



Chapter 7

Visions are Lacking

Think
positively and strategically.

The challenge
is change.

City institutions are failing before congestion, inefficiency

The growth of Asian cities has been responsible for improving the living standards of many and helping to reduce poverty. The challenge now is to maximize the benefits of urban development and ensure their equitable distribution in a sustainable manner. But severe congestion and environmental and social problems could hurt the economic growth of Asian cities, which would also endanger further increases in standards of living and declines in poverty. Much can be learned from the achievements of some cities and from the successful local initiatives, projects, and programs of national governments and development institutions. But there is little indication of systemic demonstration effects.

Asian city regions are not as efficient as they can and need to be. Many show serious financial, administrative, and coordination weaknesses in the face of unprecedented and often overwhelming growth and change. The effects of population increase combined with rising standards of living pose fundamental challenges for city management. Cities can be socially excluding. They suffer severe shelter and social problems. Most lack affordable adequate housing not only for the poor but also for the lower middle class, leading to substantial shelter backlogs and extensive informal or illegal settlements. Community participation in planning and implementation is limited and self-interest normally determines development priorities. Consultation with communities is limited.

Cities must be ready to take up the role of economic drivers if current export-led growth falters. But many do not have a citywide strategy for economic development and often they are not business-friendly and are burdened by regulations and poor infrastructure. Many national governments have adopted poorly targeted mechanisms for redressing imbalances and differential regional growth. Considerable



investment in infrastructure is needed but funding the great gaps that now exist is a major difficulty. Asset management—rather than asset shortage—is also a major problem and appropriate infrastructure maintenance and rehabilitation programs need to be designed and funded. The environmental impact of Asia's cities on their hinterland and on the planet is now a global concern. New approaches to take on this challenge must be planned and developed.

If the full potential of Asia's city regions is to be realized, action is clearly needed through systemic initiatives tailored to local circumstance.

Under the ADB-financed regional technical assistance project on managing Asian cities, the urban sectors in five Asian countries were assessed, and case studies prepared on two cities in each of the developing member countries involved.¹⁵⁵ The results of these country and city analyses formed the basis of the issues that were identified earlier in this book and are summarized in this chapter. The solutions to the problems are presented in part Two and stem directly from the city case studies and national urban road maps. Summaries of each country assessment and the city case studies are contained on the accompanying CD. The process followed is outlined in the box on the next page.

¹⁵⁵ Girardet, Herbert. 1999. *Creating Sustainable Cities*. United Kingdom: Green Books. Schumacher Society.

The Country and City Case Study Process

Five countries with the largest and often the fastest-growing urban populations in Asia were selected for study under ADB's regional technical assistance project on managing Asian cities. National and international workshops were conducted, and two cities were selected in each country to provide examples of various problems. Generally, one was a megacity region and the other a smaller regional settlement.

An assessment of the urban sector issues was undertaken at the national level. This involved an overview that identified key issues, problems, and constraints. An outline of an urban sector road map was prepared, which included a national urban development and spatial strategy. The focus was on the national and local institutional context, financing issues, and capacity development. The considerable in-country work involved data gathering and analysis as well as discussions with key stakeholders in the sector, including representatives of national, provincial, and local governments; the business community; civil society, and the academe.

Consultations were undertaken, data gathered and analyzed, and issues identified for each city study. Based on this work, key objectives were established for future city development. A spatial strategy emerged that not only resolved the issues and problems within each city but also supported the national urban sector road map. Key investments required to implement the city spatial strategy were identified, and examples were established regarding the most appropriate way to organize for implementation and financing.

Source: ADB. 2007. Country Background Papers, *Managing Asian Cities Study*. Manila.

But is there an environment for urban change?

Until recently most countries had highly centralized systems of government, with either the central or the provincial or state governments exercising control over the local authorities. This weakened the institution of local government. Reforms have promoted devolution but central authorities in many countries are still reluctant to relinquish power and control over local governments. Clear action is needed by national governments almost everywhere to correct the imbalance between the devolved responsibilities and the lack of authority and resources to undertake them. The coordination of city planning, development, and management is very much

government-driven, fragmented, and unable to respond effectively to change. There is a tendency to micromanage cities when strategic thinking is required. Planning is generally short-term and physically oriented. Coordination structures, where they exist, are often too limited in terms of both geography and range of participants. They recognize neither the differences among stakeholders nor their importance in urban planning and management. Management structures are lacking to undertake appropriate analysis, risk assessments, and strategic thinking and planning. As a result, investment needs and the demand for infrastructure required for sustainable growth are not matched with available finance. This failure endangers not only local but national economies as well. Although better systems and instruments to encourage change are required, management styles are closed, unresponsive, regulating, and state-dominated.

