The Urban Transformation in Asia: Some Policy Implications

In August 2008, the East-West Center in Honolulu, Hawai‘i brought together a small group of mayors and other high-level government leaders, urban planning practitioners, civil society representatives, and urbanization scholars from the United States, Asia, and elsewhere to examine and reflect on current trends, implications, and long-term strategic visions for managing Asia's urban growth. This gathering took place at the Imin International Conference Center on the East-West Center campus. The primary purpose of the three-day seminar was to facilitate a common understanding of some of the challenges and policy options surrounding the rapid growth of cities in Asia. In an informal round-table format that encouraged peer-to-peer exchanges and one-on-one conversations, the participants shared ideas, information, and experiences. The lively group discussions explored a wide range of issues that reflected the diverse perspectives and interests of the participants. All discussions were nonofficial, frank, and not for attribution. *This report summarizes the dialogue and high-lights insights and issues identified by the participants*.

Across Asia, a massive demographic shift is underway. From booming South Asia to fast-growing China, people are moving to the cities in search of work, opportunities, and a better way of life.

In 1960, Asia had just one megacity, defined as an urban center with a population of 10 million or more. Today, there are at least a dozen sprawling megacities in Asia. By 2015, 12 of the 22 megacities projected to develop worldwide will be in Asia and, by 2030, Asia will account for more than half of the world's urban population—2.66 billion people out of a total global urban population of 4.94 billion.

This shift in human living patterns produces new challenges in virtually every aspect of human organization. It demands a new look at urban planning strategies, infrastructure, lifestyles, welfare needs, employment, housing, health care, food, shelter, water, and basic social interactions. At the same time, this surge in urbanization is changing the social fabric of countries, forcing a rethinking of the relationship between national and local governments and creating new power centers outside of the traditional political hierarchy. In addition, the rapid growth of megacities and midsize cities in Asia has strained existing urban administrative systems, which are struggling to respond to unprecedented political, economic, social, and physical changes. Government, civil society, and corporations must learn to adapt and innovate—while simultaneously preparing for future growth.

— I —

Decentralization and Urbanization in Asia: The Challenges of New Policies, Strategies, and Institutional Frameworks

Asian nations have undergone massive changes in virtually every aspect of governance and development during the last four decades. This process of change is not only continuing but also accelerating, with most national governments struggling to keep up with policy, legislation, and institutional development. In Asia, as in many other parts of the world, achieving effective governance across all levels of government is a large and critically important challenge. The nature of the challenge varies from nation to nation, as does the objective of the process. For some nations, the form and substance of its framework for governance may be dictated by political, economic, and/or social imperatives. Similarly, the governance framework may span several strategic areas, including policy, state and local institutions, finance, participation, and capacity development. Regardless of the complexity of motivation and the diversity of objectives to be achieved, effective governance in Asia is largely being driven by a response to the processes of democratization and decentralization—both of which are rapidly evolving.

Topic 1 — Decentralization and the Democratic State in Asia—Devolution with Accountability

How can participatory mechanisms be made to enhance both efficiency and effectiveness *in government?*

What organizational arrangements should be made to coordinate decision- making and resource utilization between different levels of government, adjacent territories, and no state actors?

How can national and local officials ensure the accountability of urban municipal governments?

Four fundamental transformations are occurring simultaneously in Asia, all of which have impacted, both positively and negatively, the issues of governance, decentralization, and urbanization. These four transformations are:

• Democratization—the sharing of power, or people power.
• Urbanization—the accumulation of megacities as centers of growth.
• Globalization—the advancement in the rate and amount of trade, knowledge exchange, services, and money.
• Technology—including the Internet revolution, in which time and space are shrinking.

Four fundamental transformations occurring simultaneously and impacting decentralization and governance practices in Asia are: democratization, urbanization, globalization, technology

Although the four transformations are not exclusive to the issues of urbanization and decentralization, they strongly impact the way these issues manifest them - selves within a nation. The challenge becomes how—in the context of these four transformations—to examine the growth of cities and the trend of decentralization of authority from central to local government. Dealing with this challenge is particularly critical as power and authority are simultaneously flowing upward to central governments (to handle nationwide and international problems) and downward to city governments (to strengthen local capacity to manage municipal problems).

Decentralization is a political and demographic reality in Asia. One can see its origins in various places, such as the local government code imposed in the Philippines in 1991, or the rise of economically independent cities and urban regions in China.

While most agree that democratization and decentralization are overall positive transformations in Asia, when people are asked what they think of the performance of their government, the response changes dramatically. It appears that the more democratic (and decentralized) a nation becomes, the more its citizens grow disillusioned with the performance of their government. In most cases, this reflects not so much a lingering nostalgia for strong military leaders and/or technocratic experts, but rather an uncertainty that surrounds the initial decentralization process.

