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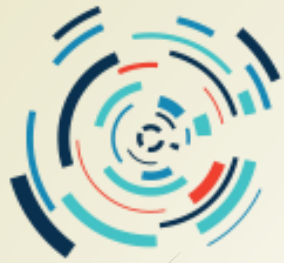


Indonesia Development Forum 2017

Fighting Inequality for Better Growth

Jakarta, 9-10 August 2017





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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?

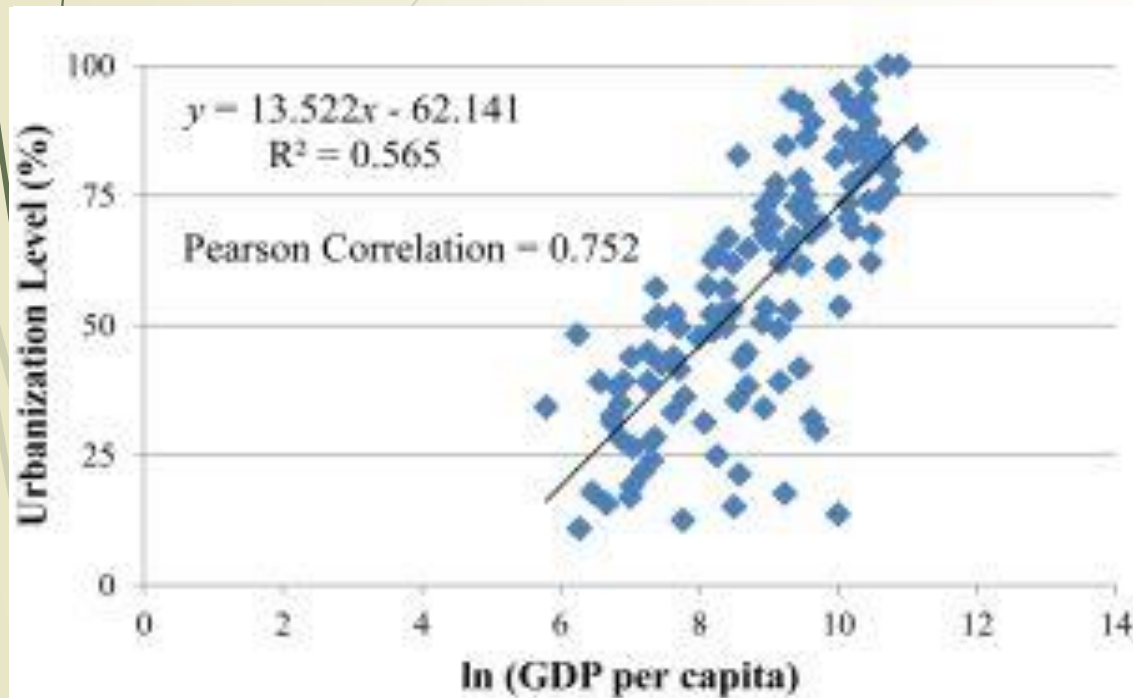


Throughout history **urban development** has more often been associated with increasing **inequality**

So, can it really help reducing inequality?



