

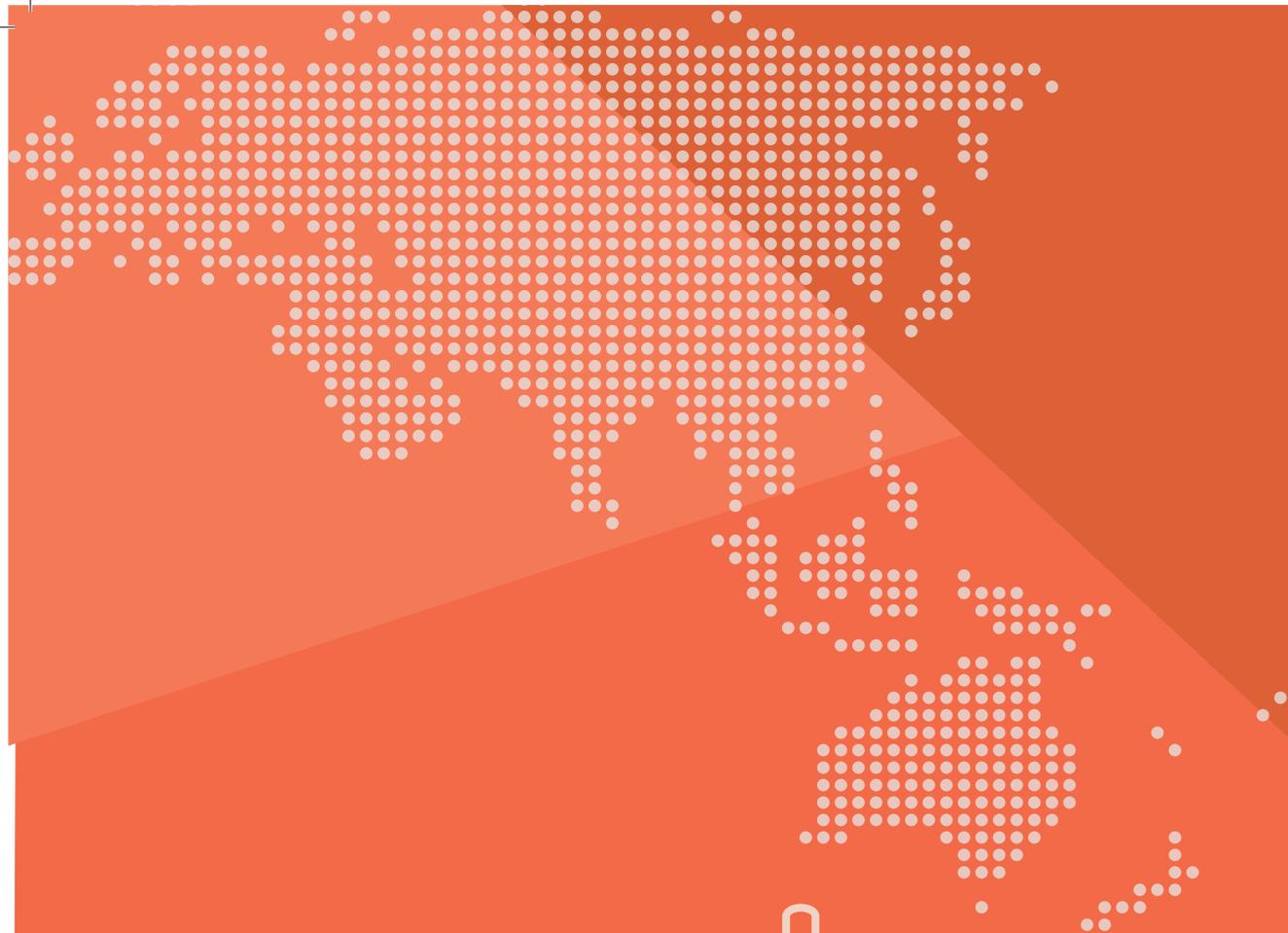


United Cities and  
Local Governments  
Asia-Pacific

# ASIAN INNOVATIONS IN FINANCING SUSTAINABLE URBAN DEVELOPMENT

BEST PRACTICES ON FINANCING LOCAL  
AND REGIONAL GOVERNMENTS BASED  
ON SIX KEY RECOMMENDATIONS

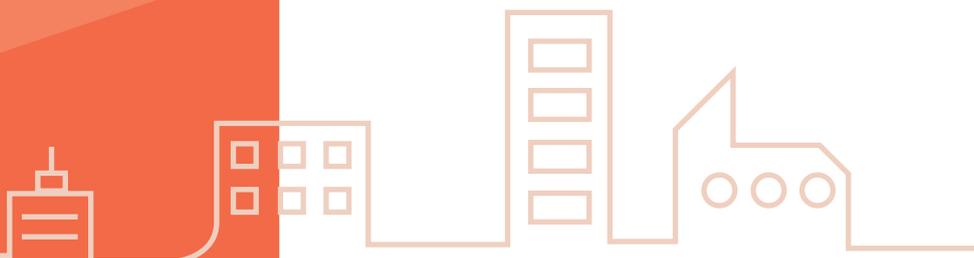




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# FOREWORD

**This monograph** entitled “Asian Innovations in Financing Sustainable Urban Development ” is an initial attempt to document and share with the Asian cities and local governments, a range of initiatives - BEST PRACTICES - that local governments in Cambodia, China, Indonesia, Republic of Korea, and the Philippines have taken to improve their habitat and to address challenges such as environment protection, infrastructure rehabilitation, flood risks, city’s resilience to climate change, energy-saving, local level capacities, participation, transparency and enhancing resource mobilization. Perusal of the “Best Practices” shows that local governments are central to addressing challenges of the kind stated here, that they have the requisite knowledge and capacity to spur changes that are often so essential to local area development, and that they can, with the application of appropriate planning, leverage resources and bridge the gap that exists between resources that are needed and the resources local governments are able to raise. The “Best Practices” contained here demonstrate that there is much potential at the local level which is awaiting to be tapped, if only we would direct our attention to capacity development and building some autonomy with local governments to enable them to determine their resource-mobilization and development strategies.

# MESSAGES



**Dr. Bernadia Irawati  
Tjandradewi**

Secretary General, UCLG ASPAC

The “Asian Innovations in Financing Sustainable Urban Development,” that I have the pleasure of sharing with you, underscores the importance of local government finance and simultaneously urges the support of the international community in establishing the processes necessary for enhancing the role of local government finance.

