

The Impact of Decentralization and Urban Governance on Building Inclusive and Resilient Cities

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Key Messages

- Decentralisation is a context-driven and country specific process. The level and type of decentralisation in a country will determine the mandates and financial resources that local governments, both rural and urban, have to address specific issues.
- Improved and inclusive urban governance, and greater resilience to climate-induced shocks should be part of broader governance reforms in countries, particularly local governance and development planning.
- Improvements in public participation, transparency, accountability, responsiveness and equity are required for local governments in urban areas to respond more effectively to the challenges posed by climate change.
- More effective responses to climate change challenges in urban areas require better coordination among sectoral departments that deliver climate related activities and urban governments. Such a whole-of-government approach will enable a more comprehensive response to the multiple challenges posed by climate change.

I. Decentralisation and Urban Governance in Asia and the Pacific

Asia is host to half of the world's urban population, and continues to grow in that regard.¹

This rapid change towards urbanization has taken some governments unaware, both at local and national level. Cities across the region are facing problems of increasing poverty; lack of basic amenities and services such as water supply, electricity, sanitation, housing, education and healthcare; worsening pollution and depletion of natural resources; crippling traffic congestion; declining safety and security, and increased dissatisfaction by urban residents. These are exacerbated by the challenges brought on by the negative impacts of climate change. Many Asian cities lack the mandate, resources and capacities to deal with these multiple issues.²

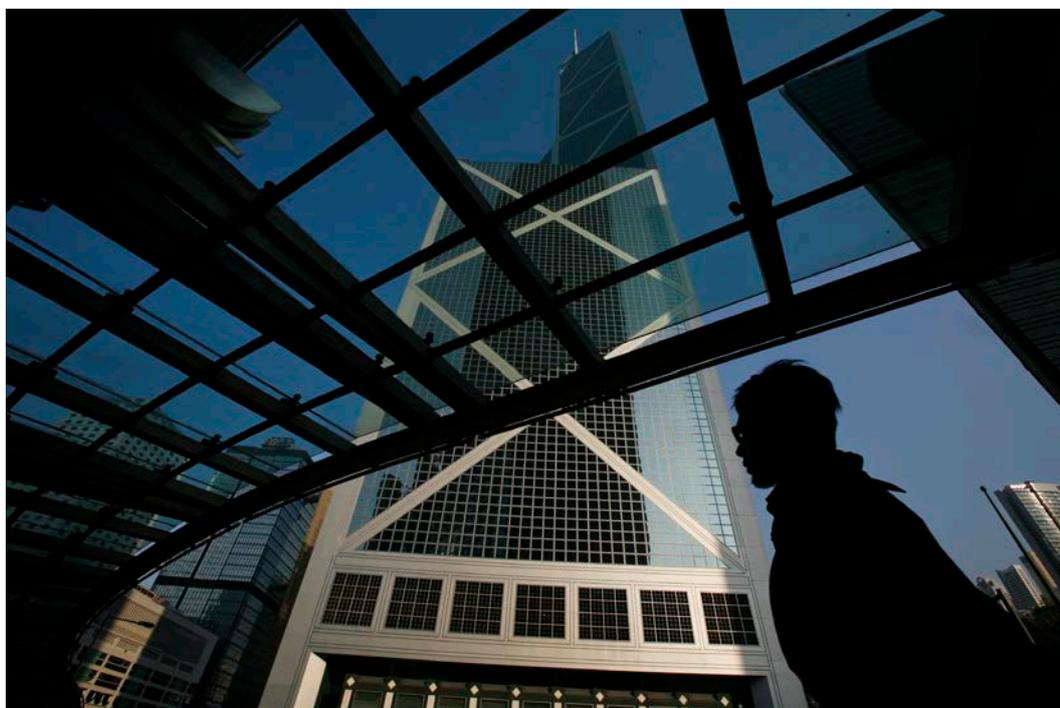
Given that the technical and political capacity of urban governments to deliver services depend on the space provided by existing rules and regulations, an understanding of the different systems of government prevalent in Asia is important as they vary greatly. There are several countries which follow a unitary system of government, i.e.,

1 UN-HABITAT. 2013. State of the World's Cities 2012/13: Prosperity of Cities. Nairobi: UN-HABITAT.

2 Kioe Sheng, Yap. 2011. Urban Challenges in South-East Asia. Paper presented at 5th Asia-Pacific Urban Forum, UNESCAP, 22-24 June 2011, Bangkok, Thailand.

where local governments are often the only sub-national layers of government, thus putting them directly under central government oversight. These include, for instance, China, Indonesia and Thailand. On the other hand, in a federal government structure, for example in India and Malaysia, states or provinces can be quite powerful and are usually responsible for overseeing the functions of local governments, both urban and rural. Countries like East Timor, Nepal and Myanmar are going through a critical transition phase, from conflict to peace, and from significant centralized control to a gradual opening up and sharing of power and responsibilities between different levels of government.