[Unavoidable] Urbanization and Economic Growth



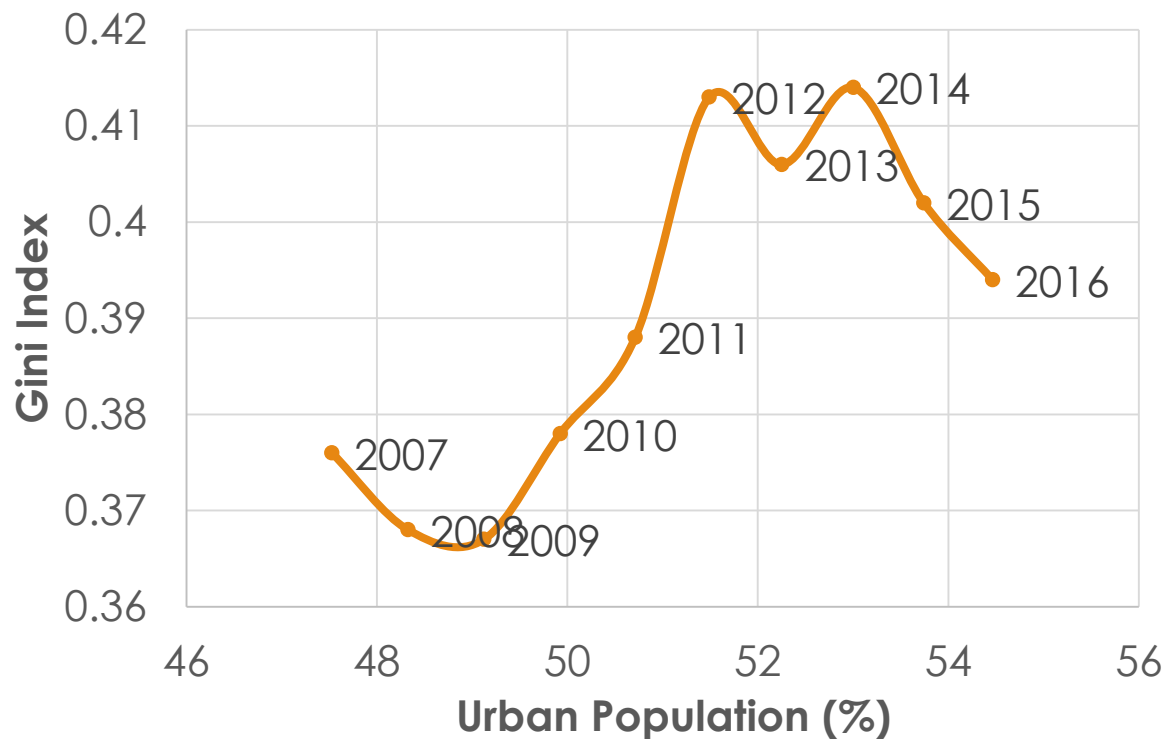
Source: Chen M, Zhang H, Liu W, Zhang W (2014)

- ▶ 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)

