and results have varied between countries, these have generally borne little relationship to forces in the real economy and to the range of factors affecting the investment decisions of firms or to realistic projections of resource mobilization by urban governments. They have often been little more than “wish lists.”

Plans have failed for many reasons. Neither the resources nor the mechanisms have been in place for implementation. There have been weak linkages between planning and budgeting, and the integration of sector strategies has been frustrated by the “silo mentality” of agencies. The approach to development has often been supply rather than demand driven, with a focus on outputs rather than outcomes. There has also been a lack of understanding or analysis of what strategic, catalytic infrastructure a region needs to build to develop a competitive and more sustainable economy.

In countries with more directed economies, such as the PRC and Viet Nam, more has been achieved in allocating investment and in restricting rural-urban migration, but at the cost of efficient, flexible resource allocation. The high efficiency cost of rigid central planning has been a factor leading to the growing liberalization of these economies. Land-use planning involving zoning has been similarly unsuccessful and proven difficult to enforce. It has crumbled in the face of rapid urbanization, inefficient land and housing markets, pressures to attract firms and create employment, and been widely subject to corruption.

Decentralization, globalization, the transition to more market-oriented economies, and the failure of existing processes are causing a revision of city planning processes for Asian cities. Uncontrolled forces have created chaos on the urban periphery of many cities, with the envelopment of productive agricultural land, difficulties of access to employment and services, and substandard, often illegal housing and disputes over land tenure. These costs fall disproportionately on the poor. The cost of infrastructure provision has been increased as it follows development. Local economic development has been set back because the lack of infrastructure inhibits access and it is difficult to obtain services.

Land use and the form of urban structure significantly influence economic development and welfare in cities, and the costs of infrastructure and service provision. The issue is how to get the benefits of guiding urban land use without the high costs of regulations that are difficult to enforce, bureaucratic, open to corruption, and act as a disincentive to local economic development. While some regulation is necessary and unavoidable, cities are attempting to rebalance city planning and shift the focus to rolling, anticipatory approaches where urban form is shaped by the provision of trunk infrastructure, zoning is simplified, and market-based approaches using prices are used to control such matters as environmental emissions. In this model, the public sector is less concerned with directly providing services, such as infrastructure, land, and housing, and focuses instead on developing an enabling role through partnerships with the private sector and community groups that support the supply of such services.

The extent to which city planning has adjusted to very rapid urban development in Asia varies between cities but is generally poor. Reforms are not progressing fast enough to accommodate the projected rapid future economic and population growth and rapidly increasing demands for urban infrastructure and services. City planning is another area where research, experience sharing, and technical assistance and training will be necessary to achieve better approaches and outcomes.

Financial Sustainability and Weaknesses in Financial Management

Ultimately, local financial sustainability and political autonomy can only be achieved if the costs of providing infrastructure and services are paid by users either directly through tariffs and user charges or indirectly through local taxes, possibly supplemented by formula-driven, general-purpose grants from more centralized governments.

Local financial sustainability is poorly developed in Asian countries. While there is considerable variation from country to country, local institutions are generally reliant on revenue-sharing arrangements with the central government for the major part of their revenues. This has tended to create a culture within local authorities of resources being mainly a matter for central governments. There is little alignment between local authority functions and revenue-raising capacity and little incentive to fully exploit the local tax base or user charges. Access of local authorities to loan funds and capital markets is often restricted by central governments—both in total and as to appropriate investments—and little attention has been paid to their asset base, creditworthiness, and capacity to pay. As a result, local authorities tend to be only “semifinancial” and most would fail to meet the requirements of credit

rating agencies in the absence of central government guarantees. New financial frameworks are essential if more proactive urban governments are to be developed, capable of addressing the major underinvestment in infrastructure and services.

Another challenge facing the sustainable development of cities in Asia is the inadequacy of financial management. This has many aspects. Some relate to the enabling environment for financial management created by central government; others reflect poor leadership, inadequate skills, and systems within the local authorities themselves. Systems for financial management and control—including accounting and audit, management and accountability, monitoring, risk management, asset management, cash flow management, billing and collections, and debt management—are poorly developed. Corruption is a significant problem. Local tax collections are low, and the systems are inefficient.

