



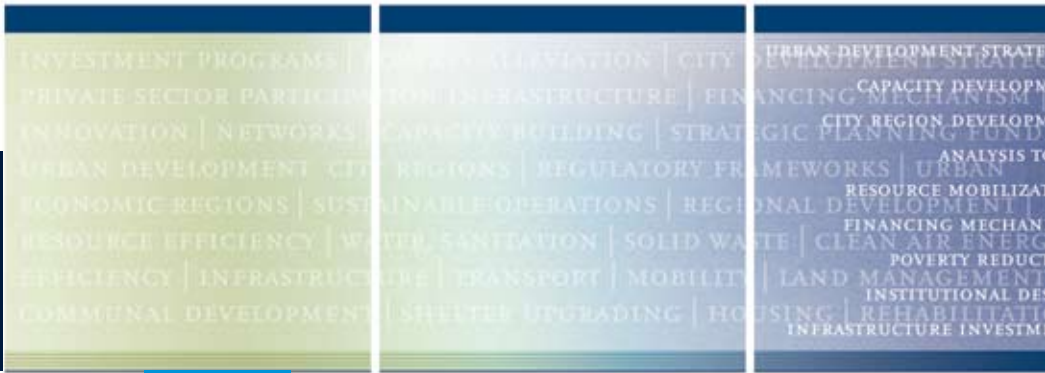
Federal Ministry  
for Economic Cooperation  
and Development



# Investing in Asia's Urban Future

5–6 February 2007

Conference Documentation





## Investing in Asia's Urban Future

Documentation of the International Conference jointly convened by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Asian Development Bank (ADB) Conference venue: ADB Headquarters, Manila, Philippines

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## ABOUT THE CONFERENCE

More than 190 representatives from national and local governments of 23 countries, civil society, private sector, international organizations, and donors met on February 5–6, 2007 in Manila at the International Conference on “Investing in Asia’s Urban Future” to determine how new approaches can be used to better the lives of 1.6 billion people in Asian cities. Participants were representatives from urban local bodies / local governments, national governments, the academe, private sector, non-governmental organizations, international funding institutions, and networks of local bodies.

The Conference was organized into three main themes: managing challenges in urban development, expanding the sector approaches, and increasing effectiveness in urban development. Ms Kortmann, Parliamentary State Secretary of the Federal Ministry for Economic Cooperation and Development of the German government (BMZ) and Ms Schaefer-Preuss, Vice-President of the Asian Development Bank (ADB) for Knowledge Management and Sustainable Development as well as Mr Ramachandran, Secretary, Ministry of Urban Development, India addressed these issues during the start-up of the conference.

The German government (BMZ) and ADB jointly organized the International Conference and agreed to support strategic and coordinated action and capacity development for sustainable urban development activities in Asia. The program to be embodied in the Cities Development Initiative for Asia (CDIA) will be supported initially by ADB and BMZ for at least a four-year period. The participants in the Conference supported the move to establish CDIA that will coordinate multi donor initiatives and foster closer cooperation among cities and partners.



## Urbanizing Asia

- The greatest urban growth will occur in Asia in the next thirty years.

Per centage urban:

1950.....	16.6
1970.....	22.7
1990.....	31.9
2000.....	37.1
2020.....	48.5
2030.....	54.5

- With more than 1.3 billion of its inhabitants living in urban areas, Asia is home to almost half the world’s urban population.
- Asia accounts for some 60 per cent of the world’s slum residents.
- Half of the world’s population is in Asia and 20 per cent of Asia’s population is poor.

## THE CONTEXT



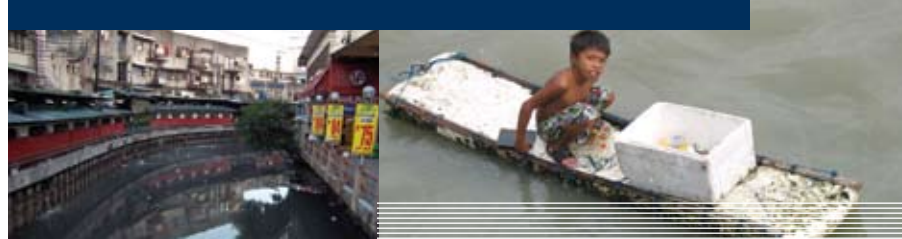
**Ursula Schaefer-Preuss**, Vice-President, Asian Development Bank (ADB), welcomed guests and participants to the Conference.

Ms Schaefer-Preuss opened by highlighting the speed of growth in Asian cities. In the next 20 years another 1.1 billion people will live in Asia's already congested cities. Without effective urban management this growth will only exacerbate the existing problems. Today over

200 million people live in poverty in Asia's cities. She emphasized that the response to the problems cannot be simply business as usual. Today's responses must address the factors that are key to a sustainable future: economic, environmental and social. Likewise, the development community must coordinate delivery of assistance among agencies to achieve a significant impact on the lives of the urban populace.

Looking at the role of ADB, Ms Schaefer-Preuss stated that around 10 per cent of ADB's lending of over 11 billion US dollars is allocated to urban sector projects. Over the last few years, ADB has continuously reshaped its engagement in the sector to respond to changing client needs in a more effective manner. More recently ADB has introduced the Urban Service Initiative to deliver the technical and financial resources needed. ADB also launched new lending products including sub-sovereign lending, local currency financing and refinancing.

