

Urbanization and Urban Poverty in Southeast Asia

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In the 1960s and 1970s, the Southeast Asian economies began to take off. With the development of industrialization, these countries also started the process of urbanization. After decades of development, urbanization levels of Southeast Asian countries have increased significantly.

1. Overview of Urbanization in Southeast Asia

There are significant imbalances in the urbanization levels reached by the different Southeast Asian countries, as clearly shown in Figure 1. Southeast Asian countries can be placed in three categories of urbanization. The first group is countries with relatively high levels of urbanization, including Singapore, Brunei and Malaysia.

The urbanization rate of these countries is over 70%. In particular, the urbanization rate of Singapore reached 100% as early as 1960. The second group is countries with moderate levels of urbanization, including Indonesia and the Philippines, with urbanization rates between 40% and 60%. The urbanization rates of Indonesia and the Philippines were 50.7% and 48.8% respectively in 2011, both approximating the world average of 52.1% urbanization². The third category comprises countries with low levels of urbanization, including Cambodia, Laos, Myanmar, Vietnam and Thailand, with urbanization rates between 20% and 40%, significantly lower than world average.

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² UN Department of Economic and Social Affairs. *World Urbanization Prospects 2011*. 2012. (Online database)

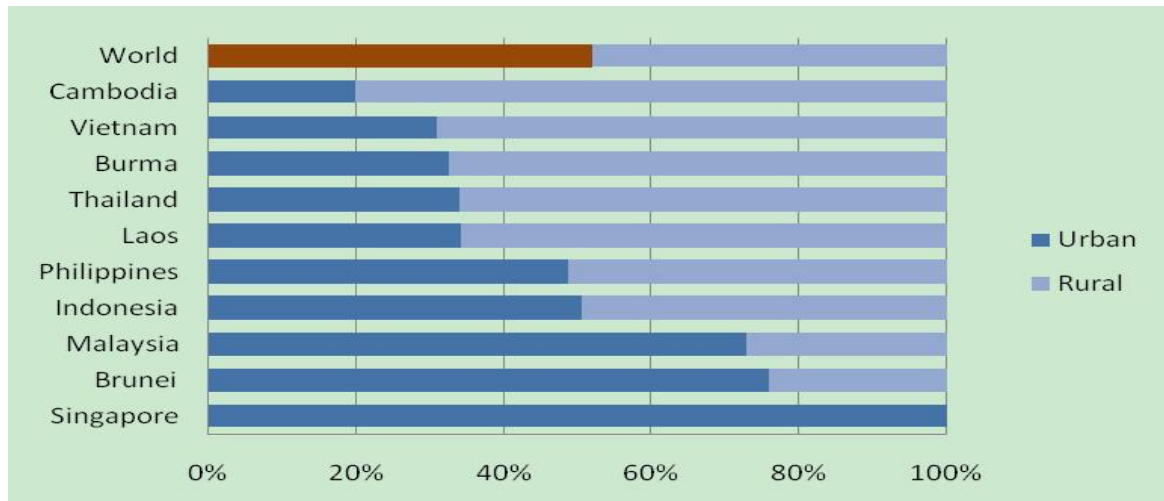


Figure 1 Percentage Urban of ASEAN countries in 2011

Source: Compiled and processed from UN Department of Economic and Social Affairs. *World Urbanization Prospects 2011*. 2012.

1.1 Historical Stages of Urbanization in Southeast Asia

The urbanization process in Southeast Asia can be divided into three stages. The first stage was between the 1950s and 1960s, when urbanization was in its initial development. One after another, Malaysia, the Philippines and Indonesia developed industrialization-focused economic growth plans. For instance, Indonesia devised the industrialization-focused 'Eight-Year Plan for Comprehensive Development' and Thailand promulgated the 'Regulations on Industry Investment Incentives'. Booming industrialization facilitated the process of urbanization. Rapid development of secondary and tertiary industries enabled tides of rural residents to migrate to cities. Populations in countries such as Malaysia and Thailand began to explode.