[Unavoidable] Urbanization and [Avoidable] Inequality

Indonesia 2007-2016

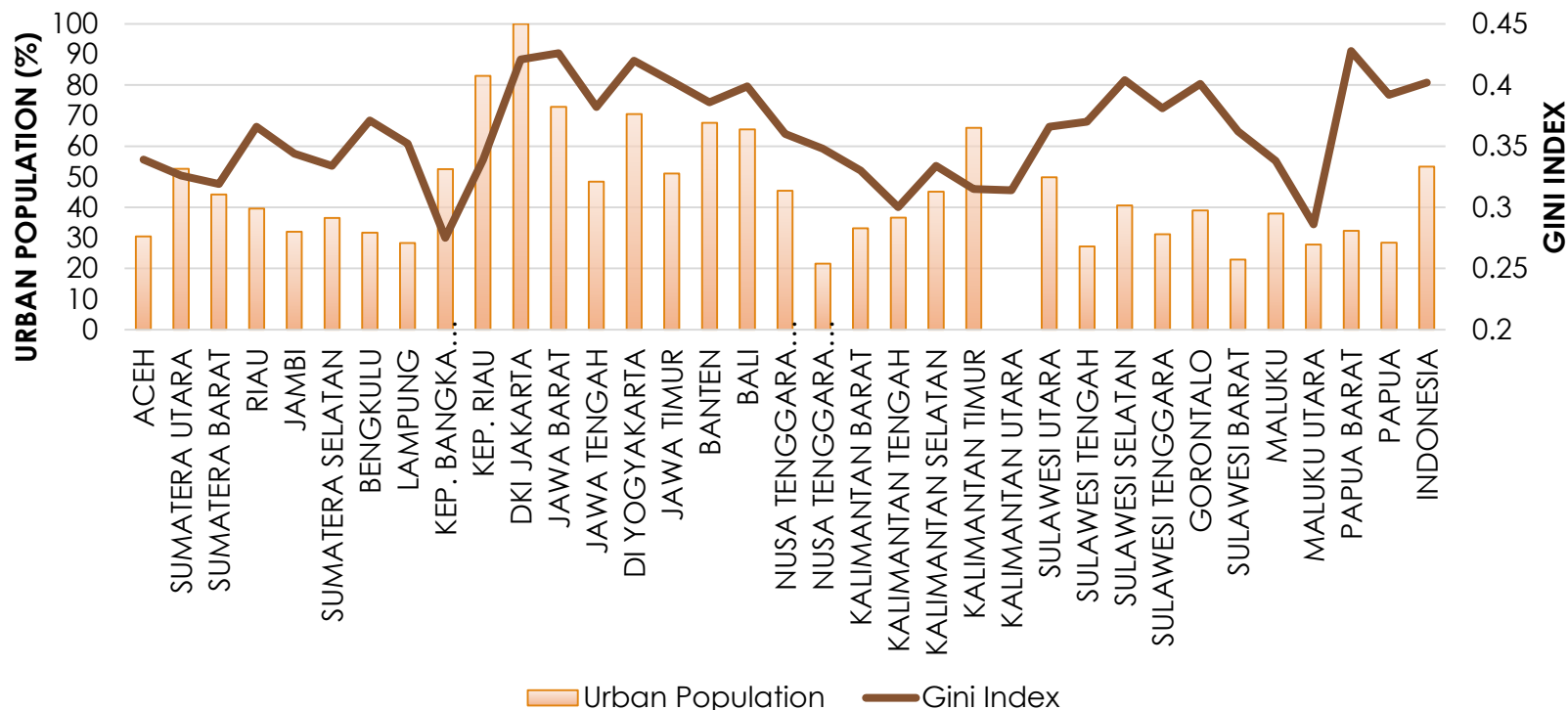


Source: Compiled by Ruang Waktu from World Bank and BPS, 2017

- 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

[Unavoidable] Urbanization and [Avoidable] Inequality

Urbanization and Income Inequality by Province
2015

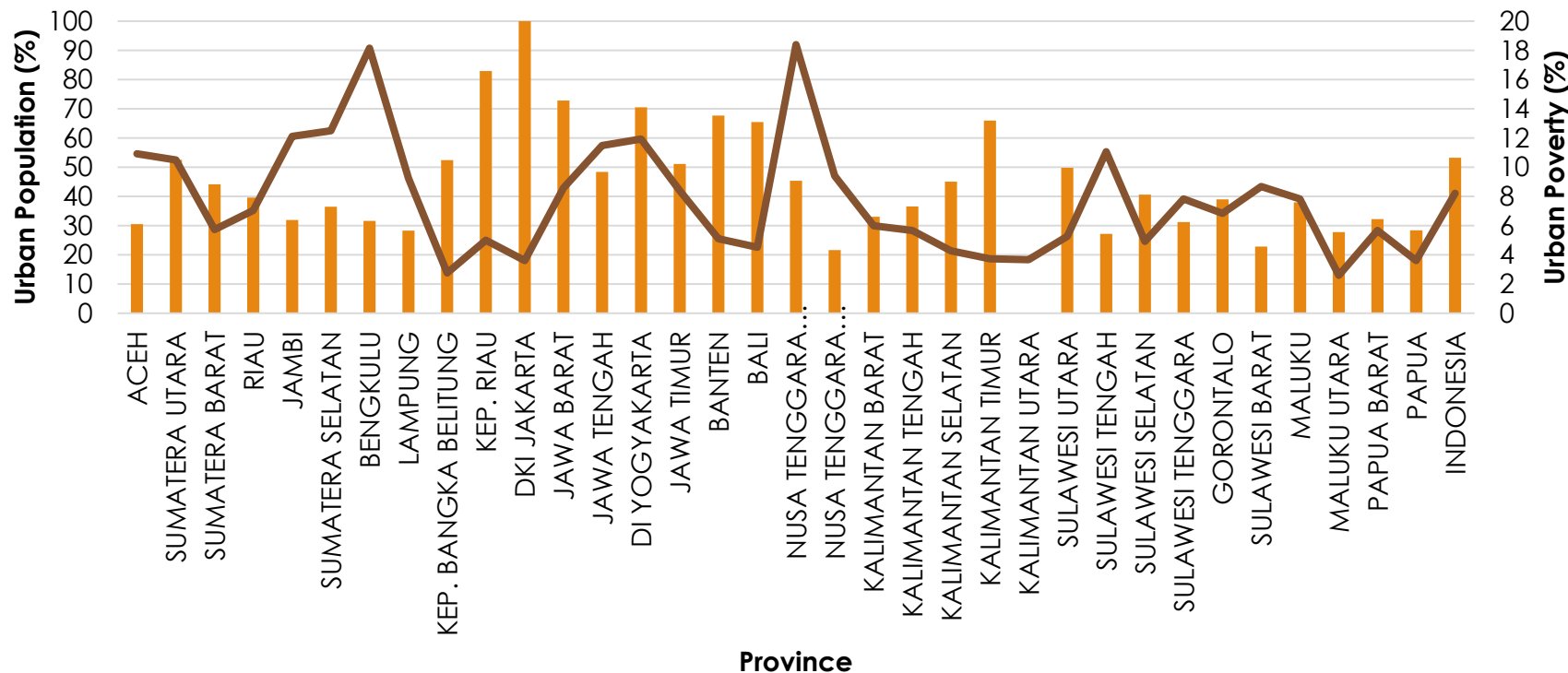