Several case studies provide examples of good practice approaches to urban financial management. Sleman in Indonesia is an excellent example of the local government introducing performance-based budgeting and sound financial management. This municipality provides a benchmark for sound financial management for local governments in Indonesia. The Ahmedabad and Andhra Pradesh case studies from India illustrate the need for improved financial management and the importance of establishing credit ratings for cities. Credit rating of local governments is a good practice being adopted in many developed countries, as illustrated in the Brisbane case study. However, in Asian countries, it is a relatively new concept but essential to improving the overall financial management of local governments. The Phnom Penh Planning for All Project demonstrates the willingness of poor communities to invest in improved urban services.

Cost recovery and affordability remain significant problems for providing infrastructure in Asian cities. The case studies demonstrate that where there are high levels of engagement and a clear understanding of benefits by communities from the provision of infrastructure, there is a willingness to pay. Problems with the financing of infrastructure are with both cost-recovery mechanisms and the lack of enabling mechanisms for local governments to gain access to markets for capital. In some cases, the borrowing limits set by central governments relate to their grant allocations to local government, providing little incentive for local governments to be better financial managers and to improve cash flow through traditional revenue sources or other innovative means.

Weaknesses in financial management are a factor inhibiting central governments from decentralizing greater financial autonomy to local government and leading to the mixed results from decentralization discussed earlier.

Strengthening of enabling environments and assistance for capacity building of city institutions in all areas of financial management and control are necessary if financial sustainability is to be attained.

Mobilization of Regional Capital Stocks

Local governments' ability to provide infrastructure and services is dependent on its ability to mobilize resources and service its repayment responsibilities. An important factor in mobilizing resources is the city's asset base. The value and quality of all aspects of the capital base in most cities in Asia, however, are generally unknown. This inhibits the ability of local authorities to leverage assets and mobilize funds for strategic investments. With few exceptions, local governments do not know what land or other assets they hold or their value; nor have they prepared a balance sheet suitable to establish a credit rating. The extent of private investment and of capital held by regional banks is also generally unknown. Little attention appears to have been paid to mobilizing local savings for local capital needs. Private capital through domestic savings often flows out of cities to the larger "international" cities because of the lack of bankable investments. A large proportion of land and housing is not part of the formal property market due to weaknesses in the administration of land titling, which inhibits its use as collateral. There is, therefore, a situation in which regions are capital rich and cash poor, with few mechanisms for mobilizing capital into funds for investment.

These problems, along with the deficiencies in financial sustainability and financial management noted above, have been a major contributor to backlogs in infrastructure and service provision. Frameworks need to be put in place for local authorities to mobilize capital, provide infrastructure and services, and take responsibility for payments.

THE ENABLING ENVIRONMENT AND THE PERFORMANCE OF CITIES

National governments in Asia have a strong interest in urban development because economically dynamic cities are central to economic growth and to improvements in standards of living and poverty reduction. In general, rapid urbanization and economic growth in Asia have increased the political and administrative pressures for national governments to decentralize government decision making and service delivery to subnational, more local government, and, in the case of such utilities as electricity supply, to special-purpose authorities.

Urban governance comprises the totality of national government, regional government, local government, and special-purpose authority policies and programs directed at managing or providing infrastructure and services in cities. Urban governance in Asia, as elsewhere, is a complex mix of interventions. Each of the 12 Asian countries considered in this book has a unique set of arrangements. Nowhere is city governance in all its aspects and local government synonymous and this is further complicated by most cities' comprising many local government areas. The results are overlapping boundaries, unclear jurisdictions, and problems of coordination that inhibit strategic planning and the development of citywide policies and approaches. Compounding such problems is the weak institutional capacity of local government, including major discrepancies between nominal functions and tax base and revenue-raising capacities.

National governments largely set the framework in which provincial and local governments operate; increasingly, central controls are being balanced with greater local responsibility, allowing real local-level decision-making. Even with decentralization, national governments can be expected to continue to play an active role in urban governance, selectively intervening in areas considered to be of national interest or priority, setting national standards for service delivery, providing technical assistance for institutional strengthening and capacity building, monitoring local authority performance, intervening where local governments are deemed to have failed, and providing incentives for effective coordination, improved service delivery, and financial performance.