The second stage was between the 1970s and early 1990s when both urbanization and the economies in Southeast

Asia were experiencing rapid development. Due to favorable government policies, industry represented a large proportion of the GDP of many Southeast Asian countries, and most industrial investments concentrated in cities. With the rapid increase in city dwellers and rural-urban migration, urbanization continued at a frenzied pace.

The third stage continues from the 1990s through today, where urbanization is experiencing steady development. Southeast Asian countries are no longer in the single-minded pursuit of rapid economic growth. Instead, they seek sustainable development through economic policies.

1.2 Major Characteristics of Urbanization in Southeast Asia

By observing its historical development, urbanization in Southeast Asian countries has the following characteristics:

1.2.1 The Growth Rate of Urbanization in Southeast Asia was High.

Since the 1960s, Southeast Asia has been experiencing an urban population explosion and rapid urban development. In

the 1960s, the overall urbanization level was only 18.5%. That figure increased to 25.5% in 1980, 38.2% in 2000 and 44.1% in 2010 (Table 1).

Table 1 Percentage of Urban Population in ASEAN Countries 1950-2010

Country/Region	1950	1960	1970	1980	1990	2000	2010
Brunei	26.8	43.4	61.7	59.9	65.8	71.2	75.6
Cambodia	10.2	10.3	16.0	9.0	15.5	18.6	19.8
Indonesia	12.4	14.6	17.1	22.1	30.6	42.0	49.9
Laos	7.2	7.9	9.6	12.4	15.4	22.0	33.1
Malaysia	20.4	26.6	33.5	42.0	49.8	62.0	72.0
Myanmar	16.2	19.2	22.8	24.0	24.6	27.2	32.1
Philippines	27.1	30.3	33.0	37.5	48.6	48.0	48.6
Singapore	99.4	100.0	100.0	100.0	100.0	100.0	100.0
Thailand	16.5	19.7	20.9	26.8	29.4	31.1	33.7
Vietnam	11.6	14.7	18.3	19.2	20.3	24.4	30.4
Southeast Asia	15.4	18.5	21.4	25.5	31.6	38.2	44.1
Asia	17.5	21.1	23.7	27.1	32.3	37.4	44.4
World	29.4	33.6	36.6	39.4	43.0	46.7	51.6

Source: Compiled from UN Department of Economic and Social Affairs. *World Urbanization Prospects 2011*. 2012.

Figure 2 reveals the changes in the growth rate of urban population over the years. It is notable that the growth rate of the urban population in Southeast Asia was higher than that of the world average. Before 2000, the growth rate was 3.5%, more than

double that of world average. Horizontally, the growth of the urban population in Southeast Asia was faster than that of Europe and North America and that of the Asian average between 2000 and 2005. In 2000, population growth began to slow,

slower than Asian average yet faster than other regions in the world. Correspondingly, the growth rate of urbanization in Southeast

Asia followed the same pattern between 1950 and 2010 (Figure 3).