Source: Compiled by Ruang Waktu from BPS, 2017

- Across Indonesian provinces, levels 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

[Unavoidable] Urbanization and [Avoidable] Poverty

Urbanization and Urban Poverty Rate by Province
2015



Source: Compiled by Ruang Waktu from BPS, 2017

- ▶ 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



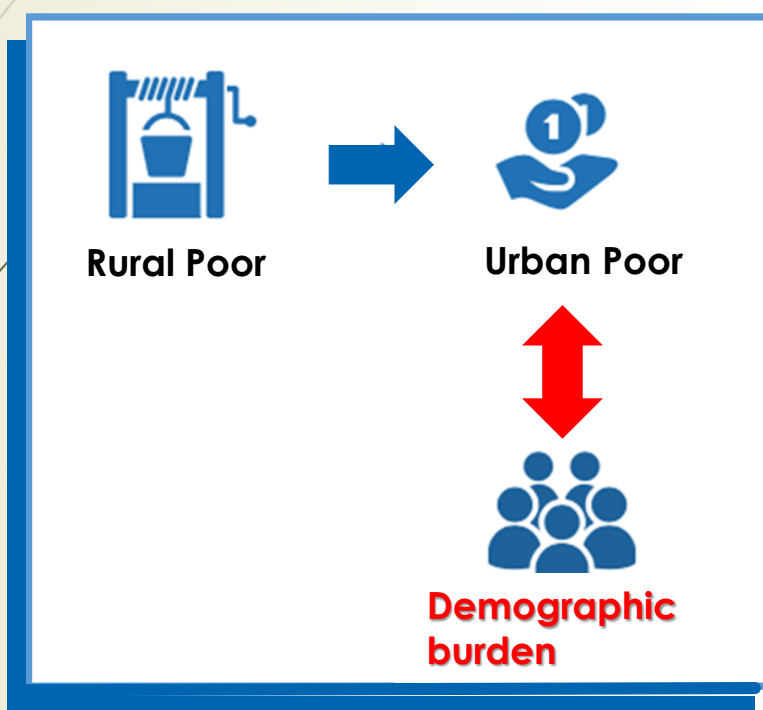
So....