Ms Schaefer-Preuss confirmed that ADB will continue to devise and support responses reflecting the new roles, needs and types of clients in the Region. In particular, ADB will support a well coordinated, multi donor initiative in the urban sector. The Cities Development Initiative for Asia (CDIA) is one such program. CDIA aims to facilitate international dialogue, training, and advice to urban decision makers and in this way will help build their capacities. CDIA aims to give cities the central role in firstly, determining the most effective approach to build coordination, financial management, and procurement capacities, secondly, pooling and coordinating assistance among donors so as to most effectively deliver assistance, and lastly, ensuring that assistance produces the desired outcomes.



Clients in the region may adopt CDIA to support preparation of national urban strategies, strengthening capacities of agencies, financial structuring and implementation. It is estimated that in less than a decade from today CDIA could potentially benefit over 200 million people, and assist ADB and development partners to mobilize at least 10 billion US dollars in urban investments.

In conclusion, Ursula Schaefer-Preuss asked the clients from the Developing Member countries to suggest where ADB could do better in the urban sector and where their proposals can be included in the CDIA.

**Karin Kortmann**, Parliamentary State Secretary, German Federal Ministry for Economic Cooperation and Development (BMZ) and ADB Governor for Germany, proposed that cities should be central to donors' agenda and presented an approach for multi donor coordination.



Ms Kortmann opened with the observation that the world is at the beginning of the urban millennium. This phenomenon is particularly true in developing countries. In 2005 about forty per cent of Asia's total population lived in cities and urban agglomerations; by 2030 the majority of Asia's people will live and work in cities and by 2015, seven of the world's ten largest cities will be in Asia. The fast rate of urbanization in Asia highlights two conditions: population growth will take place in cities in the future and today's small and medium cities will become tomorrow's mega-cities.

Ms Kortmann stated that cities have two distinct features: they are centers of innovation, offer jobs and incomes and, at the same time, are places where the concentration of poverty is highest and where people live in slums without basic water and sanitation services. Social changes also manifest more markedly in cities while many social reforms take root in cities. Over the years, cities have been a constant focus of development work yet improvement in the lives and living conditions of the city population has not been significant.

Ms Kortmann stressed the need for development partners to act together to pursue a common agenda of sustainable urban development. One approach for achieving this is through the Cities Development Initiative for Asia (CDIA) that ADB and BMZ plan to launch.

Through CDIA, cities hope to harness globalization forces more positively and lessen the negative impacts that intense city growth creates. CDIA aims to build capacities and bridge the gap between planning and implementation. In summary, Ms Kortmann said that CDIA will focus on supporting cities for better urban management through support of national urban strategies, fostering the role of cities in sustainable development, assisting in the implementation of city development strategies, structuring and preparing investment projects and building local capacity for more effective implementation. All these programs under CDIA will rely greatly on existing networks for sharing and adopting best practices.

#### **CITIES DEVELOPMENT INITIATIVE FOR ASIA (CDIA)**

The CDIA aims to significantly contribute towards improving the living conditions of people in Asian cities by means of sustainable urban development. The initiative will target primarily medium and large cities of around half a million to five million inhabitants in Asia.

CDIA will facilitate international dialogue, the opportunity to network for city administration, and training and provide advice to strengthen the problem solving capacity of decision makers from Asian cities and urban areas. It will facilitate information exchange to implement best practices. CDIA will provide support in preparing municipal infrastructure investments and assist in finding financiers. It will furthermore help to mobilize urban development funds from bilateral and multilateral donors.

#### **Approach:**

CDIA plans to provide technical support to cities in areas where funding resources are insufficient or lacking under current modes of development assistance. Activities need to focus on strengthening the enabling framework for the institutions involved as urban projects are multifaceted and multi sectoral.

CDIA will provide assistance to cities especially for improving environmental performance and for the upgrading and renewal of problematic areas and agglomeration areas, with improved cooperation among adjacent jurisdictions.

CDIA will support cities based on requests and cost sharing principles. CDIA will review applications and decide on the basis of criteria jointly agreed by CDIA with its contributors.

CDIA will complement present donor schemes like City Development Strategies (CDS) which provide road maps for a city or feasibility studies like the ADB Project Preparation Technical Assistance (PPTA) made available through development banks.

CDIA plans to seek close cooperation with national associations of local governments and UCLG Asia, City Net and others to promote CDIA, disseminate information to local decision makers and support knowledge sharing.

## CHAIR AND CONFERENCE SPEAKERS

**CDIA services will include:**

1. advice on the implementation of existing development plans and strategies at local level with a focus on the urban environment; including financing mechanisms through local, national or international financing institutions,
2. capacity development of implementing local agencies with a focus on staff training / skills and organizational systems to better respond to urban environmental needs within their jurisdictions,
3. support of knowledge management and dissemination of experience to improve environmental quality,
4. support of the development and implementation of national urban strategies and regulatory frameworks to facilitate sustainable cities' developments and address pressing issues such as urban poverty.