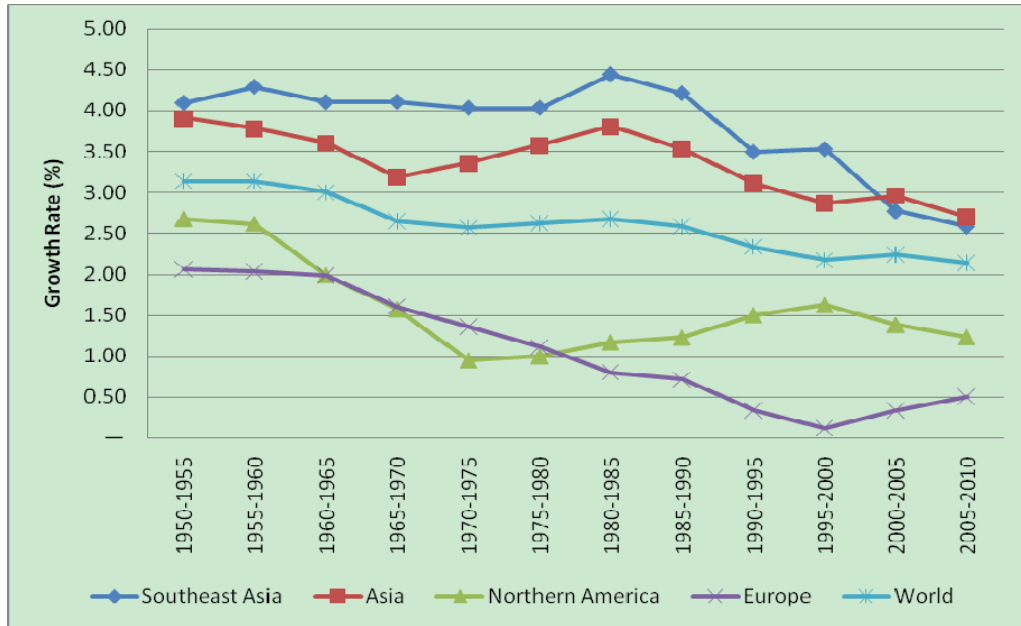


Figure 2 Growth Rate of Urban Population in Southeast Asian Cities 1950-2010

Source: Compiled and processed from UN Department of Economic and Social Affairs. *World Urbanization Prospects 2011. 2012.*

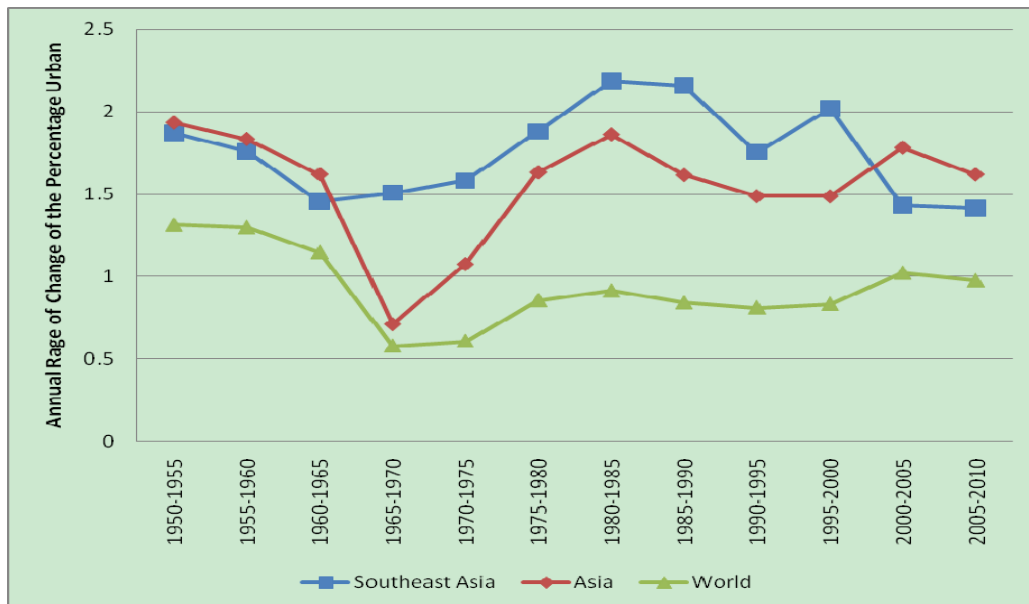


Figure 3 Average Annual Rate of Change of the Percentage Urban 1950-2010

Source: Compiled and processed from UN Department of Economic and Social Affairs. *World Urbanization Prospects 2011. 2012.*

On the whole, Southeast Asia is urbanizing rapidly, but the level of urbanization varies from country to country. As early as the 1990s, Singapore realized 100% urbanization. In the 1950s and 1960s, Thailand's urbanization level was higher than that of Indonesia (Table 1). After decades of remarkable development, by 2010, the urbanization level of Indonesia had surpassed that of Thailand, at 50% and 30% respectively. Meanwhile, other countries such as Cambodia not only have a low level of urbanization, but also have a slow urbanization growth rate. Cambodia's urbanization rate only saw slight increase over the last 60 years, from 10.2% in the 1950s to 19.8% in 2010.

There are several factors contributing to the differences between these Southeast Asian countries. First, there are differences in population size, geographical location and resource endowment. Second, there are differences in their respective levels of economic growth and industrialization. Southeast Asia includes developed countries such as Singapore and Brunei, middle-income countries such as the Philippines and Indonesia and also includes less developed ASEAN countries such as Vietnam, Laos, Cambodia and Myanmar.