Management capacity is also lacking to handle the complexities of administering Asian cities—particularly for finance and for strategic economic, social, and environmental planning, and efficient implementation and maintenance of investments. Despite much effort, capacity within local governments has not improved because traditional approaches provide neither the correct skills nor the incentives to use them if and when they are acquired. These shortfalls mean that urban management institutions are, in general, not capable of coping with the current demands of urbanization, let alone with the changes needed to build sustainable social, economic, and environmental infrastructure. These institutions were designed to manage the steady growth of urban regions, not the massive scale of change under way in Asia's city regions today.

Available financing options are not responsive to the project types or the needs of the diverse stakeholders involved. Urban development finance remains taxpayer-dominated within systems of limited local government autonomy and weak capacity in financial management. Cost recovery is not as high as it should be from utilities and services, where effective pricing and collections often are poor. There is a heavy dependency on central or provincial transfers to finance capital investments in infrastructure.

Service provision is dominated by line departments and public corporations with little incentive for efficiency. Ineffective environmental management systems lack international incentives for action to preserve global public goods, capacity, and funding. Consequently, inaction leads to unprecedented levels of pollution, rising sea levels, and the associated

economic and social costs. Social development is not seen as integral to investment project implementation; instead, it is viewed as inimical to investment. Coordination mechanisms necessary to achieve integration are lacking. Communities seldom contribute to infrastructure improvements.

Enabling frameworks must be created or strengthened to address these vital issues. This is what will determine the environment for the interaction of government, communities, and the private sector.

The enabling frameworks: where are they?

At the national level, appropriate enabling frameworks are missing. These relate to:

- Capital markets, where there are few incentives to mobilize the currently liquid capital markets, especially pension and life insurance funds, to finance infrastructure.
- Intergovernmental transfers, which are now often primarily formula- and largely population-based and do not foster intergovernmental coordination, efficient use of assets, the generation of own-source revenues, and the needed infrastructure investment.
- The civil service, which has few mechanisms and incentives for building capacity of staff in local governments.

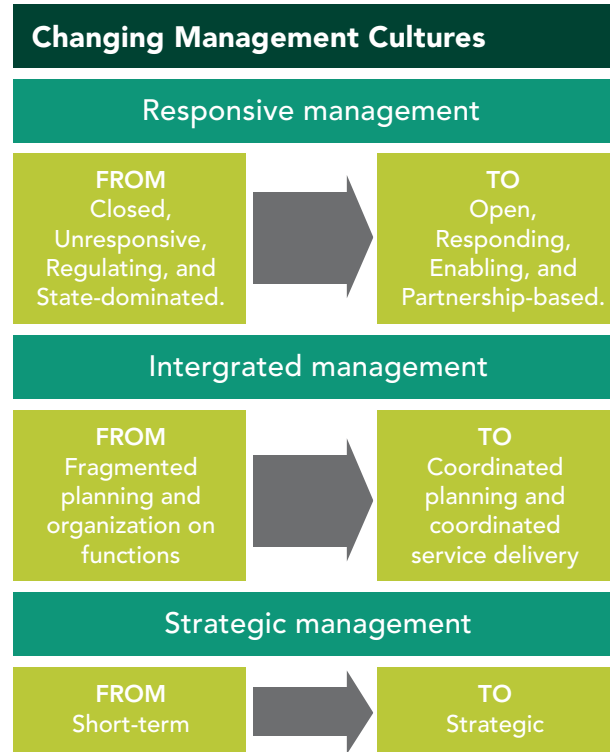
Given the urgent need for change to build sustainable social, economic, and environmental infrastructure, these constraints must be addressed and urban management must focus on implementation.

Needed: plans, systems, resources—action

In summary, many Asian cities seem to be in crisis. They lack strategic plans to define investments to address their social, economic, and environmental issues in an integrated manner. They do not have enough systems in place to plan and finance the investments to achieve the strategies; in many cases, the resources available to carry out the proposed programs and projects are insufficient. Compounding the situation is the fact that many cities approach these problems with little sense of urgency and many officials feel overwhelmed by them. To some, the city appears ungovernable. This cannot continue. Failure to act now risks economic, social, and environmental disruption on a massive scale.