In general, decentralization processes began around the late 1980s in the region, and included both reform of the local government³ system, as well as increased democratization.⁴ However, while *de jure* reforms seem to have been extensive, local government still work under the close supervision of higher levels of government, and rely on them for a large portion of their budgets. Most national governments exercise a strong central control on decentralized governance structures, either through limited functional devolution, constraining fiscal arrangements, or political control.



Bank of China, Hong Kong © Reuters/Bobby Yip

In terms of devolution of key functions, on paper, several countries have devolved a large number of functions to local governments, especially urban governments which have greater technical and financial capacities than their rural counterparts. However, this devolution is often unclear, or inadequate. Malaysia, for instance, has a federal system organized in three tiers: central, state and local. The constitution makes provisions for local government through a number of legislations, but the distribution of functions between the three tiers of government is often overlapping, either leading

3 In this paper, the terms local governance and local government include both urban and rural forms, unless otherwise specified. In many countries, decentralization laws cover both settings, though decentralization arrangements in urban and rural areas may vary significantly. As the focus of this series is on cities, however, the analysis emphasizes only *urban* issues and *urban* governance challenges.

4 UCLG. 2008. Decentralization and Local Democracy in the World: First Global Report. UCLG. Barcelona.

to duplication of efforts, or resulting in inaction from any level. Furthermore, national governments also often exercise strong control over local governments through the appointment of mayors or top bureaucrats who remain accountable to the national or provincial administration rather than to the local electorate. In other words, executive power is vested not in local elected officials but bureaucrats handpicked by higher levels of government. In China, for instance, the delivery of basic services, urban/town planning, health care and education, water, electricity, and welfare functions all rest with cities. Emergency services and disaster management are also local competencies. The proceeds of some locally collected taxes are shared with higher tiers of government. Larger cities are fairly independent and well-resourced entities. Yet, central control is exercised through the appointment of hand-picked Mayors by the central government, with unlimited five year terms, and no provision for a popular vote either for the election or recall of the Mayor.⁵

There are also other challenges. In Indonesia, the organization and functioning of all local governments (municipalities in urban areas; regencies and villages in rural areas) used to be the responsibility of the provincial authorities but the Regional Government Law 22 of 1999 eliminated the hierarchical relationship between provincial and municipal governments. This significantly shifted resources and responsibilities from the central and provincial levels directly to the urban (kotamadya) and rural (kabupaten) municipalities, but often caused conflicts between the provincial and local governments given their equal relationship vis a vis the central government.

Many metropolitan areas and city regions often lie outside the purview of the “regular” legislation and policies related to decentralization, and may have exceptional powers and/or resources.⁶ National capital territories are usually governed directly by the central government, even where local government is a state/provincial responsibility, for example the Kuala Lumpur federal territory or the Bangkok Metropolitan Administration. At the same time, large municipal corporations (or city corporations as they are sometimes called), have both strengths and weaknesses. The Dhaka City Corporation (DCC), for instance, has a strong Mayor who is able to act independently as well as lobby national and/or external support for the development of the city; on the other hand, the planning function rests in the hands of a Capital Development Authority, which is a “technical” institution, not accountable to the citizens in the same way as the Mayor or local councilors. This makes the local governance issues and concerns very different in the DCC as compared to the smaller towns in Bangladesh.⁷

Even where the hierarchical structures are clear, the cooperation and collaboration required between different entities at local level – local government and line departments, for example, often remains a key challenge. Given the presence of multiple stakeholders, including non-state actors in many contexts, institutional coordination across (rather than only vertically) is extremely important to ensure effective responses.

5 Ibid.

6 This is an issue that affects urban local governments much more significantly than their rural counterparts. Many urban governments are assigned a special status of some sort, while in rural areas usually decentralization laws are uniformly applied.