Industrialization is an important driving force for urbanization, thus varying levels of industrialization reflect varying levels of urbanization. For instance, in the late 1980s, Singapore's manufacturing output per capita of exceeded \$3,000, while Laos was yet to start the industrialization process. Third, Southeast Asian countries have different political and social environments. Political stability is a key external pre-condition for urbanization. War and political turmoil hindered economic development and urbanization in Vietnam and Laos, while by contrast, Singapore enjoyed political stability.

1.2.2 The Urbanization Level of Southeast Asian Countries is Relatively Low.

Despite their rapid urbanization growth rate at one stage or another, horizontally, the urbanization level of Southeast Asia is lower than that of other developed countries or regions, and even lower than that of world average (Figure 4). As early as the 1960s, the urbanization level of North America and Europe neared 70% and 57% respectively. By 2010, the average urbanization level of Southeast Asia had been still lower than that of Europe (72.7%) and North America (82%)³.

³ *ibid.*

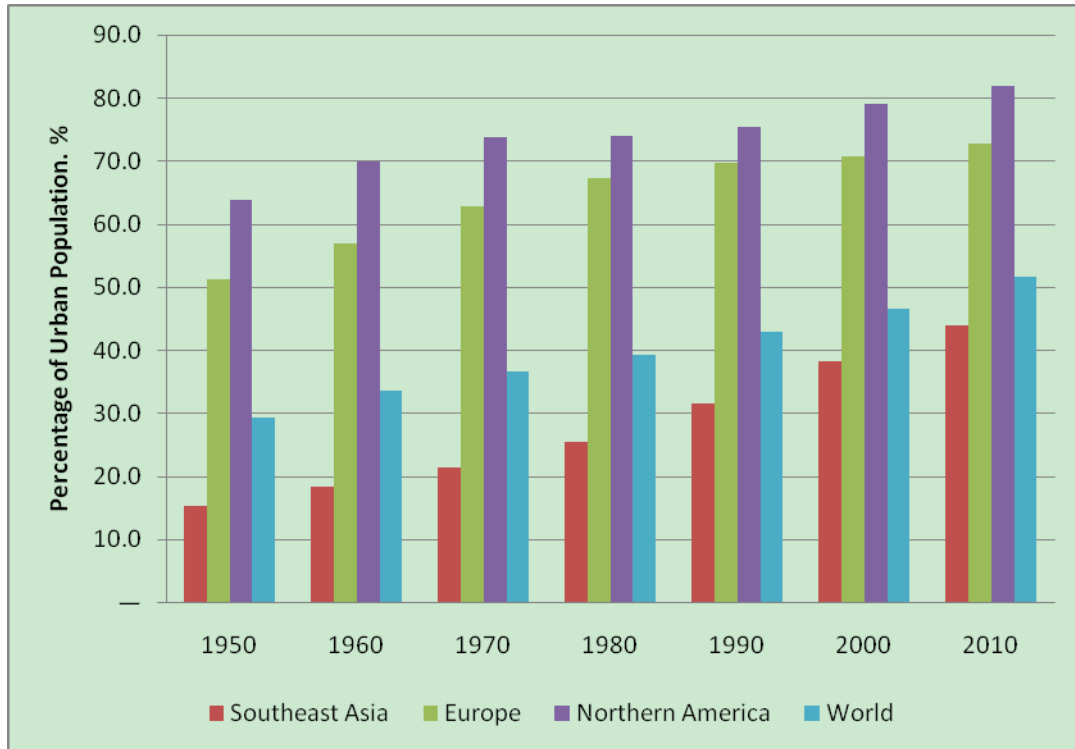


Figure 4 Percentage of Urban Population in different regions of the World 1950-2010

Source: Compiled and processed from UN Department of Economic and Social Affairs. *World Urbanization Prospects 2011*. 2012.