While details vary from country to country in Asia, national government laws, policies, regulations, financial arrangements, and directives set the enabling environment through which urban governance is established and operates. They establish what must be done, what can be done, what cannot be done, and by whom. They establish the policy and program space within which local governments have the flexibility to operate. Parts of this enabling environment are directly related to local government (such as legislation establishing local government, local government revenue-sharing arrangements, and employment regulations governing local authorities); others are national policies that indirectly affect local government activities (examples vary but often include land titling and land markets, housing policies, poverty reduction programs, heritage protection, and resettlement guidelines); still other parts of the enabling environment comprise legislation and regulations establishing and controlling the operations of special-purpose authorities. The national government enabling environment for urban governance and its associated incentives structure is a key factor influencing the performance of local authorities and of urban areas.

The role of national governments is also critical in facilitating coordination between the various levels of government and with special-purpose authorities.

The structure and operation of the enabling environment are central to the functioning of urban governance and to the provision of infrastructure and services. Importantly, the impact of the enabling environment is more than laws and regulations; it also plays an important role in setting the culture of operation of local authorities. At one end of the spectrum, the enabling environment can encourage the development of performance-based cities with a focus on locational competitiveness, results, performance benchmarks, incentives for achievement, and efficiency of service provision; at the other extreme, it can lead to a culture of stifling, unproductive, administrative process and inefficiency. Decentralization can only yield improved performance in infrastructure and service delivery if it is associated with a culture of performance improvement, often supported by incentives. Generally, the enabling environment is less important the stronger the leadership, capacity, and resources of the local government; governments with stronger leadership are better able to find and exploit policy, program, and administrative flexibility.

While there is no ideal system of city governance—the arrangements in each country are always a work in progress evolving to reflect the country's history, politics, culture, and stage of development—there are some universal features of effective, proactive systems of city governance and administration. Importantly, these features are all the responsibility in the first instance of national government, which creates the enabling environment for city governance. The following features provide a useful yardstick for assessing governance systems in Asia and a starting point for any efforts to improve the efficiency of urban governance.

- **The functions of government.** Central, regional, and local governments and special-purpose authorities have clearly defined functions, minimizing areas of overlapping responsibilities.
- **Geographic boundaries.** Regional and local governments and special-purpose authorities have boundaries, which effectively balance the need for efficiency of service delivery with appropriate community representation. Too much government can be as big a problem as too little.
- **City region governance.** There are frameworks in place that provide for whole of city and urban region issues to be analyzed and addressed across administrative boundaries in areas, such as economic development, strategic planning, rural-urban linkages, the envelopment of peri-urban areas, and infrastructure and service provision.

- **Coordination and consultation arrangements.** Frameworks for formally undertaking coordination and consultation are widely understood and effectively utilized by all levels of government; these are supplemented by extensive informal consultation.
- **Financial relations.** The framework for intergovernmental financial relations supports the financial sustainability of cities and local governments by broadly aligning the tax bases and revenue-raising capabilities of governments and authorities (including any intergovernmental revenue-sharing arrangements and general- and specific-purpose transfers from more central governments) with their functional responsibilities; such frameworks support financial independence and a proactive approach to service delivery by rewarding the appropriate exploitation of tax bases and of user charges/cost recovery.
- **Capital requirements.** Central government frameworks encourage access to loan funds and capital markets by local authorities at market terms and conditions within the constraints of prudent financial management by local authorities and within the requirements of overall macroeconomic management; such frameworks encourage local authorities to operate as market entities, balancing capital requirements with risk and capacity to pay considerations, and prudent financial management is rewarded by increased access to capital.
- **Performance-based management.** Management and financial frameworks are structured to emphasize results and performance against benchmarks, including through the use of incentives.
- **Accountability.** Decision-making processes and audit and reporting systems emphasize transparency, performance, and community consultation and involvement.