One of the core criteria for successful democratic decentralization is involving people in a way that makes their participation meaningful. Participation should be real; it should increase efficiency and effectiveness. In a successful democratization and decentralization process, participation must be both recognized and accommodated, requiring more than just handing authority and power from one sector to another. It is one thing to shift power from the central government to urban regions and cities; it is another thing to make the process work. Paralysis is as likely as effective coordination. Organizational arrangements must be put in place to coordinate decision making among the various levels of government and no state actors. It is important that this framework include institutionalized accountability, as this is not always

assured.

Topic 2 — Urban Decentralization in Asia –Trends and Issues

How can local governments overcome the impasse with central governments and assume more autonomy in decision making and spending if they do not have the ability to prove themselves?

Can current national legislation that affects all local governments indiscriminately (rich and poor, strong and weak) be rewritten to give more autonomy to large urban centers?

How can nations and cities best strengthen local professional management capacity and merit-based public employment certification systems (e.g., public law, civil service, and private contract law) that offer career professional employment and mobility at the local government level?

As Asian nations grow, cities and urban regions are rising in importance, and central governments are slowly letting go of their authority. In examining this process, the issues of democratization, decentralization, and urbanization cannot be understood in a vacuum that excludes their social impacts. These issues include:

• Appropriate level of governance (small cities/towns versus large urban agglomerations)

• Thenaturaldrifttowardmetropolitanareasandtheirperceivedopportunities

• Finding the right balance of centralization and decentralization

• Thecontinuedappropriatenessofexistingsocialnormsthatstresshonoring and obeying authority and accepting hierarchical structures

From the perspective of urban managers, a critical question becomes "How do we effectively manage our development to ensure a balance of the 'Three Es'—Economy, Environment, and Equity—in governance, decentralization, and urban development?" However, applying the Three E standard may not be appropriate to Asian cities and urban regions. The disconnect results because many Asian cities rely on central government-based planning and support, rather than on locally based planning and support. In many cases, urban decision makers are motivated by extrinsic issues, such as responding to popular demand or simple pride of city (glamour projects), that do not support long-term, sustainable growth. Also, local authorities may not be actively involved in the development process, which can lead to land speculation and the lack of afford able housing. While one measure of successful urban management and development in the context of the Three Es may be rising incomes and land prices, this might not be an appropriate measure if there is, in fact, unfair distribution of income and opportunity. In many Asian cities, where squatters and slum dwellers comprise 35–50 percent of the urban population, fiscal resources are now being used primarily to prevent or control social unrest resulting from these inequities.

How do we **effectively manage our development to ensure a balance** of the 'Three Es'—Economy, Environment and Equity—in governance, decentralization and urban development?

Of the Three Es, equity is arguably the most difficult to address because its benefits are not always immediately apparent. Conversely, inequity is often not recognized until it has become a major problem. While assessing equity may work well in the corporate world, it is not always possible to measure the direct and indirect costs in the public (government) sphere. For example, how does one completely and correctly measure the cost of political dissent or

the true cost of water for all citizens?

Recent history has shown that some cities and urban regions in Asia are finding the resources to properly meet and develop all Three Es. To a large extent, this is attributable to municipal leaders who work within a sound fiscal structure, while being creative and flexible in terms of funding development. ("There are always ways for smart mayors to find money.") These municipal leaders understand that the role of the local authority is to create the demand and space for development, and not to act as the land developer. The challenge to local authorities, how- ever, is finding the right balance to deal with the broad issues of poverty, the breakdown of social structures due to migration and population shifts, and the need to undertake creative and socially responsible planning and development.

Topic 3 — Fiscal and Administrative Capacities of Local Governments

Are the constraints imposed by central governments on levying local taxes (*e.g., taxes on land, property, sales, income, etc.) and retaining the proceeds a* significant *issue for local authorities?*

How can municipalities use infrastructure fees and charges to influence urban development*, improve services, and enhance the quality of life? Overall, can* municipalities *derive more benefits (e.g., lower costs, better maintenance,* and superior *facilities) from outsourcing services?*

What are the most efficient mechanisms (e.g., grants, private lenders) available to *local governments to obtain financing for major capital expenditures and* specific *services, assuming the central government allows them access to the* financial *markets?*

Urban managers face the challenge of working on a range of complex issues within an evolving governance structure. One major challenge is the ability to raise and spend money efficiently and effectively—central to ensuring a balance of the Three Es. Without this ability, virtually every city faces insurmountable obstacles. In many metropolitan regions in Asia, even with decentralization, the central government controls more than 70 percent of the revenues. Therefore, the experiences and models of most Western cities are generally not applicable to contemporary Asian municipalities. This is particularly true in U.S. and Canadian cities, where municipal infrastructure has been developed through debt financing, a strategy not available to the municipalities in most of Asia.