The major reason for the lower urbanization level in Southeast Asia compared to other developed countries is not due to a slow urbanization growth rate, as shown in the chart above, but to a large extent, is of the imbalance between urban and rural populations. The growth rate of the urban population in Southeast Asia is higher than growth rate of the rural

large base of rural residents, population growth is concentrated in rural areas (Figure 6). In 2011, among a population of 600 million in Southeast Asia, 332 million were population (Figure 5). However, due to a rural⁴, accounting for 55.3% of the total. Undoubtedly, that made the expansion of urbanization difficult, hence a small share of urban population (low level of urbanization).

⁴ *ibid.*

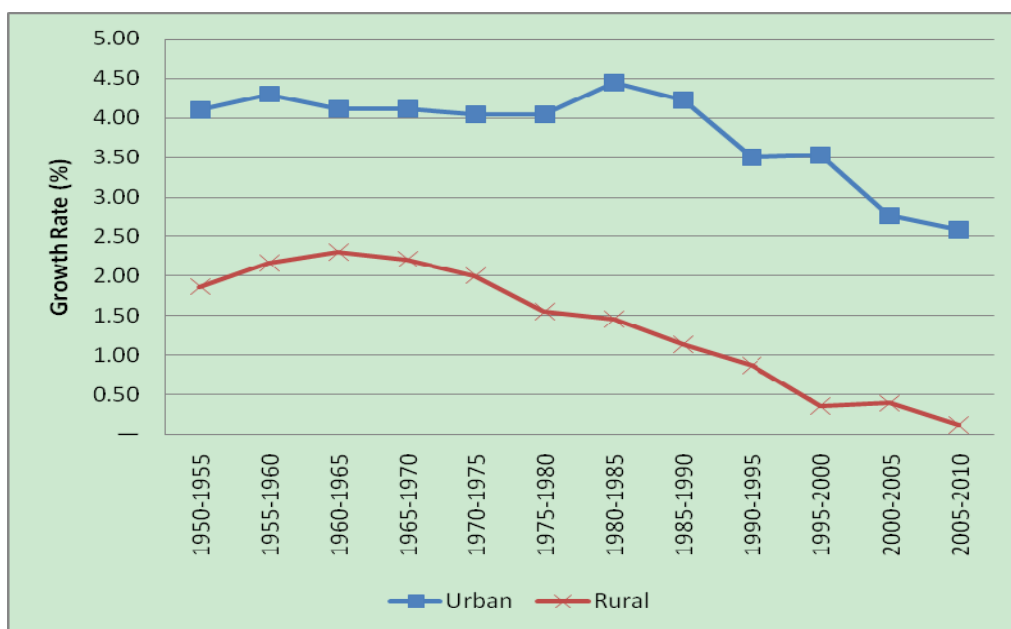


Figure 5 Growth Rate of Urban and Rural Population in Southeast Asia

Source: Compiled and processed from UN Department of Economic and Social Affairs. *World Urbanization Prospects 2011*. 2012.