7 Islam, N. 2012. Urbanization and Urban Governance in Bangladesh. Background paper for 13th Annual Global Development Conference on “Urbanization & Development: Delving Deeper into the Nexus”, 16-18 June 2012, Budapest.

Figure 1: Comparative Responsibilities of Local Governments in Selected Countries in the Region

Country	Planning	Basic education	Basic social welfare	Basic health services	Water supply	Electricity supply	Public transport	Business development support
Australia	Yes	No	No	No	Yes	No	Yes	Yes
China	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
India	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Indonesia	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Japan	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Malaysia	Yes	No	No	No	Yes	No	Yes	Yes
New Zealand	Yes	No	No	No	Yes	No	Yes	Yes
Pakistan	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Philippines	Yes	No	Yes	Yes	Yes	No	No	Yes
Korea, Rep of	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Thailand	Yes	Yes	Yes	No	Yes	No	Yes	Yes
Vietnam	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes

Source: UCLG. 2008. Denaturalization and Local Democracy in the World: First Global Report. UCLG. Barcelona.

Given the variety of local governance systems, practices and capacities in the region, it is not possible to propose one strategy to work with urban governments on inclusive and resilient climate change responses, as these involve policies and practices emanating from multiple layers of government. While larger cities and city-regions may have the political power, technical skills and fiscal base to deal with emerging challenges such as climate change, the same cannot be said of the thousands of smaller local governments that dot the Asian landscape. The challenges faced by these smaller towns and cities include:

- Poor financial situation due to inefficiencies in tax collection, low levels of private investment, as well as limited ability to raise resources through public-private-partnerships or municipal bonds
- Limited technical capacities, including both staff (fewer in number and less qualified) as well as equipment (hardware and software)
- Poor quality infrastructure, inadequate housing and limited industrial development
- Lack of knowledge and information on innovative and best practices

Several countries have recognized these problems and are making concerted efforts to support small and medium-sized towns. In India, the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) was launched in 2005 with the aim of supporting planned and integrated development of smaller urban centres, and provide quality services to their residents.⁸ In China, small town development policies have aimed to absorb excess rural workers by channeling agricultural labourers into new towns and small cities that are close to the countryside.⁹

8 For more information, see Government of India. Ministry of Urban Development. Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT). Available at <http://urbanindia.nic.in/programme/ud/uidssmtbody.htm> [accessed 20 January 2014]

9 UN-HABITAT. 2010. The State of Asian Cities 2010/11. Fukuoka: UN-HABITAT.

It should be noted here that while effective responses to climate change require the adequate institutional and financial clarity, there is at the same time a need to emphasise the demand side of the urban governance, especially with regard to public participation, transparency and accountability. Without these, responses to climate change may not necessarily be inclusive of different stakeholder priorities. Furthermore, concerns of equity – particularly vis-à-vis the informal sector (both informal housing as well as the informal economy) – are critical in several cities and countries.



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II. Decentralisation and the Efforts to Improve Resilience to Climate Change through Improved Urban Governance

As noted in the previous UNDP-UN-Habitat issues brief on addressing vulnerability,¹⁰ a high percentage of the urban population is at risk due to the effects of climate change.

Climate change is a concern beginning to feature in national policy and legislation across the region, with several countries adopting national laws, policies and action plans to combat climate change and move towards a low-carbon/low-emission development and growth. In India, the most explicit recognition of the challenges of sustainable development and climate change has come through the adoption of the National Action Plan on Climate Change (NAPCC) in June 2008. The Ministry of Environment and Forests further requested all states to develop State Action Plans on Climate Change (SAPCC) to ensure the implementation of the vision at sub-national level. Though there is no explicit role assigned to local governments in the NAPCC, the National Mission on Sustainable Habitat does highlight the importance of adopting climate change adaptation as well as mitigation measures in cities.¹¹

10 See, UNDP and UN-Habitat. 2013. "Addressing Urban Poverty, Inequality, and Vulnerability in a Warming World". Asia-Pacific Issue Brief Series on Urbanization and Climate Change. June 2013.

11 Narang Suri, S. (forthcoming). From Sustainable to Low-Carbon Cities: Is India's Urban Transformation Triggering an Paradigm Shift? in "Low Carbon Cities: Transforming Urban Systems". Lehmann (Ed.). Routledge.

