

URBANISATION IN ASIA

Some comments and ideas for Vietnam

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Papers

Powerpoint	Main content
1. Lindfield M, Challenges for Sustainable Urban Development (bài chung)	<ul style="list-style-type: none"> - Asian urbanisation trends - Some challenges to sustainability - Proposed urban policy to tackle urban sustainable development
2. F.S., The State of Urbanisation in Pakistan	<ul style="list-style-type: none"> - Pakistani urbanisation trends - Challenges and proposed policy
3. B. N., Challenges of Sustainable Urbanisation: The Case of Thailand	<ul style="list-style-type: none"> - Thailand aging population - Thailand growing urbanisation - How city planning can tackle these trends together – proposed policy for large and small size cities

1. Lindfield M, Challenges for Sustainable Urban Development

- Urbanisation trend

- By 2030, approximately 2,5b/4.5b people will live in cities (55%) (UN prediction)
- On average, cities population growth rate of 3% annually
- Asian surging megacities (>10m population) are nation-sized in terms of population and economic output. Some megacities like Bangkok, Manila dominate in contribution to National GDP
- Asian cities consume the most electricity to produce most economic output, but also produce most significantly to CO2 emission
- Surging Asian megacities are port cities, which are geographically close to a water body (river, sea..)
- Asian cities are becoming less dense and more dependent on cars, resulting in increasing transport fuel consumption
- Asian cities are becoming more inter-connected and integrated to regional development
- Agglomeration economies as vital element in economic growth and development

1. Lindfield M, Challenges for Sustainable Urban Development

- Challenges

- 240 Million people living under \$1/day (absolute poverty); this is equivalent to 24 cities of 10m people or 12 times that size of Shanghai
- This creates pressure on housing, jobs, under-provision of public services and social security
- Increasing car dependency contributes to large emission of greenhouse gas and environmental pollution
- Near-water geographical location makes Asian cities very vulnerable to climate change. In the case of South East Asian cities, they are also vulnerable to typhoon hazards

1. Lindfield M, Challenges for Sustainable Urban Development - Proposed policy for Inclusive, Green and Competitive cities

- **Green**: Transport, Infrastructure, Structures and Communal spaces all contribute to “Built Environment” of cities. They are built to last and become asset of city.
- → Investment in these areas need to ensure energy efficiency, environmental friendliness, resilience and towards zero-carbon direction; save energy and resource
- **Inclusive**: not only are people in absolute poverty particularly vulnerable to climate change, social discrimination; but they are also deprived of participating to city’s growth and reaping growth rewards.
- → Bottom-up approach to target the poors, policy to enable access to housing, jobs, employment, basic public services
- **Competitive**: Economic activities are essential to generate wealth to a city
- → Investment in both the labour force (skills improvement, education) and infrastructure (logistics, information, technology); allow for welcoming institution and regulation for market-based approach; localisation to support small business and local jobs.

2. F.S., The State of Urbanisation in Pakistan – Trends and difficulties

- From 1986 to predicted 2020, urban population increased fivefold from 24m to 120m (from 28% to 50% urban population in total population)
- Several development ribbons along highways (“Edge city”)
- From 1965 – 2010: Improvement in Transport and infrastructure has connected more Pakistani cities together and covered majority of Pakistan territory
- Agglomeration economies as key to city economic development
- However, high financial cost in doing business, heavy taxation of commercial development, limited community spaces, high rises are permitted; reliance on provincial government and existing administrative issues → These have made urbanisation and city economic growth in Pakistan not occurring at an optimal level and thus there are potentials of urban economy untouched, therefore major reform in Pakistani urban policy is required

2. F.S., The State of Urbanisation in Pakistan – Proposed reform on Urban Policy

- Establish a plan (“Economic Growth Framework”), a body responsible for urban management and clear goals at each level of administration
- Finance: Encourage Sub-national government financing, enables city administration to have more independence in collecting, spending and distributing its budget.
- Promote cluster developments throughout the country to exploit agglomeration, economies of scale and comparative advantages – depending on specific socio-economic conditions
- R&D: research on urban economics, urban and regional planning to really vitalise the role of cities as engines of growth
- Build city centres to have mixed use for economic activities as well as educational, cultural activities – increase economic productivity and also a place to create and exchange ideas
- Use local knowledge in policy making (community consultation)

3. B. N., Challenges of Sustainable Urbanisation: The Case of Thailand - Urban planning based on population trend

- Aging population trend in Thailand: population size in decline from 2014; by 2050, 40% people will be 60+ while about 20% people will be 0-14.
- At the same time, urbanisation rate in Thailand remains high, higher than South East Asia average and Asia average
- By 2050, 72% people living in cities, 28% people living in rural areas
- This means, there will be more older people in cities with fewer young labour force supporting those megacities
- Combining trends: potential pressure on public services; in particular, schools and medical care

3. B. N., Challenges of Sustainable Urbanisation: The Case of Thailand - Urban policy depending on scale and capacity of the city