It is widely-held that local governments are in the best position to maximize the use of public resources and satisfy citizens’ needs through service provision, and, to address in addition, global challenges, including climate change, and different forms of discrimination, etc.

In putting these best practices together, it is our intention to unfurl the proactive stance of local governments in exercising their mandate and finding the means and competencies to do so. On the one hand, sound design of fiscal policy and reforms are at the core of this agenda; on the other hand, how local governments implement these prove to be equally important. I certainly hope that some of them will be inspiring, not only to local government officials, but to other readers aspiring for positive change.



**Claudia Hermes**

Program Coordinator,  
CDIA, GIZ



**Joris van Etten**

Senior Urban Development  
Specialist, ADB

Dear ladies and gentlemen,  
We at the Cities Development Initiative for Asia (CDIA) are delighted to jointly with United Cities Local Governments Asia Pacific publish this monograph.

Asia is rapidly transforming into an urban society and developing infrastructure to keep up with this transformation is a major policy priority for many cities in Asia. To ensure that cities remain engines of growth and contribute to achieving the Sustainable Development Goals (SDGs), investing in urban infrastructure and sustainable development is crucial. However, one major challenge for cities is apparent: reaching out to possible financiers and finding the resources to pay for this infrastructure.

We at CDIA very much appreciate the work done by UCLG to come up with six priority areas for ensuring local government access to financing. We hope this monograph which shares practical experience from the Asian region related to each of these priority areas will provide you with ideas on how to ensure that local governments have access to the resources required to ensure sustainable development.