In Indonesia, recent reports indicate that while the national and local level policies appear well crafted, with a growing understanding and integration of climate change, there are gaps in strategies to implement the policies, enforcement continues to be weak, and the capacity of both city staff as well as the urban poor communities, to engage in climate change policy issues, is inadequate.¹²

A key challenge facing urban governments in addressing climate change are the different policy frameworks that sometimes contradict each other. Often, new national policies on climate change, while not explicitly contradicting decentralization legislation and policy, might simply not acknowledge the important role that local governments can play in these processes. Urban planning, for instance, is a local function in most countries, but national policies fail to elaborate on its role in climate change, or encourage city governments to formulate new types of plans that ensure city resilience and inclusion.

Furthermore, sectoral ministries at the national level sometimes direct resources for climate-change related to the line departments without engaging with local government per se, thereby creating a potential for duplication of priorities and resources, or even contradictory efforts. An important factor in this process is that explicit local government responsibilities vis-à-vis climate change and urban resilience remain limited to preparation of disaster management plans (usually as part of broader urban/town planning functions). Other “environmental” responsibilities usually include city greening and maintenance of parks and gardens. However, it should be noted that urban local governments have been performing many functions which have not been packaged as climate change but are implicitly related to the climate change agenda. These include, for instance, the provision of housing and basic services, slum upgrading and poverty alleviation, and in many cases, development and management of infrastructure for transport, water and sanitation.

To illustrate the point further, it is useful to examine recently concluded Climate Public Expenditure and Institutional Review (CPEIR) studies, which have analysed public climate budget expenditures in a number of countries in Asia (and the Pacific)¹³. The CPEIRs were introduced as an analytical tool aimed to help countries to review how their national climate change policy aims were being reflected in public expenditures. The reviews explored how institutions might be adjusted to ensure that financing a response to climate change is delivered in a coherent way across government. The studies in Bangladesh, Cambodia, Nepal, Samoa, and Thailand illustrated that ministries of local government, infrastructure, physical planning and agriculture were key areas of climate related public expenditures. At the same time, the studies also illustrated that climate change budget allocation and expenditure are driven by sectoral policies, rather than climate change policy per se. Although some of the studies did examine the level of expenditure on climate change at the local level, the studies were primarily focused on the national level. Similarly focused and in –depth analyses at the local could be useful in demonstrating that building climate resilience and inclusion are much more the result of “regular” local government activities expenditure, as opposed to specially packaged mitigation and adaptation interventions.

In other words, the required enabling environment and the capacity of cities to perform their day-to-day functions effectively very often has a direct bearing on its effectiveness in addressing climate change. This has been recognized, for instance, in legislative and policy changes in the Philippines over the last decade. As in many other countries, the

12 Scott, H. 2012. Climate Change and Vulnerability of People in Cities of Asia. Asia-Pacific Human Development Report Background Papers Series 2012/06. ICLEI and UNDP.

13 UNDP. 2013. Climate Public Expenditure and Institutional Review. Available at <http://www.climatefinance-developmenteffectiveness.org> [Accessed 17 January 2014].

Philippines Initial National Communication on Climate Change (PINCCC), submitted in 2004 to the UNFCCC, did not even consider, let alone integrate, local governance and urban development concerns into the area of climate change. Considering that the Philippines is an archipelago of over 71,000 islands, with over 65% of its population living in urban areas, vulnerable to storms, typhoons and sea level rise, this was a critical omission. Since then, however, there has been a gradual shift in approach, culminating in The Philippine Climate Change Act of 2009. The Act mandated the creation of the Philippine Climate Change Commission and the development of a National Framework Strategy of Climate Change, and recognized local governments as the frontline agencies for climate change action planning and implementation.¹⁴ Furthermore, a national directive from the Executive Department instructed all Local Government Units (LGUs) to revise/enhance their Comprehensive Land Use Plans (CLUPs), taking into consideration disaster risk reduction and climate change adaptation.



Butuan, the Philippines © Ilija Gubic

The actual process of mainstreaming climate change concerns into local level planning instruments such as the Comprehensive Land Use Plans (CLUPs) and the Comprehensive Development Plan (CDPs) has not been an easy one, however. Local government capacities remain very weak and information on how they could effectively incorporate climate change into their local plans is not part of the existing planning guidelines. To respond to this, a pilot project was undertaken by the Department of Interior and Local Government, and the Housing and Urban Development Coordinating Council, with the support of UN-Habitat, to mainstream climate change into the local planning system. A Vulnerability and Adaptation Assessment (V&AA) Tool and a risk-sensitive planning process have been developed within the project in Sorsogon City, which are expected to be rolled out to other cities as well as scaled up at the provincial and national levels.