- For megacities and large cities – provision of education and medical services are by both public and private sectors
- In these cities, market for education and medical care is functioning at a high level that it can adjust accordingly to the population trend
- Policies targeting the poor and low-income households are also recommended
- However, for smaller size cities, more intervention needs to be established because markets here are not fully functioning

→ So Thailand approach to tackle urban problems is market-based and flexible to city size and scale. In big cities, markets have better mechanism and therefore can self-adjust; intervention happens in small-mid cities, but such intervention is to improve functioning of the markets as well

Some remarks

- There are certain remarks noticeable in the presentations:
- (1) Cities are engines of growth for regional and national
- (2) Economic activities in cities are visualisation of market economics: production, consumption, allocation of resource, goods, services via market place, in this case a densely cluster environment
- (3) Positive externality from urbanisation: economies of scale, shared labour force, information, creation and exchange of ideas. Negative externality of urbanisation: impact on environment, traffic congestion, pollution, marginalised population, constant pressure on public services (education, housing, medical care...)
- (4) Central and Local government role in urban economic development. How much power between local and central government in urban policy depends on specific institutional politics, socio-economic conditions and also level of development for each city

Urbanisation in Viet Nam - trends

- By 2014, Viet Nam has 772 cities nationwide, however only 2 Special cities, the majority are Class V cities (newly established and town-sized city)
- 49% of urban population concentrates in 2 Special cities and 15 Class I cities, 51% of the rest is urban population nationwide. This shows the population density is skewed towards larger cities.
- Annual urban population growth rate of 1%
- 5 Central cities account for 50% Vietnam's total GDP while only host 1/3 of total population nationwide.
- Government income from urban areas accounts for 70% of government income

(Source: Ministry of Construction, Journal for construction and planning Issue 70, 2014).

Urbanisation in Viet Nam – sources of urbanisation

- Economic and industrial zones create jobs with higher income for workers (so they can afford housing in peri-urban areas), enable transport and infrastructure to urbanise.
- Some cities have geographical advantages for trade and commerce, such as waterbased portal or border trade hub
- Major cities like Hanoi, Ho Chi Minh city, Hai Phong, Da Nang and Can Tho have established good foundation on population and infrastructure, well connected to international markets
- Major cities are transitioning to higher value added sectors, making themselves more attractive to investors and offering more economic opportunity for their workers
- Tourism contributes to economic development of Vietnamese cities

Urbanisation in Viet Nam - challenges

- Vietnam has a lot of small cities, it needs more concentrated and “better quality” city for market and economic activity to fully reach the functioning scale
- Environmental pollution remains constant problem in large cities, especially Hanoi and ho Chi Minh city
- In large cities, public transport in under provided, personal people rely heavily on personal transport mode, resulting in constant traffic congestion and severe air pollution
- Therefore, urban connectivity is poor, both inner-city and inter-city

Urbanisation in Viet Nam - challenges

- A noticeable part of urbanised population still work in low value added job or jobs that don't contribute to production of high-value goods and services
- Local government uncompetitive capacity in urban management, urban finance, regulatory framework for investment, land use, construction
- Inconsistent legal body between local and sub-national, national administration in planning
- Vietnamese cities are vulnerable to typhoon hazards and risks of climate change

Urbanisation in Viet Nam – Proposed urban policy

- Encourage more project development in the form of Public-Private partnership (PPP, BTO, BT,...), especially in transportation and infrastructure (because local government budget alone is insufficient). This helps increase the connectivity within and between cities.
- Set a clear long-term vision of urban planning. Regulation to control delayed/illegal construction
- Plan and build infrastructure to enable market-based economy to function (e.g. logistics, information)
- Policy to help low-income people gain skill development, have access to basic services (schools, medical care) and job market for jobs which require more skills and produce higher value added goods

Urbanisation in Viet Nam – Proposed urban policy

- Regulatory framework to cut down red tapes, business costs for investors
- Regulatory framework for charitable business to operate in the city because they would provide bottom-up support for most vulnerable group of urban population
- Educating on mindset of urbanisation in both the administration and the city's population
- Policy to protect both natural environment and built environment in the city, gradually improve quality of structure and infrastructure towards greener, cleaner more energy efficient direction

Agglomeration economies

“Agglomeration economies” is a term commonly used in urban and regional economics. It refers to the consequences and externalities of agglomerating people and economic activities in a dense compact geographical area – in this case the city (or sometimes central business district). It’s commonly agreed to consist of these characteristics:

- **Localisation:** firms of the same or closely relating industries together; this enables *economies of scale* because, technically it creates a block of industry, technology, inputs and intermediate products can be shared.
 - **Urbanisation:** firms of different industries locating together; this enables innovation, creativity and “knowledge spillovers” to happen. For instance, people exchanging ideas can mutually create new, breaking-through thoughts, in the long-term they allow for formation of new industries or technology.
 - **Shared labour pool:** higher productivity for workers in the same industry; opportunity for workers to learn and improve their skills for higher-added-value job (very easy to learn in a clustered environment); concentrated labour market = more efficient allocation between workers and firms
- This embedded economies of scale and other benefits make cities a very efficient and productive engine of economic growth

Thank you for listening