

# Executive Summary

## Objective

The objective of this review is to identify priority themes and principles underlying “best practice” urbanization policy in East Asia to serve as a reference point in formulating urbanization policy frameworks in developing East Asia over the next 10-15 years.

## Method

The study is based on comparative analysis. Six countries were chosen for study – countries with which EASUR is actively involved as a partner in urban policy formulation: Cambodia, China, Indonesia, Mongolia, Philippines, and Vietnam. The six countries are compared both in terms of their urbanization dynamics and issues, and policies and programs that they have formulated to address emerging challenges.

## Context

In the past, there was considerable urbanization policy diversity in developing East Asia, reflecting wide ideological differences. However, currently there is increasing convergence in policy priorities. As indicated by Table 5, common policy priorities include (i) lead roles for urban regions in national poverty alleviation, (ii) attention to diffusion of benefits of urban growth to surrounding rural areas, (iii) urbanization as a key agent of environmental improvement (from infrastructure services to amenity), (iv) in conjunction with decentralization, increased emphasis on local economic development, (v) more cost effective local governance (including skill upgrading of urban technical personnel), (vi) more efficient land markets (a topic being revisited, like growth centers), and (viii) more environmentally and agriculturally sensitive land conversion on the periphery of East Asian urban regions.

## Dynamics

Findings, in terms of dynamics of urban development in developing East Asia include the following:

- Urban areas account for at least 70 percent of economic growth in all the countries analyzed. Urban areas will be the drivers of the Region’s economic future; and East Asian extended urban regions will be the focus of the World’s manufacturing economy.
- Urban areas will, by 2030, account for 100 percent of demographic growth in virtually all countries in developing East Asia. In fact, this is already the case in Indonesia, the Philippines, Thailand and China, and will be the case in Mongolia and Vietnam by 2020. There are strong implications for service delivery, investment in social facilities, etc., because public capital expenditure needs are more closely correlated with rates of urban demographic growth than absolute population levels.
- Envelopment processes (cities spreading to envelop previously rural settlements) are a much more important factor in East Asia urbanization than was previously thought. For example, in Indonesia, envelopment is more important (accounting for 35 percent of incremental urban population growth) than natural population increases or rural-urban migration in incremental urban population growth. Similar dynamics are at play in China, Vietnam, and Thailand. This has important equity implications. For example, how are farmers compensated for loss of land? Will those enveloped be added to the urban poor?



- The rural-urban transition process is still in its early to mid stages in developing East Asia. As indicated by Figure 1, large increments of urban population will occur in all countries analyzed. Myanmar, Vietnam, and Cambodia, for example, have large pent-up demand for urbanization that will soon be realized. Economic opportunities in Chinese urban regions, combined with new national policies supportive of accelerated, productive urbanization, will result in 425 million people being added to Chinese urban regions by 2030.
- Decentralization processes, although well underway in much of the Region, have yet to yield significantly more effective local urban governance. This is because incentive structures, national mandated standards, and monitoring systems are not yet in place, and/or enforced, to drive more cost effective local governance in most urban areas in developing East Asia. The lack of strong, informed urban civil society groups is another factor.
- Only in Indonesia do the urban poor constitute a sizeable percentage of the nation's poor. In Indonesia 32 percent of the poor live in urban areas, not significantly less than the 42 percent of the population that is urban. However, throughout developing East Asia, urban areas are not absorbing in-migrants as productively as they should, i.e., integrating in-migrants quickly into information, employment, housing, and public service networks. Often negative incentive frameworks, e.g., fiscal transfer systems that do not take increases in non-registered migrants into account, discourage urban governments from catering to in-migrants. Unless corrected, this will have major implications in terms of national poverty alleviation performance in developing East Asia, as urban regions increasingly become the main engines of poverty reduction.
- Decentralization has resulted in urban jurisdictions being mandated more responsibility for local economic development (LED). However, there are few examples of good LED practice in developing East Asia in terms of frameworks, approaches, and practices. For example, in China, a "cookie cutter" approach to LED has prevailed, in Indonesia, despite devolution of the LED function to local governments, appropriate frameworks do not exist, and in the Philippines lack of effective extended region governance coordination (metropolitanization) impedes the effectiveness of LED processes.

## Implications for National, Local and EASUR Programming

Recognizing the diversity of urbanization in East Asia, best practice urbanization principles can nevertheless be identified that are applicable to most countries in the Region. Accordingly, the following recommendations are identified in regard to urban programming in developing East Asia:

- *East Asian Urban Regions as Engines of Poverty Alleviation.* There is a need for new approaches to urban poverty alleviation in East Asia that recognize the key role of urban regions as engines of poverty reduction. This means that the emphasis needs to change from addressing symptoms, often manifest in housing conditions in inner city slums, to a more dynamic approach. Such an approach would recognize that (a) the causes, not symptoms of poverty should be given priority in terms of interventions, (b) that most of the potential urban poor (future migrants) do not yet live in East Asian cities, but that much potential poverty is preventable, (c) that most recent in-migrants and all of those enveloped live on the peripheries of East Asian regions, and (d) that well-functioning transportation systems and land and employment markets (including the informal sector) are critical to the well-being of the poor. In summary, a new paradigm is needed, that is dynamic, recognizes the new geography of urban poverty in East Asia, addresses the root causes of poverty, and responds



to opportunities and challenges emerging on East Asian urban peripheries.