The conference was chaired by Emilia Boncodin. She is currently a professor at the National College of Public Administration and Governance of the University of the Philippines and a lecturer at the Ateneo de Manila University and the Lyceum of the Philippines. She served in the Philippine Cabinet as Secretary of the Department of Budget and Management during the first years of the Arroyo administration. Ms Boncodin was named as Outstanding Alumna of the University of the Philippines College of Business Administration in 1992 and one of the Outstanding Women in Nation's Service in 1995.

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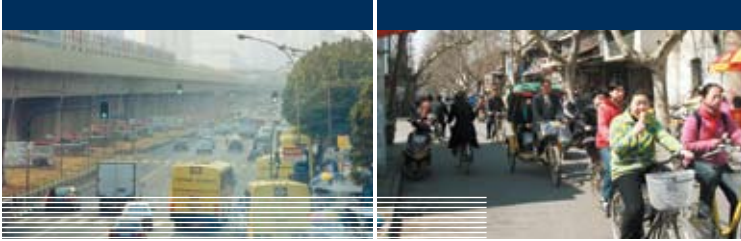
**Ursula Schaefer-Preuss** is Vice-President of the Asian Development Bank (ADB) for Knowledge Management and Sustainable Development. Prior to joining ADB, she was Director-General of the German Federal Ministry for Economic Cooperation and Development in Bonn / Berlin and held postings in the Permanent Mission of the Federal Republic of Germany to the United Nations in New York, the Inter-American Development Bank, Washington D. C., and the German Embassy in Khartoum, Sudan, in various capacities. Ms Schaefer-Preuss holds a Ph. D. in Economics from the Albert-Ludwig University in Freiburg.

2

**Karin Kortmann** is Parliamentary State Secretary of the German Federal Ministry for Economic Cooperation and Development (BMZ) and ADB Governor for Germany. She served as the spokeswoman for the Social Democratic Party (SPD) parliamentary group in the 15th legislative term. Ms Kortmann has had key responsibilities in various committees in the Social Democratic Party of Germany. She is a graduate youth and community worker.

3

**Mr Ramachandran** has been Secretary to the government of India, Ministry of Urban Development since 1 November 2006. He held various key positions in the government as Collector and District Magistrate, Secretary, Principal Secretary and Chief Secretary from 1978 to the present. He has a Master's degree in Economics from the University of Glasgow.



4

**Chen Haosu** was represented by **Rouning Zhang**, Director of the Chinese People's Association for Friendship with Foreign Countries (CPAFFC) and **Peter Woods**, Secretary General of UCLG-Asian Pacific ASPAC. Chen Haosu is Deputy (Elected Member) of People's Congress of Beijing Dongcheng District, China. He is Vice Chairman of the Foreign Affairs Committee of the Chinese People's Political Consultative Conference (Senate) and a member of various international committees like the World Executive Committee of the International Union of Local Authorities and others. He graduated from China University of Science and Technology with a Bachelor of Science.

5

**William Cobbett**, Manager of the Cities Alliance, is an expert in housing and urban policies. Prior to serving as Chief of the Shelter Branch and Manager of the Global Campaign for Secure Tenure of the United Nations Human Settlements Programme in Nairobi, he was Director of Housing for Cape Town and overall coordinator of Planact, an urban NGO.

6

**Bikash Ranjan Bhattacharyya**, the Honorable Mayor of Kolkata is a leading Advocate in the Calcutta High Court and a practicing designated Senior Advocate. From 1998-2003 he served as the Advocate General for State of Tripura. He has been a Member of the Senate of Calcutta University since 1998. He graduated from Calcutta University with a degree in law.

7

**Elisea G. Gozun** is the National Project Director of the City Development Strategy 3 (CDS3) project of the League of Cities of the Philippines. A former Secretary of the Philippines' Department of Environment and Natural Resources and a well-known environmentalist, Ms Gozun is credited with having introduced pollution charges for industrial effluents in the Philippines, and having founded local organizations advocating environmental protection. Ms Gozun also holds key positions in several environmental agencies and networks of organizations.

8

**Brian Roberts**, is an emeritus professor and former Director for the Centre for Developing Cities at the University of Canberra. Mr Roberts has worked in a senior capacity on regional economic development and planning projects, teaching and training, and on urban research studies in more than 20 countries. He has more than 100 publications and conference papers to his name and is co-author and editor of the book *Urbanization and Sustainability in Asia: Good Practice Case Studies* published by the ADB in December last year. He holds a Ph.D. in urban and regional economic development and has qualifications in surveying, planning and business management.

9

**Peter Herrle** has been Professor and head of the Habitat Unit at the Faculty of Architecture Environment Society, Berlin UT since 1995 and Advisory Professor at the Tongji University Shanghai since 2002. He is a consultant to bilateral and international development agencies in various fields including housing, decentralization, participative planning, urban management and urban planning in many countries mainly in Asia and Africa. He is editor of the *Habitat International Series* at LIT-Publishers and has numerous publications on urban development issues. Mr Herrle has a professional background in sociology, architecture and urban planning.