The various frameworks of decentralized governance in Asian countries can be assessed against these features. While there is much information on urban development and on local government, relatively little attention has been paid to comprehensively assessing the enabling environments in countries for city governance and on its impacts on city performance. While this architecture varies widely across the region, it has generally encouraged weak, fragmented urban governance, major problems of planning and coordination in cities, and problems of resource mobilization and infrastructure and service provision. The country chapters provide ample examples of these problems.

The tendency to date has been for central governments and international development partners to focus on the local level and on capacity problems of local government while giving insufficient attention to the enabling environment. While local government has major capacity problems that need to be

addressed, this is the microeconomic equivalent of trying to develop an efficient textiles industry behind a high tariff wall and being surprised that the result is not a sustainable industry! Periodic reviews of the enabling environment in countries are an essential component to developing a culture of proactive city governance and to improving the performance of cities. Enabling environments should not be static. Rather they should be viewed as policy instruments to phase the development of responsive, effective city governance.

STRENGTHENING LOCAL GOVERNMENT

While the enabling environment defines the space within which local government operates and plays a major role in developing the culture of local government, major efforts across Asia are required to strengthen and build the capacity of local government itself. Local government must be capable of exploiting fully the policy and program opportunities made available to it. The enabling environment and the capacity of local government are closely related. The stronger the ability of local government, the more national governments are likely to increase the role and responsibilities of local government and vice versa.

Local government plays a central role in the welfare and amenity of urban communities. It does this in many ways. Local government directly affects local economic development and employment through its impacts on locational competitiveness and the local investment climate.¹ It affects the costs of establishing and operating business enterprises and their profitability. An important objective of local government should be to improve the income and employment effects of urbanization by reducing barriers to productivity growth. Local government also plays an important role in protecting the poor and most disadvantaged members of the community, affects the supply and availability of infrastructure and services, and guides and regulates the social, environmental, and spatial effects of growth. Virtually all the case studies were dependent in one way or another for their success on local government.

The challenge for local government in Asia, as elsewhere, is to increase the welfare of citizens. To fulfill its responsibilities, it requires the capacity to assess community needs, plan strategically for future community development, set priorities, balance numerous and sometimes competing interests, and provide infrastructure and services. Local government needs to approach these roles flexibly—to plan ahead, manage risk, and focus on outcomes. Its roles will vary depending upon circumstances. In some cases, it will be a provider of services or regulator of activities and in others, indirectly guide development or act as an enabler of service provision.

In the 12 countries considered in this book, the operation of local government in cities is made more difficult by the rapid pace of population and economic growth. During the 10 years 2005–2015, the populations in 219 of these 12 countries' major cities² are projected to grow by more than 30% and many will grow faster. The capacity of local government has to change fundamentally and increase if it is to meet this challenge of urban growth.

The outlook is further complicated by the fact that many urban services require major investments in capital facilities, such as electricity generation and distribution capacity, water treatment works and distribution pipelines, and sewerage capacity. Such investments have a long life and maintenance requirements and there are long planning and construction lead times before services are brought on line. Even if there are concerted attempts to strengthen local government now, Asian cities will inevitably continue to struggle to keep up with service provision as population growth overtakes planning and design capacity, and in view of the time necessary for construction and service augmentation.

The management, mobilization, and application of resources to meet the challenge of rapid urban growth will be major factors determining the successful evolution in Asia from rural to urban societies. While economic growth and urbanization increase income, a central issue for local government is how to capture an adequate share of this income to finance the supply and maintenance of necessary infrastructure and services. A related issue is how best to finance and provide these services as effectively and efficiently as possible, whether directly by government, through public-private partnerships, or indirectly through creating markets to encourage the private or community sector provision of such services. Different approaches will suit different circumstances, but what is important is that such services are efficiently provided and that local government fulfills an enabling role to achieve this end.

Strengthening local government and improving its performance requires action across the wide range of areas of local government management and operation. Priorities will vary depending on the particular capabilities of the local government concerned. Programs for strengthening local government are primarily the responsibility of the local authority itself. However, left to themselves, this will result in the more proactive and progressive authorities moving further ahead in overall performance and other authorities being left behind. National programs sponsored by central governments in Asia are probably essential if the overall performance of their local government system is to improve. As part of efforts to strengthen local government, attention also needs to be paid to the development of local area information, maps and

statistics, and to networks and processes for sharing information, including the wide dissemination of information on successes and failures.