Wishing you an inspirational read!

# INTRODUCTION

**The Sustainable Development Goals** (SDGs) adopted by the UN General Assembly last September 2015 serves as the guiding framework for the international development community, to work with local authorities and national governments in planning our cities and human settlements so as to foster community cohesion and to stimulate innovations and employment. The SDGs build upon the Millennium Development Goals (MDGs) and has been celebrated for the inclusive nature of its process. The SDGs affirm the vital role of local and regional governments in making “cities and human settlements inclusive, safe, resilient and sustainable”, further

recognizing the need to work towards sustainable urbanization. Implicit in this context is the responsibility of sub-national governments in delivering basic service provision, as well as to comprehensively address intertwined sectors and local issues. However, the inadequacy of funds at the local level to ensure that these responsibilities are carried out is perennially cited as a challenge by local governments and other actors on the ground. The attainment of SDG 11, and in fact, the entirety of the SDGs, will be influenced by the capacities or aspects in both the broader and local scale that allow for sustainable financing of local governments’ development agendas.



*All of the SDGs have targets that are directly or indirectly related to the daily work of local and regional governments. Local governments should not be seen as mere implementers of the agenda. Local governments are policy-makers, catalysts of change and the level of government best-placed to link the global goals with local communities.”*

This perspective is affirmed in the “2<sup>nd</sup> Global Report on Decentralization and Local Democracy” of UCLG which demonstrates that the financing of urban and local development is one of the weak links in the development aid policies. The Global Task Force (GTF) of local and regional governments, facilitated by UCLG, advocates solutions to address this issue. The GTF - a cooperation of over 30 networks that are active internationally - drew up a set of six Key Recommendations on Financing Local and Regional Governments.

These recommendations urge for the strengthening of dialogue between the different levels of governments, to better share methods and competencies on financing for local governments. Moreover, in gathering the best practices from local governments and aligning them with the six Key Recommendations, it hopes to trigger more insights that can lead to reforming current models of financing local governments to better address issues and contribute to the SDGs. Lastly and in no small way, this publication seeks to give recognition to the local governments that are leading the way in sustainable urban financing.

## NO ONE LEFT BEHIND



**17 GOALS, 169 TARGETS, >230 INDICATORS**



# THE SIX KEY RECOMMENDATIONS

(Source: Financing Local and Regional Governments)

- 1 Provide** suitable regulatory and legal environments at the national level to ensure that local and regional governments have appropriate powers and capacities to manage local/urban development.
- 2 Ensure** appropriate fiscal decentralization and sharing of national resources. Provide a set of productive sources of revenue (local taxes, including land value capture, some types of business taxation, etc) and regular and predictable transfers to support the execution of Local and Regional Governments (LRGs) responsibilities.
- 3 Increase** technical assistance and capacity building for sub-national governments to develop their capacities to raise local taxes and improve budget management, enhance creditworthiness, design bankable projects and implement infrastructure for the provision of basic services that respond to the community's local needs.
- 4 Strengthen** local governments' access to the instruments enabling them to raise long-term financing (banking system, financial markets, international grants and loans), through the creation of:
  - Well-structured and well-justified guarantee mechanisms to secure investment
  - Infrastructure Project Preparation Facilities and Urban Development Funds.
- 5 Develop** innovative and responsible ways for Multi-lateral Development Banks (MDBs) to lend to local and regional governments (sub-sovereign loans), and ensure LRGs access to global, regional, and national climate-change financing mechanisms (e.g., Green Climate Fund, Global Environment Facility) in order to facilitate investments in adaptation infrastructure.
- 6 Improve** monitoring of official flows (International Financial Institutions, Official Development Assistance, and emerging actors) invested in local infrastructures and services and in the development of local and regional governments capacities.



