Can Urban Development Help Address Inequality?

Toward More Welfare-Improving Urbanization and Sustainable Cities

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Line of Thought

- [Unavoidable] urbanization and [avoidable] inequality
- Is welfare-improving urbanization possible?
- Five dimensions of urban sustainability
- Indicators of urban sustainability
- Conclusions

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Can urbanization/urban development help to reduce inequality?
Doesn’t it sound like an oxymoron?

Throughout history urban development has more often been associated with increasing inequality.

So, can it really help reducing inequality?
Urbanization and Economic Growth

- Urbanization is *unavoidable*... Face it! Don’t run from it! Or... we will never be able to get the best out of urbanization
- Level of urbanization has a strong correlation with GDP per-capita
- An additional of **1%** urbanization level in Indonesia correlates with an increase of **4%** in its GDP/capita
- but, its comparable figure is **7%** in Thailand and **10%** in China


- according the World Bank’s Indonesia Urban Story (2016)
What about the relationship between increase in level of urbanization and Gini coefficient? 

Our own study [of not only Indonesia but also other countries] so far has not been conclusive.

Many countries show increasing Gini coefficient as they urbanizing, but there are few cases where Gini coefficient decreases as they are urbanizing.

<table>
<thead>
<tr>
<th>Year</th>
<th>Gini Index</th>
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<tr>
<td>2007</td>
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<td>2014</td>
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<td>2015</td>
<td>0.41</td>
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<td>2016</td>
<td>0.40</td>
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</tbody>
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Source: Compiled by Ruang Waktu from World Bank and BPS, 2017
Across Indonesian provinces, levels of urbanization are resembling the levels of inequality, except in a few provinces. This means the way we are urbanizing across the country still tends to contribute to the increase in inequality.
When we compare the provinces’ levels of urbanization and their respective poverty rates, the pattern is less clear.

Although we could also see highly urbanized provinces with low levels of poverty, and vice-versa.

Our urbanization has not been used as a tool for poverty reduction.

Source: Compiled by Ruang Waktu from BPS, 2017
So…. Is Welfare-Improving Urbanization Possible?

- While in general, urbanization increases level of inequality, it also has great potential of reducing poverty.

- It is the way we manage the unavoidable urbanization that can affect its impact on poverty reduction and equality.

- Our complete understanding of urban sustainability can help.
What is Welfare-Improving Urbanization?

“Poor-quality” urbanization

“Good quality”/welfare-improving urbanization
Inspiration from an [anecdotal] story from Fanchenggang City, China

Interviews* of former farmers, whose agricultural lands have become urbanized (due to city’s expansion) indicated that their agricultural lands were exchanged with adequately spacious apartments equipped with adequate facilities and that they were provided with trainings for decent urban employments (nurse, mechanics, others) so their welfare have become better-off.

Notes: Personal interviews in a field excursion during the 7th China-ASEAN Forum on Social Development and Poverty Reduction in Fanchenggang, China, in 2013.
What is the role of urban sustainability promotion/movement/campaign in reducing inequality?
Five Dimensions of Urban Sustainability

Most common considerations in sustainable development ("triple-bottom line"):

- Environment interests
- Economic interests
- Socio-cultural interests

A sustainable process is the one that can continue indefinitely without progressive diminution of valued qualities of those who may or may not be part of the process.
A sustainable city is the one that can continue indefinitely without progressive diminution of valued qualities of the next generations.

A sustainable city is the one that can continue indefinitely without progressive diminution of valued qualities of any socio-economic group in the city.

A sustainable city is the one that can continue indefinitely without progressive diminution of valued qualities of any socio-cultural group in the city.

A sustainable city is the one that can continue indefinitely without progressive diminution of valued qualities of any other species within or outside the city.
Conclusions

- Yes, urbanization/urban development can contribute to economic growth (represented by GDP/cap) and poverty alleviation

- Doing it right, under certain conditions [no urban bias, adequate and well managed village fund, etc.] and over time, welfare-improving urbanization can also help reduce inequality

- Sustainable [urban] development can provide a good framework to link urbanization and inequality-reduction

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