Areas for local government capacity building and institution strengthening cover the ambit of local government activities. Priorities will depend on the particular authority, its needs, and circumstances. Areas include:

- **civic and local government leadership**, including probity, transparency, and accountability in decision making;
- **the involvement of civil society**, including consultation and involvement of communities, community organizations, and the private sector in planning and decision making, and in partnerships in infrastructure and service provision;
- **human resource development and training**, to improve the skills and technical capacities of local authority staff;
- **policy development and policy instruments**, to strengthen the capacity of local authorities to develop policy, make strategic choices and establish priorities for action, and to canvass the policy instruments available to local authorities—civic guidance, regulations and codes, fines, taxes, user charges—and their applicability and efficiency in different circumstances;
- **local government management systems**, to support strategic planning, risk management, and policy and program development;
- **local government information systems**, reliable, recent data and maps that are the starting point for environmental management and strategic planning, and for property taxes, tariff collections, and environmental taxes and charges;
- **financial management policies and systems**, to strengthen local government revenue raising and expenditure controls while providing for necessary audit and review;
- **capital and asset management policies and systems**, to improve local authority access to capital markets, and ability to mobilize resources and assess financial risk;
- **environmental management**, including priority setting, cost-effective technologies, establishment of appropriate environmental standards and instruments for their achievement, and monitoring arrangements;
- **land-use planning and land management**;
- **modalities of service provision**, including local government business operations and the involvement of the private sector in infrastructure provision and service delivery; and
- **benchmarking**, the establishment of standards for assessing local authority performance.

Cities, if they are to become more competitive and able to provide necessary infrastructure and services in this decentralized environment, will need to become much smarter and more efficient in the way they are governed. This will not simply evolve. It will require the progressive development of an enabling environment that provides policy and program space for local governments and encourages a culture of innovation and change; it will also require substantial investment in institutional development and capacity building, including management and staff training and systems development. It will involve the development of proactive local governments partnering with community groups and leveraging capital and resources with the private sector to deliver the services that those increasingly affluent communities have come to expect. It will also involve paying greater attention to environmental and social development issues. Present decentralization efforts are the first small step in empowering city governments and management in Asia.

THE ROLE OF INTERNATIONAL DEVELOPMENT INSTITUTIONS

International development institutions have been engaged in activities in Asian cities over many years. They include the multilateral development banks—the World Bank, Asian Development Bank, United Nations agencies, and donor country aid agencies. These institutions have a long involvement in sectors, such as electricity, water supply, health, education, and transport that in one way or another involve urban areas. They have also developed programs and projects with a specifically cities focus in areas, such as municipal capacity building, municipal finance, housing and slum upgrading, sanitation, and solid waste management. Many case studies considered in this book would not have been initiated and undertaken without financial and technical assistance from international development institutions. This section does not attempt to assess existing strategies or to analyze program and project performance but to make some brief, general observations on the role of international development institutions in urban development in Asia.

A common problem for the international development agencies is that cities are not a sector in their parlance; these institutions are usually structured to provide assistance on a sectoral basis. While they have more or less well-developed practices for accommodating such crosscutting issues as women in development, cities also do not sit comfortably within a crosscutting issues framework. City-regions are more analogous with nation states—they have a distinct economy, engage in trade, face issues of competition and comparative advantage, and have labor and capital markets. Like a nation state, they are a distinct spatial entity around which issues of economic development,

infrastructure provision, environmental sustainability, community welfare, and poverty have to be managed. Also like nation states, there are complex governance arrangements, numerous cross-border issues, and matters for inter jurisdictional management.

The international development agencies have struggled to develop institutional arrangements for urban development that foster the analysis and development of integrated programs for cities as unique spatial entities and economies. The level of comparability between urban regions is about the same as that between nation states. They require similar levels of information and analysis to understand development processes; yet information and depth of analysis on city economies remain poorly developed compared to the wealth of information on nation states. The economies of large cities, like Jakarta and Bangkok, are much larger than those of smaller nation states, such as Cambodia and Lao PDR, but our understanding of what is taking place and how to improve city performance is much less developed. An important role for international development agencies is to assist in developing the information base on cities along with analytical frameworks for making this information relevant to governments and decision makers.