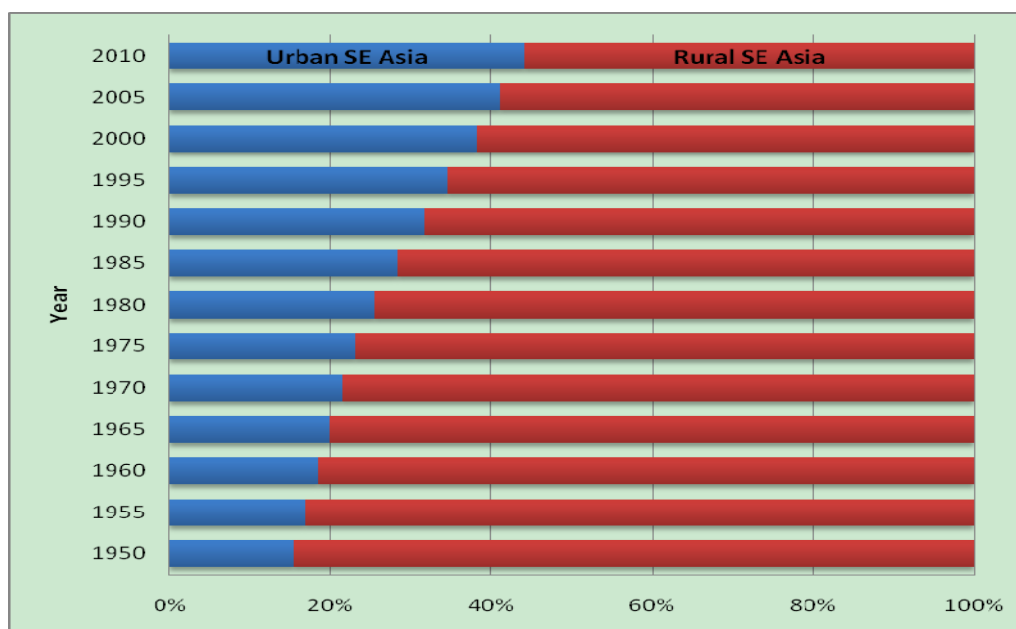


Figure 6 Proportion of Urban and Rural Populations in Southeast Asia 1950-2010

Source: Compiled and processed from UN Department of Economic and Social Affairs. *World Urbanization Prospects 2011*. 2012.

1.2.3 Urban Populations and Economic Activities Tended to be Heavily Concentrated in the Capital Cities in Southeast Asia.

The over-concentration of the urban population and economic activities in capital cities is a distinctive feature of urbanization in Southeast Asian countries. The capital cities of Southeast Asian countries tend to be the largest city in the country, such as Jakarta (Indonesia), Kuala Lumpur (Malaysia), Bangkok (Thailand), Manila (the Philippines), Ho Chi Minh City (Vietnam), and Phnom Penh (Cambodia). On top of this, capital city dwellers represent a large share of the total population in urban areas (Figure 7), a share large in Asia let alone the world. According to statistics, the population of Phnom Penh accounted for 81.2% and 53.9%¹² of the total

Cambodian population in 1970 and 2010 respectively. The populations of Vientiane and Bangkok exceeded one third of the total population of their respective countries (37.3% and 35.2%) in 2010⁵. The populations of capital cities also tend to also be much higher than the population of the second largest city of that country. For instance, in 1970, the population of Bangkok was 33 times that of Changmai, the second largest city in Thailand. After decades of population expansion in Bangkok, there were 8.38 million people living there in 2010, while only 150,000 lived in Changmai. In other words, the population in Bangkok was 55 times that of Changmai⁶. Capital cities are not only the largest city in those countries but also their political, economic and commercial center.

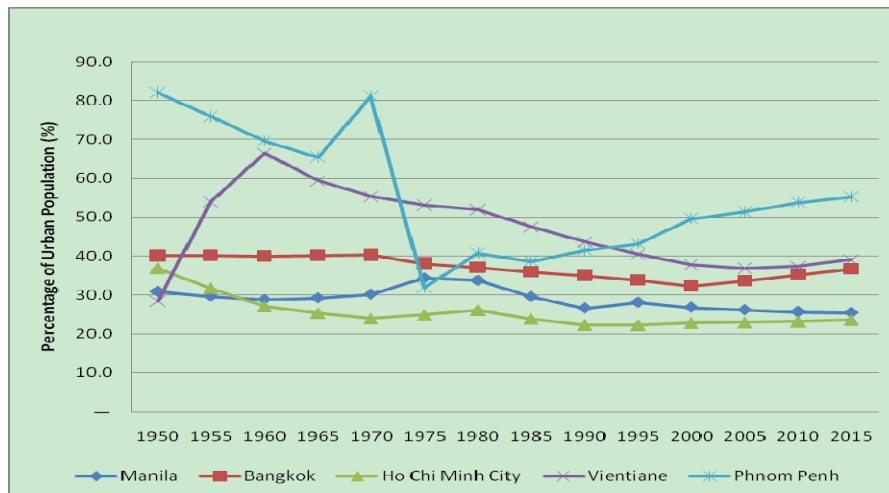


Figure 7 Percentage of Urban Population in the Largest Cities of Selected ASEAN Countries

Source: Compiled and processed from UN Department of Economic and Social Affairs. *World Urbanization Prospects 2011*. 2012.