# BEST PRACTICES



## Provide suitable regulatory and legal environments at the national level

01

### The Tubigon Mariculture Project: Managing the Local Economy and the Environment

Tubigon, Philippines

**The Municipality of Tubigon** (local dialect for a place abounding in water) in the Province of Bohol was a fourth class coastal town (1997) whose strategic location had the potential of an economic hub due to its busy port linking it to the highly-urbanized city of Cebu. It also had the potential to develop a sustainable coastal resource livelihood and micro-enterprise program due to its largely coastal topography.

The town remained poor because a large number of families were dependent on agriculture and fishing as their means of livelihood. But production was considered low because of the confluence of several factors. The population pressure (44,434 residents in an 81.8696 square kilometre of land) and lack of non-agricultural employment opportunities led to over-fishing, and destructive and non-sustainable fishing practices. Pollution due to land-based income generating activities affected its coastal resource. Lastly, lack of regulatory framework to address open access to resources resulted in the loss of coastal habitats which were crucial for sustained fish production.

The absence of coherent and clear policy directions, lack of awareness among the people, unavailability of alternative employment and income generating activities led to a highly fragile coastal resource environment that worsened the poverty situation. There was a serious need to respond to these conditions by developing a model that tied up all the necessary components together into one coherent and sustainable intervention from coastal resource management to sustainable income generation.

Thus, a Mariculture Project was born and developed with three basic components, namely, local economic development promotion, environmental management and protection, and livelihood and employment generation with assistance from the Local Government Development Foundation and Konrad Adenauer Stiftung (KAS) of Germany. The Project looked into the physical, socio-economic, cultural and political dynamics of the coastal environment. It is an integrated and coordinated plan to properly manage and sustain coastal

resources leading to the development of the local economy.

The strategic aspects of the Project are: building and improving the institutional capabilities of the municipal government of Tubigon; raising sustainable awareness on coastal resource management; and developing sea-farming projects for the different fisherfolk associations as alternative source of livelihood. The marine-culture subcomponents involved: culture of oysters; cage culture of grouper; red snapper and siganids; aquasilviculture of mudcrabs in pens; and pen culture of lobsters. These were considered non-invasive of coastal resources and were in fact supportive of alternative livelihood. In brief, the Project was developed with ecological balance and sustainability as crucial parameters. Its main elements are:

### 1. Local Economic Development

**Promotion** - Increase local economic activities among fish sellers, suppliers of fingerlings, fish needs;

### 2. Livelihood and Employment

**Generation** - Provision of grants and credit facilities to marginalized fisherfolks, employment opportunities, local labor requirements on specific project components;

### 3. Environmental Management and Protection

- Policy formulation on the protection and management of marine coastal resources, enactment of local environment code, completion of participatory coastal resource assessment, identification of coastal protected areas, formulation of municipal environmental regulatory framework, and development of the Coastal

Resource Management Plan (CRMP).

The Project has significantly contributed to the local economy of Tubigon during the past decade as can be gleaned from the following:

1. Income of some fishers has diversified to fishing and non-fishing



• Tubigon fisherfolk working hard for the Mariculture Project



*The absence of coherent and clear policy directions, lack of awareness among the people, unavailability of alternative employment and income generating activities led to a highly fragile coastal resource environment that worsened the poverty situation.”*

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related activities as income sources. The aquaculture projects brought in huge incomes and the alternative sources that were developed were linked directly to community efforts to protect the coastal resources.

2. Fish production significantly improved, reversing a bleak forecast of a loss of one million ton catch a month to a positive 1.8 million tons of production per month, or 21.6 million tons a year, eight years after the implementation of the Project. The rehabilitation of coastal resources such as mangroves, seagrasses and coral reefs led to sustained economic productivity. The strengthened regulatory framework and mechanisms led to

a reduction in fishing in overfished waters and improved management of protected areas. There was also a dramatic reduction in illegal fishing practices, and the people shifted to sustainable fishing methods.

3. The income classification of Tubigon jumped from a fourth class municipality in 1997 to a first class municipality in 2009 with an annual income of from P32.5 million to P93.9 million. The hefty increase in revenues was an indication that economic activities have tremendously increased.
4. The Project became a catalyst in the expansion of trading and commercial activities in the urban area facilitated by the easy access to Cebu City. Farm and fishery products were traded in the main commercial center of Tubigon.