The international development institutions as a whole provide very modest additional resources for investment in urban development in Asia. Precise figures are difficult to obtain because of differences about what is classified as an urban development activity. They probably provide about 3–5% of total urban development investments, although this can be much higher in some smaller, poorer countries in the region. On the whole, urban projects have been assessed by these institutions as reasonably successful in delivering infrastructure and services, but sustainability has been a recurring issue. Broader benefits for urban development through systemic policy reforms and the transfer of knowledge and approaches—intellectual capital—which flow through and influences future urban development activities, have proven elusive. The overall influence of the international development institutions on city development and performance in Asia can be important but needs to be kept in perspective; it is dwarfed by that of national and local governments.

Critical to the role of an international development agency is the process of consultation and dialogue with partner governments that acts to bring the government's and agency's perspectives on needs, objectives, and activities into alignment. While there are cases where one-off activities without broader benefits are justified in their own right, there is a compelling case for international development institutions to focus as far as possible on investments with broader systemic benefits to national or citywide frameworks or that showcase new technologies or approaches likely to be replicated in other locations. This implies that they should focus on their catalytic role as

facilitators and enablers rather than as providers of infrastructure and services, and include specific processes for capturing multiplier benefits in program and project designs.

The objective of improving the performance of cities so that cities can themselves mobilize resources, provide necessary infrastructure and services, and contribute to improvements in standards of living and reductions in poverty underpins the involvement of international development agencies in urban development. This is the same objective as that of national governments in establishing the enabling environment for city governance and in decentralizing governance and service provision. Central to achieving this objective is facilitating markets—broadening and deepening capital, land, and housing markets; strengthening local economic development; and capacity building/institutional strengthening of city governments and institutions. These areas should be the focus of assistance to urban areas. Assistance with infrastructure and service provision needs to be assessed in terms of its catalytic impacts and contribution to sustainable improvements in city performance. With facilitating markets, it is important to avoid the creation of new quasi-market intermediaries that themselves become new barriers to developing efficiently functioning markets.

The development banks and, to a lesser extent, other international development agencies, have addressed issues associated with the growth of cities by developing urban strategies to guide their lending and program activities. These have become increasingly sophisticated over time as their operational experience expanded. Nevertheless, the development and management of urban programs have remained a difficult area for the international development agencies and their level of commitment to urban development has waxed and waned along with that of partner governments. The audience for the urban strategies of international development institutions is multi-layered; these strategies are written for their own management and staff and for the broader professional and consulting community. It is less clear to what extent these documents are embraced by partner governments as strategies for action. There is a real risk of engaging with those “in the club” rather than building broad support within partner governments for strengthening urban development frameworks and improving the performance of cities.

The starting point for a successful urban strategy is developing a robust case, in dialogue with partner governments, that national development is based on the development of sustainable cities and that investing scarce resources through an urban framework will have higher, more sustainable development returns than using sectoral frameworks alone. This needs to be followed by developing urban country strategies with interested governments, which analyze individual country circumstances—the enabling environment for urban

governance and the capacities of local governments and institutions—and establish agreed priorities for action. Process is critical if strategies are to be translated into action. Country urban strategies are in many ways more important than generalized urban strategies because they are able to reflect the wide differences in urban development in Asian countries and suggest approaches specifically tailored to country situations.

In developing and implementing an urban strategy, it is important to recognize that there are barriers to moving away from sectoral approaches, not least of which is that it is often administratively simpler and cheaper to work within a “provider” sectoral model. These are usually well established and, even at the project level, the development and supervision costs of a single sector activity, say, in augmenting urban water supply, will usually be lower than for a similarly sized, multiagency urban capacity building project that might have management, finance, and infrastructure components. To be successful, urban development activities tend to be relatively high cost and long term because they focus on systemic citywide issues and capacity building rather than focusing directly on increasing infrastructure or service provision. If well designed, the benefits can be high but generating performance benefits quickly is more difficult and this can be a problem for the relatively short-term, performance-based management systems that many international development agencies favor.