The urban communities most at risk from climate change are those who live in slums and informal settlements. They often have the knowledge and the capacity to identify, reduce and deal with risks, and are a very important part of the governance equation.

¹⁴ DILG and UN-HABITAT. 2011. Mainstreaming Climate Change in the Philippine Local Government Planning System. Progress Report.

Experience from several cities highlights the fact that “...where local governments have learnt to work with those living in informal settlements, we begin to see a model of climate change adaptation that is centered on those most at risk and capable of helping the city scale-up its efforts. These partnerships draw on household, community and local government resources, and thus require far less external funding than conventional climate change adaptation plans.”¹⁵

It must be noted that, just like local governments, very little of what urban community groups undertake by way of development initiatives is designed or packaged as climate change adaptation. But, addressing priorities identified by community organizations from informal settlements, such as housing, infrastructure and basic services, often means that many risks are reduced, and inclusion enhanced at the same time.¹⁶

III. Towards More Effective Decentralisation for Inclusive and Resilient Cities in Asia and the Pacific

As seen from the discussion above, there are several issues and challenges that need to be addressed in order for urban government to be able to combat climate change effectively, and in an inclusive manner. Some potential options to address them are presented below:

- **Clarify mandates of different actors, vertically, but also across the local level.** Urban governance involves many different actors and stakeholders, whose mandates are driven by specific rules and regulations – which may sometimes contradict each other, create duplication, or be unclear about specific responsibilities. These include, for example, independent entities created to manage water supply in several Indian cities; planning or development authorities which are fairly autonomous, for example in Bangladesh, and India. There is often little coordination between line departments of ministries, and the departments of the municipality or city corporations. Overcoming these could include developing, or strengthening mechanisms for better cooperation, such as information sharing, or joint-planning meetings, with a specific focus on climate change issues. It is essential to note however that these challenges may not always be confined to technical obstacles, but rather emanate from political incentives which prevent the hand-over of specific responsibilities, or even, sharing information among different actors. Therefore, support for policy advice must be accompanied by an understanding of the reasons why policies are not being followed.
- **Institutionalise approaches to enable responses that are demand-based, and inclusive of different priorities, particularly those of the most vulnerable.** In many instances, there is no opportunity for marginalized groups to voice their concerns or meaningfully participate in climate change and other activities at the local and urban level. These challenges are linked to either, a lack of regulation on participatory planning, or other institutionalized practices that discriminate against specific groups of people. In informal settlements, such as urban slums, this may be even more exacerbated, as the communities therein have few or no opportunities to be heard and contribute to plans that are aimed at enhancing climate resilience within their communities.

¹⁵ Satterthwaite, D. 2013. 8 points on financing climate change adaptation in urban areas. Available at <http://www.iied.org/8-points-financing-climate-change-adaptation-urban-areas> [accessed 10 July 2013]

¹⁶ Ibid.

- **Improve knowledge and access to best practices and resources.** Many local governments across the region, particularly smaller ones, face serious capacity constraints in executing even their day-to-day functions, let alone looking at these from a climate resilience or inclusion lens. In India, several cities have just one town planning official, and similarly tiny departments for disaster management. Data is often outdated or inaccurate, and data management systems antiquated. Knowledge and information on innovative practices is hard to come by, as are resources to adapt innovations to the local context. Likewise, there is a need to encourage learning between departments or institutions in local and regional governments (horizontal coordination). Lessons from urban governance at the local level can feed into the national policy process and promote more enabling policy frameworks to build climate resilience across government.
- **Improve resources base of local governments** - Most local governments, even if they have been assigned an impressive list of functions by legislation or policy, do not have resources to match these functions. This can be linked to a weak capacity to raise revenues, as well as to spend them adequately. At other times, this may be due to functional devolution that is not accompanied by fiscal devolution, whereby they have no authority to raise and spend their own resources. This makes them heavily financially dependent on higher levels of government, which in turn also allows the latter much greater influence in local decision-making. Given the context specific nature of climate change manifestations, the size of investment required by urban governments to address the problems will also vary. Therefore, support to increasing the resource base of urban governments needs to be approached within the broader remit of decentralisation processes. Where this is not possible, policies for resource transfers need to be flexible enough to ensure that resources envelopes are varied enough for urban governments to respond adequately to emerging local challenges.

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