The Mariculture Project of Tubigon has demonstrated that the synergy between environmental protection and management and the long-term economic development of the community can be a viable solution to address poverty. It is also a viable demonstration of the importance of participatory processes to achieve long-term objectives. The crucial role of the local government in orchestrating the careful planning and implementation of the Project and the provision of technical assistance by the national government and donors have contributed to the success of the Project.



## Ensure appropriate fiscal decentralization and sharing of national resources

02

### Cooperation between local government to address shared needs

Kartamantul, Indonesia

**Law No. 22 of 1999** on Local Government mandates for decentralization, which gives autonomy to the municipality and the regency government. Since then, the role of provincial governance has been declining. Long before the Law was issued, three local governments - Yogyakarta, Sleman and Bantul (Kartamantul) - decided to optimize public services by identifying common problems facing urban areas through integrated efforts. The Kartamantul Joint Secretariat was established to deal with the following issues: liquid and solid waste management, drainage management, the management of roads, clean water supply, transport and spatial planning.

The results that have been achieved include the following:

- The construction of a waste disposal center in Piyungan, Regency of Bantul, by the local government. The action has effectively reduced littering and overall, waste management has improved and become more responsive.
- The construction of a water treatment plant or filtration of wastewater in Bantul. This has resolved the issue

of wastewater from the upstream area (Yogya) to the downstream area (Bantul).

- Better supply of water for urban residents.
- A road that connects the three areas (Yogyakarta, Sleman and Bantul) was built with an integrated plan, so as to avoid fragmentation.
- The establishment of an integrated drainage system.
- A decision to provide 170 minibus vehicles to serve these three areas, resulting in a better traffic flow.
- The development of infrastructure in the border zone of the three areas has been increasingly integrated.

In the early stages, projects and operational activities at Kartamantul were financed from the budget of the Yogyakarta Province. Following the implementation of regional autonomy in Indonesia, which began in 2001, funding sources are taken from the joint-budget of the three local governments united in Kartamantul. The funding is proportionally calculated based on the division of workload.



## Increase technical assistance and capacity building for sub-national governments

### 03a

#### People - Private - Public Partnership to Improve Local Infrastructure

Toul Sangke Sangkat (Commune), Cambodia

**The PPP Partnership** in Toul Sangke Sangkat (TSS), Cambodia, is a good example of the successful involvement of residents and private companies in the process of planning and decision-making to improve local living condition.

More than a decade ago, TSS was a vast open area with very little development and was often affected by floods during the rainy season. Adding to this problem was the increased need for physical infrastructure following the growing population and rapid urbanization. However, with a small annual budget, the commune's authorities had realized that it had a limited capacity to improve the infrastructure.

To address the predicament and to turn it into a region that is now characterized by well-built infrastructure (including commercial and residential buildings, road networks, electricity networks, water and pipeline systems, etc), the commune's authorities dug deep to mobilize its available assets and capital.

Taking into account the communes' primary needs, the Board of Toul Sangke

took the initiative to develop an annual investment program and a five-year development plan with the following main pillars:

1. Infrastructure rehabilitation,
2. Education and health,
3. Management of national resources,
4. Administration and security, and
5. Gender.

In the planning process, it was ensured that majority of the villagers would take a lead in helping to identify needs and agree on solutions. The TSS Council formed a Committee on Budgeting and Planning to work with residents in three villages throughout the year. Starting from the planning stage to the stage of completion, the tasks of all those involved included the planning and evaluation of the project, the formation of various committees to collect contributions from the community contribution, and to handle the procurement / bidding for the work, project management and regular monitoring, as well as technical supervision.

The Council also implemented key measures to ensure a participatory

process, and to improve the transparency and integrity in managing public funds. For example, after the community reached an agreement on certain projects, technical feasibility studies and cost estimates were performed. Afterwards, the contribution of private companies and ordinary citizens were gathered and supplemented the funds allocated from government sources. Each of these donations were recorded and published on the information board of the TSS, in several public spaces, and with consent, in front of the contributors' residences, giving due recognition to those engaged in the commune's development and fostering a sense of ownership.