There are three main areas for involvement by the international development institutions in urban development:

- **Global Issues.** The multilateral development institutions have a natural advantage in addressing cross-border issues of global environmental sustainability. Global issues, such as climate change and greenhouse gas emissions, are closely tied to economic development, the growth of cities, and the use of resource intensive technologies. As noted in Chapter 2, the scale of development and production and consumption patterns in Asian cities are major factors contributing to the global growth of greenhouse gases. Multilateral institutions are able to take a global view, undertake cross-country analyses, and put forward programs of action for addressing such issues. They provide a forum where the allocation of costs can be discussed. Looking ahead, issues of production and consumption patterns in Asian cities, transport technologies and modes, technologies for electricity generation, the efficiency of energy use, application of less resource-intensive technologies, and modalities for financing activities in this area are likely to be at the cutting edge of multilateral development institutions’ involvement in Asian cities.

- **Country Urban Strategies.** As discussed earlier, the enabling environment in each country is a critical factor in the development and performance of cities. International development institutions are well placed to work with governments in Asia on strengthening national enabling environments. While each country's situation is unique, knowledge of international practices and approaches can supplement national efforts to strengthen the enabling environment and improve the performance of cities and the operation of urban governance. The involvement of international development agencies in this area can be via technical assistance with analysis and policy formulation; it can potentially lead to policy-based assistance and very broad-based countrywide programs of city development.
- **City Projects and Programs.** These will remain a mainstay of assistance through international development institutions for urban development. They will still involve single city and multicity activities but their focus will change. The pressure for cities to generate employment and services for rapidly expanding populations will see the focus of these activities move toward improving city performance, local economic development, and deepening and broadening markets. Such projects and programs will increasingly need to focus on the institutions of urban governance, and on issues of capacity building and institutional strengthening. Their sustainability will largely depend on successfully balancing the complexity of interventions and reforms with capacity building of authorities. Capacity building takes time.

PATHWAYS TO SUSTAINABLE URBAN FUTURES

There are many perspectives on urban sustainability. Some see it as an environment and development issue. Others emphasize the protection of culture and heritage values. Others see it as a social issue with aspects of equity, fairness, and responsibility in meeting the needs of future generations. Still, others focus on resource use and the better leveraging of resources, closing the waste loop, building better knowledge, leadership, and governance and planning. The path to sustainability involves all these things. It does not provide for simply protecting and maintaining the status quo for future generations. This is neither desirable nor achievable.

Sustainability is concerned with change; managing risks, tensions, shocks, disruption, and other forces that threaten to undermine life systems—physical, social, and economic. It is also about generating change and building on change to renew systems and improve peoples' welfare.

The challenge of creating sustainable futures for Asian cities is how to promote a culture of city building that embraces change and proactively seeks to improve people's living standards and welfare, while minimizing and managing its associated problems. This is difficult because there is a strong inertia in existing practices and change can involve conflict with respected values, traditions, culture, beliefs, and institutions.

Achieving greater sustainability of urban development will be difficult. In the longer term, it will require a significant shift in societal values, behavior, and consumption and production patterns. Such changes will not occur quickly. Powerful forces are at play in Asian cities, as elsewhere, that are resistant to such changes and that shape consumer behavior and aspirations, and drive production and distribution systems and governments. Much of the machinery, technology, and institutions for maintaining everyday life in Asian cities will inevitably remain much the same for years to come. Some infrastructure and systems will take several generations to be replaced by more sustainable systems, practices, and processes. Identifying ways to make existing systems and practices more sustainable is one of the most significant challenges facing Asian cities.

The challenge of urbanization and sustainability in Asia is enormous. Accommodating the needs for housing, infrastructure, and employment for the 1.1 billion people expected to be added to cities by 2030 will require major changes to the development and management of cities. As stated in Chapter 1, the scale of urbanization is unprecedented in human history. For many, when considering the magnitude of the needs and problems facing Asian cities, there is a tendency to despair. But history shows that cities have a remarkable ability for resilience when faced with problems and adversity that threaten their existence. Asian cities are slowly developing pathways to achieving more sustainable development outcomes, but now is the time to accelerate change to achieve these ends. To do this will require governments, and particularly central governments, to provide the leadership to radically strengthen city governance and its ability to mobilize resources and provide infrastructure and services.