> **The megacity** is the one unit of government that is growing more powerful in Asian countries where the national or central government is increasingly unable to control the economy

Asian cities will almost certainly continue to grow at even faster rates in the future, and their need for fiscal resources will increase equally dramatically. The approach to decentralization by many central governments, however, has been to delegate responsibility and costs to lower levels of government without providing them with fiscal autonomy, including the authority to raise money. This has only exacerbated the problems faced by cities. Effective fiscal decentralization is required for achieving social equality and a democratic society. Spending city money on infrastructure for slum dwellers, for example, could lead to a population of squatters who could eventually become taxpayers. The importance of this issue cannot be overstated. This situation is unlikely to change as long as central governments associate devolution of authority with a loss of power. In many countries in Asia, the capacity to raise money and make decisions is still largely in the hands of the central government. In the case of the Philippines, the government has decentralized spending,

but has not decentralized revenue generation. An unfortunate con- sequence of this type of fiscal decentralization is that "you sometimes decentralize corruption right down to the lowest level of government."

Some countries in Asia have only recently begun to experiment with the devolution of central authority through the popular election of local officials at the village and small town levels. South Korea and China are examples of this new approach. In Vietnam, alternatively, there is only the state budget, and the central government continues to be the ultimate authority.

The growing importance of city regions or megacities further compounds these fiscal decentralization issues. The megacity is the one unit of government that is growing more powerful in Asian countries where the national or central government is increasingly unable to control the economy. In such cases, central government involvement in city governance remains critical, particularly where there is a need for significant national investment, such as in infrastructure development and disaster management and mitigation activities. One solution to this problem might be to convince national-level governments to generate in- formation and plans, and local governments to convert the information into action.

The most successful municipalities have addressed these issues and challenges by developing and implementing a strong municipal financial system that provides for a mixture of the following strategies:

• Sound use of available "tax handles".

  – Taxes on land and property (using a system that tracks land ownership and values on a real-time basis).

  – User charges that are carefully applied (congestion pricing might make sense, but may interfere with the movement of goods and services).

  – Business taxes (but not at a level that drives businesses away).

  – Public-private partnerships (where developers/land owners help finance infrastructure). This requires strong urban governance, so private parties have a reasonable expectation of profit.

• Fiscal balance and discipline (expenditures in line with revenue).

• Accountability (based on accepted accounting, auditing, and money management standards).

• Creative and appropriate use of financing from various sources (government grants, bond financing, international loans, direct foreign assistance).

• Utility maximization (where municipal fiscal resources are expended on high value-added development projects).

A strong municipal financial system also needs a future-oriented agenda that enables the municipality to avoid slipping into catch-up management of daily problems. This agenda should ideally be designed to encourage city leaders to anticipate and plan for urban development challenges before they are confronted by them.

The responsibility for fiscal accountability and balancing the budget at the local level is relatively new to many Asian cities and urban regions. It is essential to strengthen the capacity

of local governments to provide good fiscal governance, as there is still a tendency to focus on outcomes and ignore the need for strong auditing, accounting standards, and fiscal transparency.

— II —

The Evolving Role of Civil Society in the Urban Transformation Process

If civil society and nongovernmental organizations (NGOs) are creatures of government, should civil groups facilitate government planning and development activities if government fails to act?

Or should they serve as the bridge between those with the greatest needs and the institutions with the greatest power to positively impact Asia's urban challenges?

Topic 1 — Forging Civil Society and Local Government Partnerships

Do civil society organizations lose anything by partnering with government?

Do government bureaucratic mechanisms and traditional ways of thinking prevent or support the building of effective partnerships with civil society?

How can civil society evolve to become a more active participant in the management of *a city that is "for the people, by the people"?*

> **Modern urban planning is like a bicycle**, one wheel (government) powers the bicycle while the other (civil society) largely steers.

Civil society is an increasingly important actor in urban governance, and it is particularly important to recognize its role in the planning and development arena. Government is responsible for establishing developmental and societal standards, private industry innovates and creates jobs and civil society groups give voice to communities and often coordinate and provide services. While the involvement of civil society in issues of governance and urban planning is relatively advanced in many nations (the Philippines and India) and growing in others (Thailand, Indonesia, and South Korea), it is still a relatively new concept in some countries (Vietnam and Laos).

Forging a civil society and local government partnership can be both a difficult and time-consuming process due to overlapping concerns on both sides. Some uncompromising civil society organizations, for example, feel that they are being co-opted by the government if their agendas are not successfully realized. The government, on the other hand, may be concerned about relinquishing authority and appearing weak if it chooses to accept civil society's demands.