10

**Pradeep Singh** is Chief Executive Officer in IL & FS-Infrastructure Leasing & Financial Services Ltd. Since 1997, he has overseen the development of infrastructure projects in Public Private Partnership formats. Mr Singh was a member of the Indian Administrative Service (IAS) from 1978 to 1995 and held the position of Assistant Country Director of CARE India, an international NGO, from 1995 to 1997. He was a visiting faculty member at the Kennedy School of Government, Harvard University and consulted for the World Bank and the ADB. Mr Singh holds a Master of Public Administration degree (MPA) from Harvard University and was a Rotary International Fellow at Stanford University USA. He also holds an MBA from Punjab University and an M.Sc. (Physics) from Punjabi University, India.

11

**Bindu N. Lohani** is Director General, Regional and Sustainable Development Department (RSDD), Chief Compliance Officer of the Asian Development Bank and Special Advisor to the ADB President on Clean Energy and Environment. Prior to working with ADB Mr Lohani was with the Departments of Housing and Physical Planning, Roads, and Local Development, the government of Nepal, and the Asian Institute of Technology (AIT), in Thailand. Dr. Lohani has a Master's degree in Environmental Engineering with Phi Kappa Phi Award, and a Doctoral degree in Environmental Engineering (Environmental Technology and Management).

12

**Klemens van de Sand** is Deputy Director General, Commissioner for Asia and South-Eastern Europe, Federal Ministry for Economic Cooperation and Development (BMZ), Germany. From 1978 Mr van de Sand held key positions in BMZ while concurrently involved as chairman / member of different committees. He studied law and public administration in Berlin, Geneva and Wuerzburg and attended John Hopkins School of Advanced International Studies in Italy.



## MANAGING CHALLENGES IN URBAN DEVELOPMENT

“The India experience demonstrates that urban transition is made more smooth and sustainable when governments, bilateral and international organizations and other partners share a common goal / vision.”



**Mr Ramachandran**, Secretary, Ministry of Urban Development, government of India, New Delhi delivered the keynote address of the Conference, “The Vision of Developing Countries”.

Mr Ramachandran reminded participants that Asian cities have grown not only in terms of demographic but also in economic importance. Between 1985 and 2005 urban population in Asia increased by 87 per cent. Today nine of the world's 20 fastest growing cities are in Asia.

About 60 – 80 per cent of the national GDPs were contributed by cities. (Asian Development Bank, 1997).

The rapid phase of urbanization has become an all important issue, stated Mr Ramachandran, as it is occurring within a period of globalization and decentralization. New approaches have been adopted and institutional frameworks developed. Several governments shifted responsibilities and powers including fiscal from the central to local to implement programs. The decentralization initiatives had positive results but these did not go very far due to weak capacities of the different tiers of governments. Institutional frameworks which were revised to facilitate determination of local priorities and enhance civil society participation in the development process could not adequately deal with the inefficiencies and complexities that are associated with cities.



To capture cities' competitive advantage and strategic role in the economic growth of the Region, initiatives like development of special economic zones, trade corridors, and new service delivery models that rely on strong and sustainable linkages between cities and the global economy were introduced.

Mr Ramachandran emphasized that the Indian experience can be instructive to cities coping with the pressures of urbanization and growing globalization. India with an urban population of 315 million is the second largest urban system in the world next to China. Faced with tremendous pressures from population growth, urbanization and globalization, India launched the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in 2005, one of the largest urban programs undertaken by Government of India with a potential investment of USD 25 billion. Together with a system of grants that accompany the introduction of urban infrastructure, the Mission involves a comprehensive array of urban reforms like redesigned property tax laws, allocation of lands for the urban poor, review of land titling processes and other related programs. The Mission has completed one year with an impressive response regarding the demand for funds and the willingness to undertake reforms. The Mission demonstrates that urban transition is made more smooth and sustainable when governments, bilateral, international organizations and other partners share a common goal / vision.

In closing, Mr Ramachandran proposed that ADB's role in developing India and other developing countries be expanded by (I) increasing investments in urban projects within the next 5 years, particularly in urban water supply, wastewater disposal, and solid waste management projects in order to contribute significantly to the achievement of the MDGs; and (II) building capacities at different tiers of government to deal with urban development and management issues.

“CDIA can be an important component of the cooperation mechanism and network for local governments and cities in Asia and Pacific region.”



**Chen Haosu**, UCLG, President Asia Pacific, United Cities and Local Governments (UCLG), was represented by **Rouning Zhang**, Director of the Chinese People's Association for Friendship with Foreign Countries (CPAFFC) and **Peter Woods**, Secretary General of UCLG – Asian Pacific ASPAC. Zhang and Woods shared with the Conference participants the experience of China in building capacity through networking with local governments.

Their contribution focused on the key role that cities play in the development of a nation and of the whole world. In the next 20 years, the urban population will increase to 5 billion, accounting for more than half of the world's population bringing about a host of problems and an increase in the spread of “urban diseases”. About 1.5 billion comprises the world's urban poor, 600 million do not have adequate housing, 1.1 billion suffer from air pollution, and 10 million die due to poor sanitation.

Dealing with these problems has led cities to look for models for capacity building based on their stage of industrialization and urbanization. One of the models was building collaboration with other cities, sharing experiences and strengthening international and regional cooperation. China formed cooperative arrangements with other cities and established around 1315 sister city arrangements with 115 countries. These increased the cities' opportunities for training and economic cooperation and enabled cities to achieve substantial economic and social gains. Lessons learned from other countries also influenced a shift in the thrust of development work from material gain, first and foremost, to improving people's welfare. The shift in objectives was evident in themes that cities have adopted such as livable cities, sustainable cities and the like.