Is Welfare-Improving Urbanization Possible?

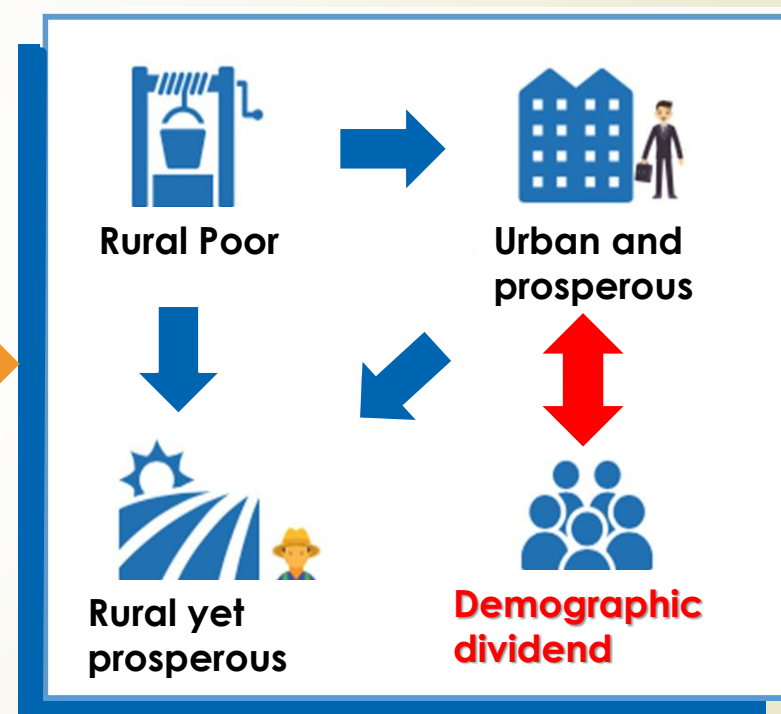
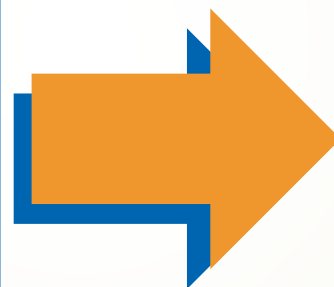
- ▶ While in general, urbanization increases level of inequality, it also has great potential of reducing poverty
- ▶ It is **the way we manage the unavoidable urbanization** that can affect its impact on poverty reduction and equality
- ▶ Our complete understanding of urban sustainability can help