> Together, civil society and local government must 'think for the city' and **establish a new** framework **of cooperation** for

Civil society's advocacy for the poor presents a particular problem when building partnerships with the government. Poor people do not have the luxury of time, and any delays in action only exacerbate the problems they face. This must be taken into consideration when determining and implementing new policies. Another obstacle in building effective partnerships between civil society and government are those special interest groups that participate in the process only to further their own vested interests. To resolve these concerns, governments must be genuinely

willing to seek and act upon the inputs of civil society, and civil society must be prepared to support constructive government inputs, to move the processes forward.

To build workable partnerships, Asia's government and urban leaders need to embrace a more democratic power-sharing model that makes use of existing civil society institutions. In addition, individual civil society organizations should approach their agendas from a broader perspective and encourage coalition building, rather than focusing too narrowly on their specific population or issue.

Together, civil society and local government must "think for the city" and establish a new framework of cooperation for governance and urban planning, where civil society can work in the same space—not necessarily always in agreement, but in the same space.

Topic 2 — The Role of Civil Society in Improving Urban Governance

How can civil society persuade cities to include the very poor in their governance systems?

Can civil society bridge the gap between middle-income and poor com munities when it comes to influencing urban development policies?

How can civil society build the capacity of urban poor communities to create a collective voice and convince city leaders to view them as a resource rather than a liability?

Civil society groups can serve as a key communication bridge between national and local governments and special interest organizations involved in urban development initiatives. In this capacity, civil society can inform decision makers about on-the-ground issues that might otherwise not be known to them. These groups can also quickly and effectively mobilize communities to convince the government to meet their immediate needs.

Civil society groups can also serve as an information bridge between government, aid agencies, and their recipients by providing key data on the quantitative and quality-of-life outcomes of urban aid programs. They can provide this valuable service because of their day-to-day presence in the community and their unique relationship with the local people.

In the city of Mumbai, for example, people living in the slums had serious concerns about the appalling lack of sanitation infrastructure. One of the most immediate concerns was the need for clean, functional toilets. The traditional approach of civil society organizations would have been to work with the government to plan for massive sewer and sanitation projects, then launch the process of obtaining funding, and, ultimately, await the implementation of the plan. In this instance, however, the slum dwellers recognized that in order to more quickly address the problem, they needed a voice of their own outside the many civil society organizations and NGOs who were already working with them. The slum dwellers did their homework by organizing and collecting data before they met with government officials. The use of one powerful statistic—a ratio of one toilet per 800 people—was enough to spur officials into action. Soon after, the slum dwellers obtained funds to build public toilets.

The use of one powerful statistic—a ratio of one toilet per 800 people—was enough to spur officials into action

This example illustrates the fact that access to and use of key data is very empowering for both civil society and city governments. This example also shows that political dialogue with the poor is in the best interest of the cities themselves.

Topic 3 — Capacities and Accountability of Civil Society Organizations

To create a new culture of participatory management and accountability, what kinds of support and intervention are necessary?

How can civil society organizations build large-scale capacity to tackle large-scale problems, especially those of the urban poor?

What are the natural limitations on civil society involvement in government decision making?

Within the broad spectrum of civil society involvement in urban development and governance, the role and responsibility of local government becomes a critical issue. While civil society groups and local government together can effectively address a wide range of concerns, the task of organizing and governing the urban environment ultimately falls to those elected. One of the primary responsibilities of civil society is to hold government accountable.

The involvement of civil society in the urban planning decision-making process is essential to its success and effectiveness. Civil society organizations cannot just serve as powerless sounding boards that do little more than meet and talk. Their participation must be real; otherwise, the planning and development process will breed cynicism, antagonism, and—as has been shown in many urban areas—disruptive civil disobedience. It is important to include both formal and informal groups, especially those that address the needs of the poor. Both civil society and government should:

When civil society is left out of the urban planning process, it can breed cynicism, antagonism, and even civil disobedience

• Recognize and accept the value of civil society participation. Be understanding.

• Ensure broad-based representation and inputs. Be inclusive.

• Understand from the beginning that civil involvement in government is a messy, often complex, and frequently frustrating process. Be prepared.

• Involve civil society in government planning initiatives as early as possible. Be proactive.

• Ensure that civil society is involved throughout the entire process—from planning to implementation. Be complete.

• Be willing to accept that while some civil society and government ideas may be imperfect, they are meaningful to the groups involved. Be accepting.

This article is made of Section I and Section III of the East-West Center Seminar report on "The Urban Transformation in Asia" (EWC, Honolulu, Hawaii, 11-13 August 2008). It is published here with gratitude by permission of the Centre.