Changing management, that is the challenge

But there is hope. First, however, we must recognize that city life can be improved and that the challenges are not insurmountable. If we believe it cannot be done, it will not be done. Thinking positively is a key first step.



Source: ADB. 2007. Capacity Development Background Paper, *Managing Asian Cities Study*. Manila.

There must be clear incentives for strengthening city management and encouraging better quality development of Asian cities. This means recognizing that action is necessary at both macro- and micro-levels and that the speed and scale of urbanization demands new approaches. National governments must also put an enabling framework in place in the priority areas of coordination, financial management, and capacity building. Responsibility for city development rests with each local government, citizens, and businesses, and all these stakeholders need to be involved. If the potential benefits from project and program interventions are to be achieved, change must be systemic. Prescriptive approaches should be avoided where possible because they are the antithesis of decentralization, and change should be encouraged through market forces and incentives.

The challenge is to change management cultures—from a prescriptive orientation to one that enables frameworks

and management. This change has three dimensions and will allow the management of Asia's cities to become more responsive, integrated, and strategic.

The priorities for improving city management

The priorities are:

- To improve coordination systems, both multistakeholder, and cross border—including better strategic planning for city regions, integrated with jurisdictional and cross-sectoral management systems, as well as far greater community and private sector involvement.
- To improve financial structuring, including local capital markets, private sector participation, and viable projects, and also upgrade the financial viability of the city region authorities and the mechanisms for financing infrastructure and services.
- To enhance the capacity to manage the above activities across administrative and jurisdictional boundaries and to improve management and service delivery within the region.

Achieving results in these three priority areas requires action on the enabling environment in which cities function, and on the internal administration, coordination, and operation of each city

Cross-boundary and-sector coordination must be improved

Sustainable development is not possible without better cross-boundary and-sector coordination. Planning can be effective only if it involves an entire city region regardless of administrative boundaries. A better understanding is needed of the institutions required for cross-border coordination and to allow private-sector and community representation in the process. How to make such agencies democratically accountable is a key issue. In addition, city regions need better planning instruments, supported by capacity building to make sure they work.

Financial structuring and raising resources is essential

Raising more finance to develop strategic and local infrastructure will be instrumental in coping with the demand burgeoning populations of cities. The required funding must come as a result of better access to capital markets. Governments cannot provide it on their own. Central

to this better access is improving the financial viability of local governments and enhancing their creditworthiness. There is an immense need to clarify land policy and tenure arrangements to enable more productive land uses and the collection of more land taxes.

