

# **The Role for Local Government in “The Future We Want”**

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**Abstract:** This Discussion Paper outlines core issues facing local governments in the realization of sustainable and inclusive cities, in the context of the outcomes of the United Nations Conference on Sustainable Development (Rio+20). These include (i) Fostering a Sustainable and Inclusive Economy (ii) Financing for Sustainable Production, Management Systems and Infrastructure (iii) Urban Governance and (iv) Capacity Development. To address these matters, the authors argue that there is a need and opportunity for Economic and Social Commission for Asia and the Pacific (ESCAP) to foster necessary reforms to achieve more sustainable and inclusive cities by addressing: (i) Provision of appropriate mandates, systems and incentives for sub-national governments to plan for a green urban economy and to include in such planning proactive measures towards poverty eradication; (ii) Formation of appropriate and inclusive governance mechanisms (iii) Incentive systems for funding the investment needed to underpin the transition to a sustainability agenda (iv) Organizational structures to maximize participation in, and manage, such investments, in particular reform of corporate governance in sub-national governments and the provision of systems to improve the quality of investment decisions, and (v) The development of enabling frameworks, and provision of appropriate incentives, for use of the capital markets to fund investments in sustainable production, management systems and infrastructure. These concerns are critical to addressing a green/sustainability agenda for the development and management of sustainable cities in the region.

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## Acronyms and Abbreviations

ADB	Asian Development Bank
ASEAN	Association of South-East Asian Nations
AusAID	Australian Agency for International Development
CLGF	Commonwealth Local Government Forum
DfID	UK Department for International Development
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
G20	Group of Twenty (major economies)
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GGGI	Global Green Growth Institute
GHG	greenhouse gas
ICLEI	International Council for Local Environmental Initiatives
IMF	International Monetary Fund
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
LGU	local government unit
MGI	McKinsey Global Institute
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
PPP	public-private partnership
UCLG ASPAC	United Cities and Local Governments, Asia-Pacific
UN-Habitat	United Nations Human Settlements Programme
USAID	United States Agency for International Development

## Executive summary

Cities are critical to the implementation of the sustainable development agenda. The outcome document of the United Nations Conference on Sustainable Development (Rio+20), "The Future We Want," reaffirmed political commitment to address the persistent challenges related to sustainable development, with a broad package of commitments for action. Many of these actions must be taken at the local level, and local governments have a key role to play in this.

Cities are key actors in national development strategies and, therefore, greater attention must be paid to the development of national urban policies with the purpose to bring about sustainable and inclusive urban development. Changing the way cities function will require new forms of planning and urban governance to achieve a green economy in the context of sustainable development and poverty eradication. However, city management systems face significant challenges with regard to these expectations and agendas.

Almost all Asia-Pacific cities have outgrown their original municipal jurisdiction and their urban areas now extend into at least one other local government territory (and often many). However, systems of governance allowing integration of these various levels of provision are largely inadequate. City planning and service management systems do not often cover the urbanized area or resource and economic hinterland of the city, and different levels of plans may contradict or overlook each other.

Local governments and urban development authorities in many developing countries rarely have the mandate and/or capacity required to undertake planning let alone planning for sustainable development. Nor do they often have a mandate to plan or implement major items of strategic infrastructure needed to achieve such growth. While decentralization has provided opportunities for local government to take greater responsibility for the funding and delivery of services, efficacy is often dependent upon the national government providing appropriate enabling environments and supportive relationships to ensure they can operate efficiently.

Local government financing systems have been traditionally weak. Local governments often do not optimally collect taxes or receive the revenue they are due, and rarely set tariffs to maintain the levels of cost recovery needed to achieve sustainable operation of services. Moreover, local governments have been given unfunded mandates. They are vested with the responsibility to provide services, but not given the corresponding revenue sources and organizational infrastructure. At the same time, local governments are either prevented or are strongly restricted in their access to the capital markets for investment funding.

Asia-Pacific governments need to build capacity in areas to foster sustainable urban development, financing and urban governance. In particular, the effective integration of social and environmental issues into urban and regional planning for economic growth needs to change the institutional silo

culture and adopt more programmatic approaches to urban management operations. A national support mechanism for capacity building in sustainable urban development is necessary. Purposeful and open mechanisms of accountability need to be instituted and sustained to improve performance of local governments.

To address these challenges, there is urgent need to foster critical reforms addressing:

- a. Provision of appropriate mandates and systems for national and sub-national governments to plan for sustainable urban economic development and to include in such planning proactive measures towards poverty eradication;
- b. Formation of appropriate and inclusive governance mechanisms to implement mandates which are representative of all urban stakeholders;
- c. Incentive systems to fund the investment needed to underpin the transition to the sustainability agenda, in particular those which provide incentives for improved fiscal performance i.e. value of assets and inventories on which many other forms of leveraged finance are based;
- d. Collaborative organizational structures to maximize participation in, and manage, necessary reform in sub-national governments and the provision of systems to improve the quality of decision-making;
- e. The development of an enabling framework, both at national and sub-national levels, and provision of appropriate incentives, to facilitate and stimulate sustainable production and consumption, including the preservation of ecological services management of urban systems, and infrastructure;
- f. Strengthening capacities required to bring about needed change, including greater collaboration with key local and national stakeholders.

To implement these reforms, provision must be made for greater participation of community groups and the private sector in decision-making processes which affect urban and local economic development and management. A stronger emphasis on capacity development is needed to ensure that reforms result in more sustainable development outcomes for cities. Knowledge activities should underpin all the above activities, but need to be operationally relevant and practical for users/ participants.

No institution is likely to achieve this reform agenda on its own. The issue of partnerships is thus crucial. At present, a range of agencies focuses on their own particular sector or role. The need to provide a 'voice' of the city, encouraging a cross-sector, and cross-institutional approach focused on city problems, across the range of partners, is critical.

Such partnerships also need to include international financial institutions, specialist climate/ environmental funds such as the GEF and GCF, associations of local governments such as CITYNET, UCLG ASPAC, ICLEI and CLGF, Foundations such as the Gates, Clinton and Rockefeller Foundations, and private sector initiatives such as the World Business Council for Sustainable Development.

ESCAP has a key role to play in providing an inclusive regional platform for cross-sector analysis and a multi-stakeholder dialogue. It can do this by:

- a. Promoting the development of national urban policies to achieve sustainable, resilient and inclusive urban development;
- b. Promoting dialogue among different levels of government and other stakeholders to develop collaborative governance systems needed to support the sustainable development of cities;
- c. Fostering knowledge sharing among development agencies cities and local governments to improve regional platforms which provide for the collaboration needed for effective responses to the urban challenges of the region;
- d. Reviewing current practices of financing and identifying areas where local governments can increase their fiscal performance and asset management;
- e. Developing improved data management systems and tools to improve the analytical basis for planning, management and sustainable development of future cities.

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