⁵ *ibid.*

⁶ *ibid.*

The over-concentration of population in capital cities can be explained by their production capacity and economic structure. Take Bangkok as an example. Bangkok has developed into the economic center and outbound investment hub of Thailand since the beginning of the last century. In 2010, with a population 10% of the total Thai population, Bangkok created \$98.3 billion of economic output, accounting for 29.1% of the national total⁷. Half of the country's tertiary sectors are concentrated in Bangkok. It is also the largest car-manufacturing base in Southeast Asia⁸. The most important commercial and financial center of Thailand is in Bangkok. By contrast, other regions in Thailand lag far behind Bangkok and stand in striking contrast. Manila represents 15% of the total population of the Philippines, but it contributes 75% of the industrial output to the national total. The dramatic regional differences result in a polarized economic structure between the capital cities and other cities in Southeast Asia.

2. Urbanization and Poverty in Southeast Asia

2.1 Urbanization, Economic Development and Poverty Reduction

Urbanization is conducive to economic growth, and sustainable economic growth is key to poverty reduction. The more

⁷ Office of the National Economic and Social Development Board. *Gross Regional and Provincial Product Chain Volume Measures 1995-2010 edition*. 2012. p. 26-40.

⁸ Naudin, Thierry. (ed.) *The State of Asian Cities 2010/11*. United Nations Human Settlements Program. 2010. p. 85.

urbanized a country is, the more investment and businesses it will attract. In that sense, urbanization is beneficial to development, especially economic development. Urbanization delivers many job opportunities and therefore attracts many rural migrants. For the poor, especially the poor from rural areas, cities represent more job opportunities, better lives and a way out of poverty.

However, will urbanization definitely reduce poverty? The answer could depend on how to measure 'poverty' and how to understand the relationship between society as a whole and individuals. If poverty is merely measured by income, the development of urbanization definitely causes an increase of income. In this sense, urbanization is helpful for poverty reduction in the city. However, according to Amartya Sen, poverty is multi-dimensional. Poverty does not merely mean an extremely low level of income, but also deprivation of opportunities and loss of rights⁹. When the city cannot create more new job opportunities for the new comers, deeper inequality, growing unemployment and a poorer urban population will appear. Urbanization does not necessarily mean equal opportunity of everyone. For instance, the underclass and the poor often lack knowledge and skills, so they cannot easily get the equal job opportunities in the city as other people who are well educated. For the poor, city life might even mean living in a worse environment, loss and deprivation of

⁹ Sen, Amartya. *Development as Freedom*. Oxford: Oxford University Press. 1999.

rights and social exclusion. While urbanization could be a driving force for development and poverty elimination, it also has the potential risk to lead to new poverty.

2.2 Urbanization and Causes of Urban Poverty in Southeast Asia

Many studies indicate that urban poverty is more evident in the megacities of Southeast Asian countries. In theory, the larger concentrations of population in megacities should benefit from economies of scale¹⁰. Development of megacities can promote economic growth and exert a positive impact on the economy and urbanization of the surrounding areas. The larger a city is, the more positive an impact it will have. Southeast Asian countries have adopted the strategy of driving national urbanization by focusing on the development of megacities, which is one reason why urbanization is so concentrated in capital cities. For instance, industrial activities are mostly concentrated in Bangkok, even to the point of saturation.

On the policy level, Southeast Asian governments generally focus more on the development of a particular city while neglecting the development of other regions, especially the rural areas. They make megacities the center of attraction, leading to a massive influx of rural migrants. To some extent, rural-urban migration is one of the reasons why Southeast Asia has been undergoing rapid urbanization. It is notable

that the massive influx of rural migrants into cities is not entirely because the cities have enough capacity to provide jobs, but largely because the huge differences between urban development and rural development. In other words, the big push factor for urban population expansion results from economic depression and recession in rural areas.

The massive tide of rural migrants results in the rapid expansion and explosion of urban populations. However, the rate of migration is often much faster than the rate of urbanization and industrialization of the cities. Sometimes the number of migrants is far beyond the carrying capacity of the cities. Cities cannot provide enough infrastructure, public service and job opportunities to rural migrants, many of whom fall into poverty. Many Southeast Asian countries show such undesirable urbanization patterns, especially the Philippines and Thailand.

This extremely unbalanced urbanization puts intense pressure on cities, and in itself is at the expense of agriculture and rural development. It causes a loss of a rural workforce and limits continued development of rural areas.