The PPP Partnership in TSS achievements include:

- In 2010, at least 70 per cent of the land became paved roads and was monitored very well, and flooding was no longer a problem during the rainy season. Up to 80 per cent
- financial contribution was provided by the private sector and the local communities.
  - People gained benefits, including in obtaining a better education.
  - Community participation and support of stakeholders in social development became stronger.
  - People's understanding of gender issues and the equal rights of men and women improved.
  - There was representation by the board members of all political parties in support of the program and this is considered a first in the history of Cambodia.
  - This best practice of Toul Sangke Sangkat became a model for the other 90 communes.
  - Greater emphasis was given to the welfare and education of women and children.
  - Raised awareness of related issues such as drainage management and garbage collection.

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## **03b** Kongmu River Flood Control and Environmental Management Project

Xinyu, People's Republic of China

The Xinyu City Government is developing a new district to cater for its rapidly expanding population and to cultivate business opportunities taking advantage of a new high speed railway. Confronted with challenges related to transport and environmental pollution, due to (rapid) industrial development, gradually de-

pleting non-renewable resources, and exploding urban population, the Government of Xinyu aims to develop green transport and new energy sources. However, the main urban center of Xinyu is exposed to significant flood risks from the Kongmu River. Its central urban precincts were inundated by 1m and more



• The Xinyu Kongmu River Flood Control and Environmental Management Project

for up to 3 days in 2010 - the worst flood Xinyu had to face in the modern Chinese period, with the evidence that climate change is beginning to affect the city.

In 2012, at the request of the Xinyu City Government, CDIA supported the city in identifying financing options to connect 9 natural lakes as landscaping project for the new district. CDIA's support on project prioritization via a pre-feasibility study resulted in an integrated approach addressing both flood risks (increasing due to climate change) and water quality management. The proposed flood management infrastructure investment by CDIA included multiple functions, such as flood control through structural and non-structural measures, storm water quality management, urban storm

water drainage, as well as recreation and public amenities. With its intervention, CDIA provided technical support to the project management staff in order to deepen and broaden the project proposal. Further, CDIA provided guidance and training for the project's loan application.

Based on the CDIA pre-feasibility study, the Jiangxi Xinyu Kongmu River Flood Control and Environmental Management Project has successfully been linked to a financier. The Xinyu Municipal Government succeeded in signing a Memorandum of Understanding (MoU) with the Asian Development Bank (ADB) in March 2015 for a loan with private sector involvement.



## Strengthen local governments' access to the instruments enabling them to raise long-term financing

04

### Green Urban Transport Project

Palembang, Indonesia

The City of Palembang is facing considerable challenges in the transportation sector due to its fast growing population and high urban density. In 2010, the city government planned to operationalize the city's 'Comprehensive Green Transportation Program' which outlines strategic action for the city's transport development. The focus was on promoting increased use of public transport, by

improving bus services and infrastructure for public transport passengers.

CDIA supported the City of Palembang to bridge the gap between the city's transport plan and actual investment in transport infrastructure projects. Activities included a comprehensive sector review and pre-feasibility study with focus on urban transport, infrastructure



• Palembang Green Urban Transport Project

investment planning and programming, assisting the city in strengthening its own capacity for carrying out the proposed activities and linking them with potential investors for financing.

An analysis of Palembang's city finances for 2009 showed that the city is highly dependent on higher levels of government for its income, with only about 14% of its total revenue coming from its own resources. The magnitude of the investment funding made clear that external assistance is required to achieve the city's policy objectives. Thus, CDIA provided two investment schemes to finance the city's public transport investments: 1) a conventional public sector approach, and 2) a Public-Private Partnership (PPP) approach operating through a Special Purpose Vehicle that has the capability to borrow, from both

local and international sources and that provides the framework for the management of funds. Furthermore, user fees and tolls have been recommended.