The United Cities and Local Governments (UCLG) representative confirmed that CDIA can be an important component of the cooperation mechanism and network for local governments and cities in Asia and Pacific region. The UCLG World Organization and UCLG ASPAC also expressed support for CDIA. The UCLG is a network of local governments that promotes sharing of experiences and collaboration among cities and local governments. Through committees UCLG promoted dialogues and exchanges among local governments in the region in the form of seminars and training to build the capacity of cities.

## “Plan for the urban future.”



**William Cobbett**, Manager of Cities Alliance (CA), shared his experience in Cities Alliance.

With population growing much faster in the urban areas, governments must urgently plan for the urban future. Mr Cobbett suggested that many Asian countries seem to have an anti-urban bias that is reflected in the absence of a definitive urban strategy in the national planning frameworks and policy documents of national and state governments. Local governments may not have fully realized that urbanization has positive impacts that they could capture and use for the benefit of the majority of the population.

Mr Cobbett described how, since 1999, the Cities Alliance has been supporting cities to make them work. Through the City Development Strategy (CDS) cities undertake visioning exercise and strategic planning in consultation with the city stakeholders. CDS focuses on the entire city and all residents. Several successful examples of CA involvement are those in the Philippines, Vietnam, India and in the cities of Mumbai and Bangalore. In the Philippines, several cities have

embarked on projects that have become best practices. In Vietnam, the urban sector was hardly in the country's agenda. Today several cities have prepared CDS and engaged in urban development assistance activities. In India, under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) program urban reforms were introduced. In Mumbai, the private sector kick-started the Mumbai Transformation Support Unit (MTSU) to turn the city around. The state government and other stakeholders responded and carried on with the project. In Bangalore, the city planning function was expanded to better manage the resources of the city.

Mr Cobbett identified several key challenges faced by the cities today and outlined what can be done:

1. **Improve governance in all cities.**
2. **Include the poor in all phases of development.**
3. **Improve the urban environment. Upgrade the capability of local governments to protect their environment, specifically the ability to install mitigating measures.**
4. **Prevent growth of new slums.**
5. **Plan for the urban future.**
6. **Increase focus on small and medium cities and their requirements.**
7. **Know the city well.**
8. **Track decentralization. Identify responsibilities and accountabilities. Governments need to produce a strategy for cities, which is different from preparing an urban strategy.**
9. **International development agencies should reaffirm the position that local governments are in charge and the IDA's role is supportive of the local officials.**



“Sustainable development requires interdisciplinary approaches.”

**Shri Bikash Ranjan Bhattacharyya**, Mayor of Kolkata, presented the city's program for improving people's lives.

The speaker opened with the statement that cities, to be sustainable, should focus on the overall development consisting of three key action areas: environment, social and economic. Sustainable urban development as defined in the Urban21 Conference in Berlin in July 2000 means “the improvement of the quality of life in a city, including ecological, cultural, political, institutional, social and economic components without leaving a burden on the future generation”.

The Mayor described how in Kolkata City a program for sustainable development is being implemented in partnership with the private sector, international lending agencies, the state government and other public and private institutions. These include infrastructure programs, public private partnerships, the Kolkata Environment Improvement Project, private enterprises and the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and other programs. Kolkata Municipal Corporation (KMC) has adopted a comprehensive strategy for improving the civic environment that gives priority to the welfare of people, especially the less privileged groups.

To sustain the efficient functioning of a city KMC pursued the two-pronged approach of revenue enhancement and expenditure management. KMC focused on collecting property tax and unlocking assets that made it possible to increase the revenues of KMC substantially. KMC reduced manpower by attrition and negotiated better service delivery rates from contractors by reducing bill payment time by 72 per cent, among other measures. Administrative reforms played a key role in achieving a healthy fiscal position of Kolkata City. These reforms took



into consideration employees' aspirations e.g. skills enhancement, job enrichment, work life balance, rewards and retirement benefits. External assistance further supported institutional capacity building. In conclusion, the Mayor of Kolkata outlined three important areas to make cities sustainable. These are:

- 1. Sustainable development requires interdisciplinary approaches.**
- 2. Good governance is an important factor in effectively managing public interests.**
- 3. Institutions and systems should be able to facilitate public participation in decision making processes.**

“Environmental management is not only a technology or a technical issue but largely a people issue.”

**Elisea G. Gozun**, National Project Director of the City Development Strategy 3 (CDS3) project of the League of Cities of the Philippines, reported on the state of the environment of cities in Asia.



Ms Gozun emphasized that environmental problems are most severe in cities. Of the 15 mega-cities in the world, 12 and 6 mega-cities in Asia have the highest level of particulate matter and sulfur dioxide respectively. Asia also has the lowest per capita availability of freshwater in the world. Water quality is steadily deteriorating as industrial effluents, sewage, urban and agricultural run-off are allowed to flow into water sources. Cities produce the most garbage. Cities likewise generate the bulk of carbon emissions, making cities key to alleviating the climate crisis. Environmental degradation affects the poor who are the most vulnerable and ill equipped to cope, and have most often ended up paying more.