There are three main pillars to strengthening city governance and accelerating the sustainable development of cities in Asia. All are important to success.

The first pillar involves *improving the enabling environments*, the framework of institutions, policies, incentive structures, and reporting requirements for urban governance. It will also involve further developing and deepening financial, land, and property markets. This is essential to allow urban governance to operate effectively and set cities on pathways toward more sustainable urban futures.

The second pillar in building more sustainable urban futures for Asian cities is ensuring that *decentralization and devolution* are made to work. Central governments have neither the resources nor local knowledge to provide local infrastructure and services and this is recognized in the movement toward decentralization across the region. This is not going to change. Urban governance and particularly local governments have to have clear, unencumbered responsibilities and be provided with the ability to finance and provide citywide infrastructure and services. To date, decentralization has had only mixed success and been held back by problems in the enabling environment and with the capacities of local governments and institutions.

The third pillar in moving toward more sustainable urban futures is continuing programs of technical assistance and training for improving *urban governance and management*. These need to be fast-tracked and should be particularly directed toward local government. Their focus should be on improving the competitiveness of cities and the management of cities on a performance-results basis. Major investments are required in leadership development and human resource development programs for local authority politicians, management, and staff. Institutional strengthening through the development and implementation of performance-based systems of management and control is essential to improving urban governance.

Overall, a shift in priorities for assistance is required. The priority should be on developing the enabling environment and performance-based institutions, with less direct attention to infrastructure and service provision. Dynamic, performance-based local governments are central to meeting the development challenge of rapidly increasing urban populations with rising standards of living.

Putting these three pillars in place is essential to moving more quickly to achieving sustainable development outcomes for cities in Asia. This book has demonstrated the importance of enabling environments and good local governance and management in achieving sustainable development outcomes. The roles of leadership, learning, networks, community participation and involvement, and leveraging resources have been critical to the success of the case studies.

As a conclusion, the city of Manchester is revisited. Manchester was a mother city of the industrial revolution. Many problems associated with overcrowding, poor housing, environmental pollution, transport congestion, education, health, and poverty in Asian cities today can be read in the pages of the history of Manchester. It is a city that has experienced many crises; polluted by its industrial wastes, destroyed by war, and its traditional industries devastated by globalization, technological change, and changes to markets for its products. Through more than 200 years of urbanization and

industrialization, the city has learned to deal with these crises and has reinvented itself and improved its amenity and governance practices to become a leader in sustainable urban development in Europe.

But Manchester has left an awful legacy for future generations. As the author of the Manchester case study has written that after 200 years of heavy industry, “Manchester is still the ‘pollution capital’ of the United Kingdom. The surrounding uplands are well over their ‘critical loads’ for acidity, river quality is only now less than toxic, and a tenth of urban land is potentially contaminated and unstable. A quarter of all households drink lead in their water, half are seriously disturbed by noise, and there is a 3% annual growth trend in household waste.”

Unless Asian cities begin to change their development path, they risk creating a legacy of the type that the inhabitants of Greater Manchester face today. That inheritance has left a mortgage, which future generations of the city will be paying for another 100 years or more. Those responsible for the development and management of cities in Asia would be irresponsible not to learn from other cities’ experience. Now is the time to act and set new pathways to ensure the future sustainable development of Asian cities.

Notes

¹The paper by David Dollar, Anqing Shi, Shuilin Wang, and Lixin Colin Xu, *Improving City Competitiveness through the Investment Climate: Ranking 23 Chinese Cities* (World Bank 2003), provides an analysis of city competitiveness in the People’s Republic of China (PRC) and a review of the literature on the PRC and other Asian countries. They characterize the investment climate as having the following elements: infrastructure, domestic entry and exit barriers, skills and technology endowment, labor market flexibility, international integration, private sector participation, informal payments, tax burdens, court efficiency, and finance. While the paper does not focus specifically on local government, the performance of local governments affects virtually all of these elements and the competitiveness rankings of the cities analyzed.

²Capital cities or urban agglomerations with 750,000 or more inhabitants in 2000.