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



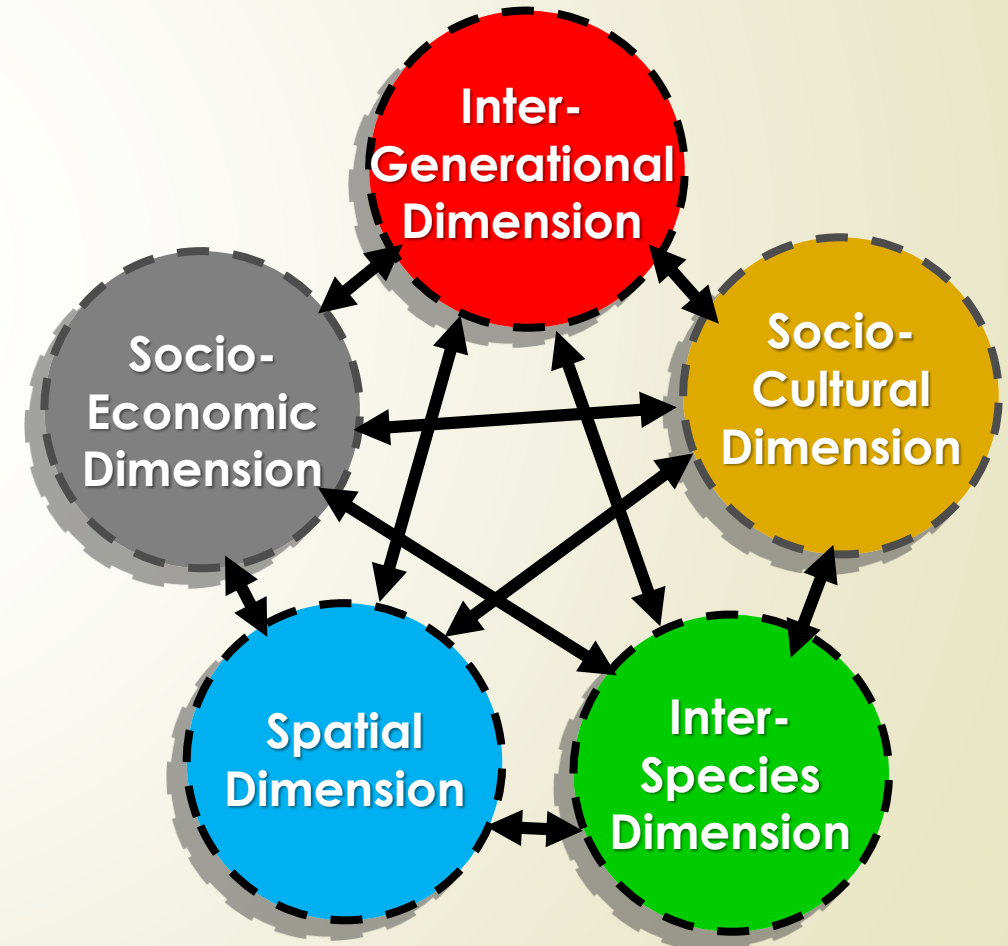
What is the role of urban sustainability promotion/movement/campaign in reducing inequality?

Five Dimensions of Urban Sustainability

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

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

- **Environment** interests
- **Economic** interests
- **Socio-cultural** interests

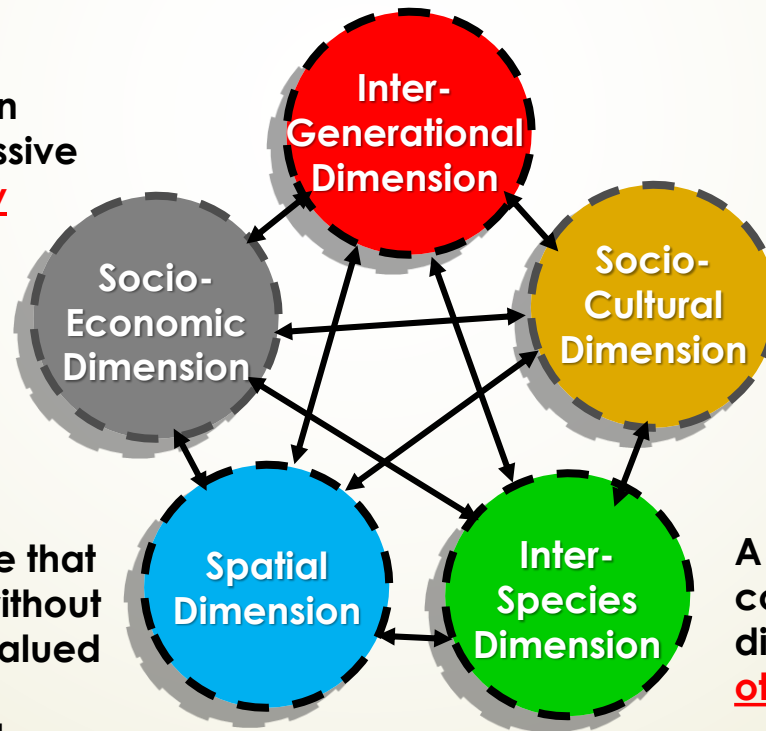


Principles in Developing Indicators of Urban Sustainability

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 people and environment outside 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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