Cross-cutting solutions and an integrated approach to addressing urban environmental degradation are available to improve the quality of life in our cities. Solutions range from an appropriate policy framework, institutional strengthening, information, education and communication, technical interventions, infrastructure investments and stakeholder involvement.

Ms Gozun quoted examples of initiatives undertaken in several Philippine cities, including addressing air pollution by providing interest-free loans to tricycle drivers who are shifting from 2-stroke to 4-stroke, use of 2T oil, and other small-scale solutions. Integrated approaches include, among others, improving fuel quality, promoting cleaner alternative fuels, cleaner engines and cleaner technology, better traffic management, mass transit system, urban greening and stronger enforcement against smoke belchers, point sources and open burning.

Ms Gozun stressed that an appropriate policy framework and strong institutional capacity are critical in all these interventions. Laws, rules and regulations, and ordinances must be passed to ensure and encourage compliance. Resource allocation, better coordination, training, private sector engagement, role delineation among levels of governments and partners and community participation are important to build capacity.

Finally, Ms Gozun stated that environmental management is not only a technology or a technical issue but largely a people issue. The engagement and participation of all sectors working together and a shared vision of environmental protection is therefore crucial.

## EXPANDING THE SECTOR APPROACHES

“As primary generators of wealth creation in Asia cities should strive to be competitive, to specialize, and to cluster or integrate production and capital.”

**Brian Roberts**, Emeritus Professor, University of Canberra, Australia, presented some of the challenges facing the development of Asian cities and best practice approaches to urban management drawing upon the 37 case studies in the book *Urbanization and Sustainability in Asia: Good Practice Approaches in Urban and Region Development*.



He opened by citing some of the factors impacting upon the development and management of Asian cities: urbanization, city management, land markets, plan implementation and urban infrastructure. The most powerful factor affecting the development of Asia is urbanization. The urban sprawl is increasing each year, creating a significant impact on the cost of developing land and housing. Meanwhile the urban land management system is inefficient, land and property laws are obsolete and lands and properties are undercapitalized.

In Mr Robert's view, governments have inadequate knowledge and know-how to make use of their assets and manage risks. Institutions lack the capacity to implement policies, plans and reforms to ensure strong and effective government. Plan implementation is another challenge that constrains urban development and service delivery. Policy, planning, budgeting, financing and monitoring and evaluation at local and metropolitan levels lack integration.



Perhaps the most challenging problem facing Asia is meeting the demands for urban infrastructure to provide access to good quality, affordable and reliable services. Annual demand for infrastructure in Asia may well be in the order of 300 billion US dollars, more than half of which will be required in cities. Few Asian cities can be expected to meet the demands of urban services without significant improvements to urban management and financial practices.

Despite all the challenges, cities are primary generators of wealth creation in Asia. Cities should strive to be competitive, to specialize, and to cluster or integrate production and capital. Mr Roberts pointed out that the patterns of economic development in the mega-cities of Asia are leading to a widening gap in production, wealth and capital investment between metropolitan and provincial cities within a country. Good management, opening up of the economies, focus on jobs with value added, technology know-how and other similar factors can contribute to cities' better performance.

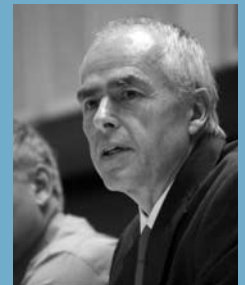
Mr Roberts presented some of the lessons gained from the study of best practices as follows:

- **the need to create a strong enabling environment,**
- **the role of good governance and strong leadership in order to inspire confidence and build trust,**
- **focus on human capital development,**
- **good financial management,**
- **developing the right strategic infrastructure,**
- **creating efficient land and property markets,**
- **commitment to planning and**
- **effectiveness of Official Development Assistance.**

In his conclusion, Mr Roberts emphasized that performance based local governments are central to meeting the urban development challenges of Asia's rapidly increasing urban population. Local governments must be willing to adopt a best practice approach as an improved way of urban management. The main focus of best practice must be on building better enabling environments that enhance competitiveness, competencies and management capacities, and on unlocking "dead capital" in local governments.

**"The future has arrived but it is different from what we have expected."**

**Peter Herrle**, Professor, Berlin University of Technology, presented concepts and insights on urban governance and the challenges ahead.



The scale and patterns of urbanization are different from those of the 19th century. Mr Herrle presented a model (Cedric Price, 1991) to illustrate that cities have evolved. Some cities are self-contained communities while others are spread out and fragmented. As globalization exerts its influence, cities spread out and define their roles externally in a much larger context and in the process cities experience inefficiencies such as social exclusion, weak control mechanisms and environmental degradation.

Mr Herrle pointed out that cities are fragmented in several aspects: social, economic, governance and spatial. Social exclusion in small cities is manifested in the difficulty of the poor to access land and housing, services, jobs, health and education, and exclusion from decision making. The economic fragmentation of a city may be depicted as a series of disjointed economic circuits where benefits from the global economy or the higher circuit do not trickle down to the local and informal economy or the lower circuit, which happens in most developing countries.