The project has been financed through commercial borrowing, and the City of Palembang set up a Special Purpose Vehicle after the pre-feasibility study which facilitated the collaboration between the city and the bus operators. The buses are operational.

The expected development impacts of CDIA's intervention in the City of Palembang were enhanced public transport and non-motorized transport options, reduced pollution and CO2 emissions, and improved access to public transport service of the lower - middle income residents.



*It is a pleasure to see that when the Pre-Feasibility Study team demobilizes after the final phase of the assignment, our city-counterpart partners' eyes have opened' and they have a greater awareness of the actions required to convert plans into reality.*

*The prospect of these plans becoming a reality – and making a real difference for the millions of urban residents whose lives will be improved, is a key reason for my ongoing commitment to the programme.”*

*-Peter Turner Urban Transport Specialist for Indonesia, Fiji, Pakistan*



## Develop innovative and responsible ways for Multi-lateral Development Banks (MDBs) to lend to local and regional governments

05

### The Pluit Reservoir Revitalization Project: Climate Adaptation and Resilience

Jakarta, Indonesia

**Home to over** 10 million people and lying in a delta of 13 rivers, the capital city of Indonesia is vulnerable to the effects of climate change, including changes in rainfall pattern that can be marked by drought or sea level rise that result in flooding. According to projections done by the city, up to 80 per cent of North Jakarta will be 5m below the average sea level by 2030.

As the economic center of the country, Jakarta recognized the need for short- and long-term plans addressing resilience towards climate change impacts and developed the Jakarta Water Management Strategy for 2030. The project aims to restore the 2,083 hectares Pluit reservoir as a vital catchment area. The infrastructure had deteriorated and was left to limited functionality during flooding, due to illegal settlements occupying the bank, algae problems, poor water quality and heavy sediment. In addition, it also planned to improve the quality of living of 15,000 households occupying the bank by providing subsidized apart-

ments to nearby locations to ensure that they maintain their livelihood and social activities.

The PPP scheme has been implemented for the project wherein private companies that hold property development permits are obliged to participate in the project under the cross-subsidy scheme, such as donating furniture and equipment for the subsidized housing under the Corporate Social Responsibility Scheme, and dredging the reservoir and developing parks surrounding the reservoir which can be factored in as part of their obligation to obtain a property development permit issued by the government. Several NGOs volunteered or were also asked by the government to advocate for people and a peaceful and participative resettlement process.

Private sectors especially those in property business and Local Government Owned Enterprises were asked to participate in several ways. Local community leaders were approached in person and



• Pluit Reservoir in danger of overflowing with heavy sediment

invited to talk and discuss with the Governor so that the communication could be active and a two-way process. Citizen engagement was a key component to the success of the project since a major challenge was relocating the people to the new legal subsidized housing.

Outcomes and impact of the project include:

- Improved water capacity of the reservoir and the re-development of the park and city forest. In addition to contributing to mitigation for absorbing CO<sub>2</sub>, this also turned the area to a recreation spot.
- Better quality of life for the relocated households, by moving them to legal

subsidized apartments where they are less vulnerable to flood risk and health related problems.

Through the project, the city also aims at a reduction in annual urban flooding and limiting its impacts on citizens, enhancing the city's resilience to risks posed by climate change. Jakarta is using several indicators to measure the changes (ex. number of displaced people, number of casualties, social and economic losses from flood - such as property and infrastructure, outbreak of diseases, etc.). This task is done in partnership with the Jakarta Environmental Management Board, Jakarta Planning Board, and various research centers.

## GHGs Emission Program in Household Carbon Bank Gwangju, Republic of Korea

In 2008, Gwangju City signed the Agreement on Model City of Climate Change with the Ministry of Environment of the Republic of Korea, with the overall

aim to reduce greenhouse gas emission through raising the awareness and participation of citizens. It introduced the "Carbon Bank System" wherein CO<sub>2</sub> reduced by families through energy saving, (power, gas, water-supply line) is converted to points and paid back to the families.