- *Urban Peripheries are Important.* Where urbanization is very rapid, the action is on the periphery. Accordingly, there is a need to improve city building processes on the periphery of East Asian cities. Hundreds of millions of people (over 250 million in China alone) will be added to these areas over the next three decades. Yet currently peri-urban areas are characterized by weak and fragmented government, wasteful rural-urban land conversion that discourages effective public transportation and unnecessarily displaces farm communities, severe under funding of public infrastructure and services, overcrowding of social facilities such as schools, etc.
- *Realize the Payoff from Decentralization.* There is a need for a Stage II decentralization policy emphasis. The theoretical case for decentralization has been made, and most countries in the Region have accepted it. However, in many cases, seemingly positive indicators, e.g., percentage of national public expenditure at the local level, hide massive inefficiencies in the behavior of local urban governments. There is a need for more effective incentive and monitoring structures at the local level to realize the potential gains from decentralization.
- *Build Local Economic Development Capacity.* Decentralization and globalization processes have put the onus on local stakeholders to take responsibility for local economic development. This means that new frameworks for LED need to be developed and implemented. Such frameworks should recognize the importance of (a) emerging economic clusters (so important to regional economic development in countries such as China, Vietnam, and the Philippines), (b) identifying and acting on comparative and competitive advantage at the local level, and (c) the need for collaborative, rather than merely participatory, local governance structures in support of LED.
- *High Quality Urban Environments are Critical to Development.* In virtually all urban regions of East Asia, urban economies are becoming increasingly based on consumer, rather than export, oriented economic activity, as important as the latter is in the Region. This means retailing, entertainment, and cultural / heritage activities and areas are becoming more important. Furthermore, as urban regions attempt to move up the value ladder, urban amenity (environmental quality, public spaces, heritage preservation, leisure and entertainment opportunities) becomes more important in attracting and retaining investment. The bottom line is that developing East Asian cities need to pay attention to the quality of urban environments, including heritage resources, not just bottom line utility, both to realize higher levels of economic development, and equally important, provide more livable environment environments for their residents.
- *Motorization will be the Key Shaper of Developing East Asian Urban Regions* The impacts of motorization on East Asian cities cannot be overemphasized, especially in areas that are about to experience large urban growth spurts and motorization at the same time, e.g., China and Vietnam. (In China the number of vehicles is doubling every five years.) Motorization will occur; the challenge is to channel the process, through integrated transportation – land use development, and pursuit of balanced transportation systems, to ensure high quality urban environments, accessible cities, and minimal waste of energy, human time, and agricultural / environmentally sensitive land.
- *Mandate Urban Development Performance, Not Land Use Details* Performance oriented city building processes need to be put in place. In most of developing East Asia, regulation-based statutory land use planning has had virtually no impact. Even in China, the effectiveness of such approaches are limited. City building forces are so strong, often rooted in positive traditions, such as mixed land use, that they need to be moulded rather than combated. Where urbanization occurs it should be required to meet minimum requirements in terms of density, transportation impacts, pollution, avoidance of inappropriate “nuisance” land uses, etc. Attempts to create uto-



pian urban settlement systems based on top-down planning will almost certainly prove unrealistic. The emphasis should be on ensuring performance standards are met, by monitoring at the urban district scale, as urbanization unfolds in an incremental, adaptive, organic manner.

- *Develop New Urban Planning / Management Approaches and Techniques* East Asian urban areas are changing so rapidly that old planning approaches based on five year time horizons, guided / indicative planning, etc. are clearly obsolete. New approaches and techniques need to be deployed on a "rolling" basis that are based on foresight and anticipation. In such systems monitoring has a key role to play. Urban information bases are very weak, e.g., data on urban economies are virtually non-existent. EASUR, given its pivotal position in a network of academic and professional institutions, has an important role to play in disseminating such knowledge and supporting improvements of developing East Asian urban databases.

## Conclusion

Urbanization in developing East Asia is one of the leading issues facing the world today. How this wave of urbanization is handled will significantly influence the future not only of the Region, but the whole world. The rural-urban transition currently underway in East Asia will be essentially complete by 2030. Actions taken over the next few years will have significant leverage and long-lasting effects. Urban structures, both physical and soft, put in place over the next three decades are likely to display significant staying power. It is important therefore that appropriate policy frameworks are put in place now, and subsequently adapted as contexts change, to guide key actors shaping East Asian urban regions.