Challenges to urban governance have three dimensions: legitimacy, power to enforce, and resources. In many cities legitimacy is critical, the power to enforce is in practice weak, and resources are often limited. Local governments therefore have resorted to (I) borrowing or (II) finding allies for cooperation. In finding allies to cooperate, local governments need to firstly, build trust, secondly, engage in consensus building to get support from civil society and allies and flexible planning instruments and thirdly, build a culture of cooperation from fund sources.

While cities globalize and are defining themselves within the larger context, local governments must engage partners. Mr Herrle stressed that as cities look to the outside world, cities must also have the ability to look inwards. Good governance seeks all partners in development; a broad spectrum with three main groups: (I) mass organizations, community organizations, mass movements (II) intermediary organizations (NGOs), financing institutions, short-term coalitions, long-term alliances for negotiating with government and private sector and (III) international networks providing negotiating power in local decision making processes, city networks, international organizations. Mr Herrle summarized his observations in four points:

- **Governance is multi actor and multi layered.**
- **Cooperation, more than participation in development work, is vital in order to engage broader resources and actors in power.**
- **There is a need to tap the resources of actors in the international networks. Twinning arrangements and exchanges of experiences are good examples of going global.**
- **There is a need to engage in more flexible funding and cooperative arrangements.**

“The city is an emerging market player in the capital market.”

**Pradeep Singh**, Chief Executive Officer, Infrastructure Leasing & Financial Services Limited (IL & FS), Delhi India, presented several ways to finance urban development.



In a regime of declining state financial support, urban local bodies (ULBs) have looked for new ways to finance urban development. Of the four main sources of funds for development of urban infrastructure: state grants, internal generation, capital markets and public private partnerships, Mr Singh highlighted the role of ULBs in capital markets. The city is an emerging market player in the capital market as the hierarchy of governance is shifting towards cities' urban local bodies (ULBs).

Bringing cities to the capital market is doable, stated Mr Singh, despite the prevalent weak tradition of true capital market operations by the urban local bodies. Reforms which are the key requirements for the introduction of capital markets should be in place. Reforms should include accounting, tax, operational efficiency enhancement and tariffs that aim to bring efficiency to local government operations.

ULBs may pursue credit enhancement measures like credit rating, guarantees from financing institutions, guarantees and insurance in order to mitigate risks, and debt funds through sharing. Multilateral institutions like ADB through its leadership role can help mitigate risks. State and federal governments can assist ULBs by way of grants that are to be released to ULBs based on competition and not merely on a standard formula.

Mr Singh highlighted public private partnership (PPP) as another way of financing urban development, which will continue to be a source of private financing for ULBs.

Inadequate project structuring processes however should be properly addressed to keep a stream of bankable projects. PPP offers opportunities for superior performance and greater accountability among ULBs, which helps raise investors' level of confidence among local governments. Mr Singh concluded with the following summary:

- **There is a need to enhance internal generation of funds through reforms, better taxation and operational efficiencies.**
- **Leveraging resources from capital markets is imperative and highly doable.**
- **Rigorous accounting, taxation, and tariff reforms are at the heart of capital market access.**
- **Credit enhancement instruments are necessary to reach out to a conservative capital market.**
- **Public private partnership offers promising access to private financing, superior performance and greater accountability. Successful project development holds the key to making PPP projects bankable.**
- **ADB is in a unique position to intermediate between ULBs and capital markets.**
- **Capital markets have evolved since ADB was founded and today offer new vistas for ADB's role in the region.**
- **There is a huge underserved and brand new clientele in the Region that can be served by capital markets.**
- **Cities lack the experience, capacity and wherewithal to access the capital markets.**
- **ADB must provide leadership, knowledge, process management, credit enhancement and risk capital.**

## IMPROVING EFFECTIVENESS IN URBAN DEVELOPMENT

**Bindu Lohani**, Director General, Regional and Sustainable Development Department, ADB, outlined ADB's involvement in urban development in the Region.



Mr Lohani stated that ADB has renewed and sharpened its focus on the urban sector recognizing that the Region, and the world, has become largely urban. Cities of today have taken new roles, new urban form and new structures that must be recognized when defining the interventions and urban management to be adopted. For instance, Asian cities have outgrown their administrative boundaries yet local government structures have remained outdated. The urban form has rapidly evolved from towns to mega cities and now to urban regions. Urban economies in Asia are largely driven by developments occurring globally.

Mr Lohani emphasized the need for a shift in the way cities approach the challenges confronting them today. Cities need to improve the planning process in order that programs and projects will address the problems squarely. Planning of cities has to be approached in an integrated way considering the many aspects of developing and managing an urban system. Coordination systems among cities and development partners at both the broad, strategic level and project-specific levels have to be improved. Cities must also be made aware that aside from tapping internally generated sources – as the first course of action – there are additional resources available for investments like capital markets, private sector and others including flexible forms of international cooperative arrangements.

A Community of Practice under ADB's Urban Service Initiative was formed and tasked to look into ways of making urban development programs more relevant and effective. Mr Lohani expressed support for the Cities Development Initiative for Asia as it is one such modality that aims to catalyze significant improvements in the existing planning



and project structuring of urban development initiatives, capacity building programs among local governments and development partners and in funding or moving projects to implementation. Under current modes of development assistance CDIA will support cities in areas where funding resources are lacking, particularly projects with important social and environmental benefits.