Improving capacity is vital

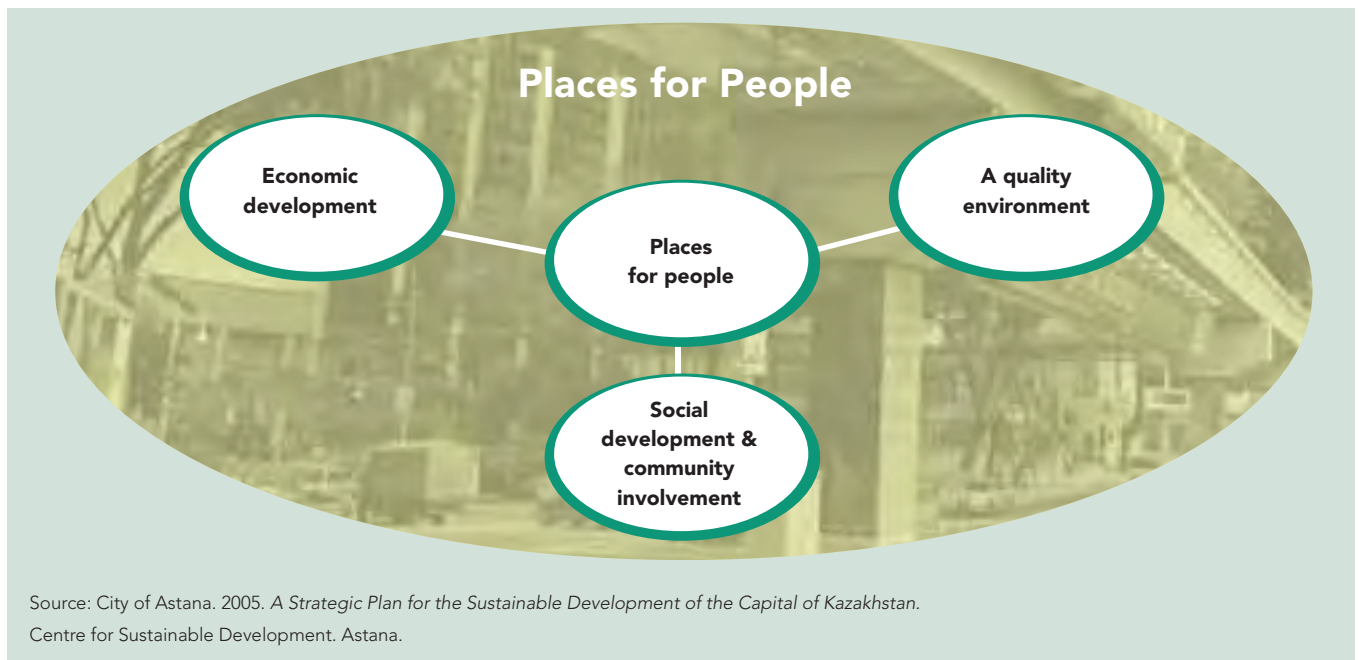
International experience has shown that the success of capacity development for urban management is strongly influenced by political commitment and support. Local ownership, an understanding of international and country contexts, proper assessment of the institutional environment and present capacities, and an acknowledgment of capacity development as an endogenous process of change—all these are essential. Nevertheless, the capacity development process is time consuming and requires feedback, reflection, and follow-up support. Capacity development is needed at three levels: individual, organizational, and the enabling environment. Pursuing organizational change requires a critical mass of staff participation, along with the integration of training and human capital formation with the organizational reforms and institutional changes needed to put skills to effective use. Capacity development is essential not only within the public sector, but in private firms and nonprofit private organizations and associations as well.

For sustainability, the economy and society also matter

Any plan for a sustainable city should aim at a simpler, more organic version of town living and planning must include better public transport, places for pedestrians, and attractive public areas. It must develop designs with more local identity. Public spaces must be improved so that people can go out at night and feel safe. And cities should build on their own local culture and history. They need not look for another brand or follow ephemeral international trends. Cities should use the raw materials available locally, and their residents, to promote local identity.

What makes a sustainable city?

Three requirements are essential to making a city sustainable: a sustainable economy, a quality environment, and social development and community involvement. So how does a city get its sustainability act together? Sustainability calls for a clear vision of the future and demands that cities promote equity and encourage participation to improve the quality of life and meet needs. Thinking must be for the long term so that the physical and social environment can last. Modern cities can prosper if they reduce their



consumption of resources and energy. Waste recycling, for instance, can reduce the use of resources and create new jobs. The use of new materials and architectural designs in construction can improve the environmental performance of buildings. Cities can also adopt new ideas in transport planning and management and in the use of urban space. They can encourage people and developers to live in well-designed and well-functioning settlements with effective transport and areas of open, green space. The most successful cities—cities that are sustainable in economic and environmental terms—have encouraged diversity and have turned themselves into places of cultural vigor and aesthetic beauty.

Thinking positively and strategically is a must

Most successful cities have a clear, shared vision of their future that recognizes their competitiveness within the global, national, and local economies. Successful cities think strategically. They make the most of what assets they have and support the positive driving economic forces both globally and regionally. They recognize at the same time that change enacted at the local level also contributes

significantly to improving sustainability. Removing vehicles from streets in central areas, putting people first, greening the city with more open space, adopting human urban design standards, and promoting local identity all make a difference. Consultation and participation are essential to gain community and business support. National and local governments, meanwhile, need to ensure that cities make better use of their resources and assets and take advantage of location.

Sustainable policies and programs should be adopted that not only enable and maintain cities as the engines of economic growth in Asia but also ensure that cities remain places where people want to live. The leadership culture and values of local government officials are important in achieving the goal of a sustainable city. Despite some successes in Asia’s cities, much more must be done. Asian megacities are globally important and are recognized as such. But coordination, financing, capacity—and development assistance, too—must change and improve to ensure that their economies, societies, and environments become sustainable.