“

The initiative is a creative policy that actively engages citizens for the protection of the Earth.”



• Gwangju City's industries take steps to mitigate and adapt to climate change

Over 47 per cent of GHG emissions in Gwangju was produced by the non-industrial sector, including households and the commercial sector. This was viewed as a turning point for the city's policymakers, and the 1.5 million citizens of Gwangju as the crucial component to be successful in reducing the emissions.

The goal of Gwangju City in the Carbon Bank System is to reduce GHG emissions by 2015 to 661 tons, compared to 6,615 in 2005. The system calculates reduced amounts of CO<sub>2</sub> through voluntary energy-saving efforts by households (electricity, gas, waterwork) and turns them into points paid back to the households. Kwangju Bank issues participating households their points. The initiative is a creative policy that actively engages citizens for the protection of the Earth. Through the system, the city can analyze and evaluate reduced amounts of GHG emissions each year and expand the system through continual monitoring in the years ahead. Data are supplied by the Korea Electric Power Corporation, Gwangju Metropolitan Waterworks Authority, and Hae Yang City Gas). Meanwhile, over 31 NGOs are involved in the

promotion and education of the system; collectively, they form the Green Star Network. Local organizations are also a part of the system and serve to encourage citizen participation, these are the Local Community Head Group, Sae-maeul Women's Association, and Carbon Coordinators.

Financial obligations were paid for by the Kwangju Bank for five years, between 2008 and 2012, while Gwangju City was responsible for managing and operating the system. The city also paid for education and promotion expenses, supporting the Green Star Network to ensure its success. Since 2012, the Ministry of Environment and Gwangju City evenly share the financial obligations related to points.

A clear strength of this public policy in addition to citizen participation is the involvement of a local bank, seen as a 'green bank' and helping to stimulate the local economy and reducing GHG emissions. Overall, systemic and credible data were given due importance and in this process, the city has managed to be several steps ahead in mitigating and adapting to climate change.



## Improve monitoring of official flows

06

### Strengthening Local Self-Administrations: Revenues and Budget, Transparency and People's Participation

Battambang Municipality, Cambodia

**In June 2003** the Royal Government of Cambodia made a sampling program on the development of the urban district administration with the aim to create an institutional framework for a transparent local government, in order to improve service to the community, and strengthen its participation in the decision making process. The new Structure was first piloted in two cities - Battambang and Siem Reap, as a model for the sustainability of the program to other cities at a later stage. The specific objectives of the pilot are as follows:

- Develop capacity and change the attitude of the third-level of government, so that it will appreciate, manage, and actively use new procedures in order to achieve good governance and to encourage community participation;
- Develop a legal framework for admission system in two pilot areas and get a first experience of the application of this system as a model for the

second-level local government in Cambodia, including aspects such as local tax revenues, administrative expenses and revenues from tourism;

- Incorporate existing regulations related to the budgeting procedure of the two pilot areas into a well-functioned and efficient system of budget planning, budget implementation and budget oversight for other city districts in Cambodia.

Among the various forms of capacity building for local government and the introduction of various forms of public participation, the most prominent results of this pilot project are the establishment of One Stop Service Office, the introduction of the Ombudsman's office, the establishment of elected district councils and the introduction of participatory land use planning. The six-year pilot project is funded by the European Commission and KAS, and carried out in collaboration with local governments in Italy and Germany.

# CONCLUDING REMARKS

**The Best Practices** contained in this monograph have important lessons on how local governments determine local priorities and how they define strategies for implementing them. Indeed, this monograph is driven by the objective of sharing with the Asian cities how and in what different ways cities are able to address the many challenges they are confronted with. The Best Practices, for instance, demonstrate (i) the critical importance of participatory processes in achieving long term local development goals, (ii) that well structured projects that represent local priorities find it easier to access financial resources, including institutional finance, (iii) that broad-based partnerships are often a pre-requisite for building city resilience, and (iv) that projects having a strong economic imperative can bring even the different political parties together.



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