**Klemens van de Sand**, Deputy Director General, Commissioner for Asia and South-Eastern Europe, German Federal Ministry for Economic Cooperation and Development (BMZ), outlined BMZ's future participation in CDIA.

Mr van de Sand recounted that the German government has a long history of engagement in development work in Asia. Through its implementing agencies for technical and financial assistance, the German

government has for more than 20 years supported urban development activities in Asia. This includes a wide variety of investment projects but also rich experience of technical assistance and capacity building for urban decision makers and administrators. Germany in recent years has increasingly stressed the importance of joining together with other donors to increase the effectiveness of development cooperation. This conference as well as the planned CDIA is underlining these efforts.

Mr van de Sand went on to outline the future role of the CDIA. Firstly, it will help to increase the sustainability of urban development in Asia. The aim is to better link needs for environmentally sustainable urban development to available resources as it appears that cities often have difficulties in addressing their resources requirements in a way that enables third parties to become involved. When the CDIA is set up, cities will be able to apply for such support based on a number of conditions including the principle of cost sharing as this would demonstrate sufficient ownership on the part of the cities.

The CDIA will also help to increase the sustainability of urban development in Asia. It will clearly foster environmental performance of cities through better implementation of respective development strategies.

Through its Secretariat, the CDIA will review applications along agreed criteria. Details on the process of approval have yet to be worked out. BMZ and ADB have committed to initially fund the establishment and operation of the Secretariat, which will facilitate the work of the CDIA. Other partners, including cities, the private sector and other donor agencies, are invited to join this initiative. There are already indications of interest from some of these groups. Funding from within the region should be increased over time.

As CDIA can generate tremendous knowledge on successful approaches in urban management, it is essential to make the best use of this knowledge and make it available to others. In this regard a close cooperation with existing city associations and networks such as UCLG or CityNet as well as national city associations plays an important role.

In short, the CDIA will

- **foster strategic investments in urban infrastructure,**
- **strengthen capacity in urban management,**
- **build up public private partnerships and**
- **be a platform for exchange.**

Through this, the CDIA will be broader than just facilitating investments but become a network for knowledge exchange and link champions for sustainable urban development to better assistance and funding.

In closing, Mr van de Sand asked the conference floor for feedback on the CDIA initiative and invited participants to express their expectations of the proposed CDIA.



## CONCLUSIONS / EXPECTATIONS OF THE PARTICIPANTS

- The participants confirmed that the huge challenges that accompany the ongoing urbanization play a crucial role in economic growth and poverty reduction. Cities contribute substantively to the national product, are centers of innovation, social progress and economic growth, and provide employment to a growing population. Cities also determine how efficiently resources are used and shape the quality of the natural environment within and beyond their city boundaries.
- The participants agreed that there are many good practices to emulate but these should be approached carefully in view of cities' inherent limitations and capacities.
- The participants stressed the importance of the conclusion drawn in this conference that future collaboration in urban development should be based on principles of resource-efficient economic development and social inclusion.
- The participants indicated their support for the Cities Development Initiative for Asia (CDIA) and its future development into an institutionalized network targeted towards medium sized Asian cities. Further, the participants supported CDIA as a mechanism for:
  - strengthening development activities which combine elements of integrated and multi-sectoral urban development approaches,
  - promoting sustainable urban investments and
  - creating synergies among the various urban actors.
- The representatives of various cities expect that the initiative will address the key constraints to the sustainable development of Asian cities and, in particular, that CDIA will provide:
  - advice on the implementation of existing development plans and strategies with a focus on the urban environment at local level,
  - capacity development of local implementing agencies,
  - support for knowledge management and dissemination of experience to improve environmental quality, in particular through support to existing networks of local governments, both at the regional and national levels,
  - support for the development and implementation of national urban strategies and regulatory frameworks to facilitate the development of sustainable cities and to address urban poverty.
- The participants likewise strongly advised continuing the regional strategic dialogue between development partners and feeding challenges, results and expectations into international fora and other avenues for dissemination.

## NEXT STEPS

- The participants expressed commitment to make progress on streamlining and coordinating future investments in urban development activities. On this basis the German government (BMZ) and ADB have proposed to take this initiative further.
- The German government (BMZ) and ADB will provide support for strategic and coordinated action and capacity development for sustainable urban development activities and closer cooperation among Asian cities.
- ADB and the German government propose to establish a "Cities Development Initiative for Asia (CDIA)".
- In consultation with partners and stakeholders, ADB and the German government will define the detailed mechanisms that will define the architecture of the CDIA.
- The German government and ADB will disseminate information on the CDIA services that may be established.



## CLOSING

Ursula Schaefer-Preuss and Klemens van de Sand expressed their thanks for the active participation and inputs of the participants to the formulation of the Cities Development Initiative for Asia. They noted that the need of the cities to emphasize flexibility of assistance, its multi sectoral nature and the need to reinforce existing networks of cities as expressed in the participants' responses have considerably enhanced the initial design of CDIA.

Further, Ms Schaefer-Preuss said that the comments on the role of international financial institutions, including ADB, in catalyzing local capital market development were well received and would be considered in ADB's Urban Services Initiative.

Given the outcome of the Conference the organizers concluded that the event was a success and emphasized the two institutions' commitment to move forward and to put CDIA's architecture in place immediately.



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