2.3 Urban Poverty in Southeast Asia

Many studies in recent years indicate that measuring urban poverty only by income is too narrow a definition, because too many inequalities leading to poverty are neglected. According to the theory of multi-dimensional poverty, early death, malnutrition and low level of education can all be seen as deprivation of basic human capability, which

¹⁰ ADB. *City Development Strategies to Reduce Poverty*. Manila. June 2004.

can also be understood as a kind of poverty¹¹. From that perspective, urban poverty can be understood as insufficient income, a lack of job and schooling opportunities and equal access to social security systems as well as existence of many slums in the city. In this article, we will examine urban poverty in Southeast Asia from the perspective of multi-dimensional poverty.

2.3.1 Income and Urban Poverty

Southeast Asian countries have made tremendous achievements in reducing income poverty. But over one fifth of the population lives below the poverty line (\$1.25/day). In the entire Asia-Pacific region, Southeast Asia still has a relatively high poverty headcount ratio. In 2011, the ratio was 21%, only lower than that of South Asia and Southwest Asia (36%). By 2010, nearly 10% of Indonesians lived below the national poverty line¹².

Income inequality is very prevalent in many Southeast Asian cities. Among the 35 most unequal cities in the developing world, five are Southeast Asian cities. The Gini coefficients of Bangkok, Ho Chi Minh City, Kuala Lumpur and Manila are 0.48, 0.53, 0.41 and 0.4 respectively¹³, all surpassing the international warning line.

Because the rate of job creation is much lower than the rate of urban population

growth, the unemployment rate and the rate of employment in informal sectors in Southeast Asian cities are much higher than those of cities in the developed world. The unemployment rate in Manila is the highest (11.8%) while the nationwide average is 7.1%¹⁴. In Jakarta, Indonesia, 11.9% of people were unemployed in 2008. Many migrants, especially female migrants, have to work in informal sectors that do not provide medical insurance or labor security. In 2002, 64.9% of female Vietnamese worked in informal sectors in cities. 51.3% of female Filipinas worked in informal sectors while only 7.3% male Filipinos worked in the same sectors¹⁵.

Will urbanization play a positive role in reducing poverty? As per a poverty line of \$1.25 per day, the answer seems to be yes. Take Indonesia as an example. In 1990, 47.8% of the urban population and 51.7% of the rural population was living below the poverty line. But in 2005, the share of the urban population living below the poverty line was reduced to 18.7%, a share much lower than that of rural population. In that sense, poverty is being reduced at a faster pace. However, the higher rural poverty rate is due to a larger share of rural population and higher rural poverty headcount ratio in Southeast Asia.

¹¹ Sen, Amartya. *Development as Freedom*. Oxford: Oxford University Press. 1999.

¹² World Bank. *World Development Indicators 2013*. 2013.

¹³ UN-HABITAT. *State of the World's Cities 2010-11: Bridging the Urban Divide*. 2010. p.73.

¹⁴ Ministry of Commerce of the People's Republic of China. Unemployment Rate of the Philippines Dropped Down to 6.4% in October. 16 Dec 2009. Available at <http://www.mofcom.gov.cn/aarticle/i/jyjl/j/200912/20091206673933.html>.

¹⁵ UN-HABITAT. *Global Urban Indicators-Selected Statistics*. November 2009.

Table 2 Proportion of the rural and urban population below the poverty line of PPP\$1.25 per day

Year	Poverty Headcount Ratio (%)		Urban Population (%)
	Rural Areas	Urban Areas	
1990	51.7	47.8	30.6
2005	24.0	18.7	48.1

Source: World Bank. *Povcal Net*. Available at: <http://go.worldbank.org/WE8P1I8250>.

If we use the urban poverty line as the measure of poverty, we can see similar trends in other Southeast Asian countries. In 1988, over 43% of urban Thai lived below the urban poverty line. A decade later, the figure was almost halved

(20.4%). In 2011, only less than 9% lived below the urban poverty line. In addition, the percentage of urban poor in Cambodia was reduced from 21.1% in 1997 to 11.8% in 2007¹⁶.

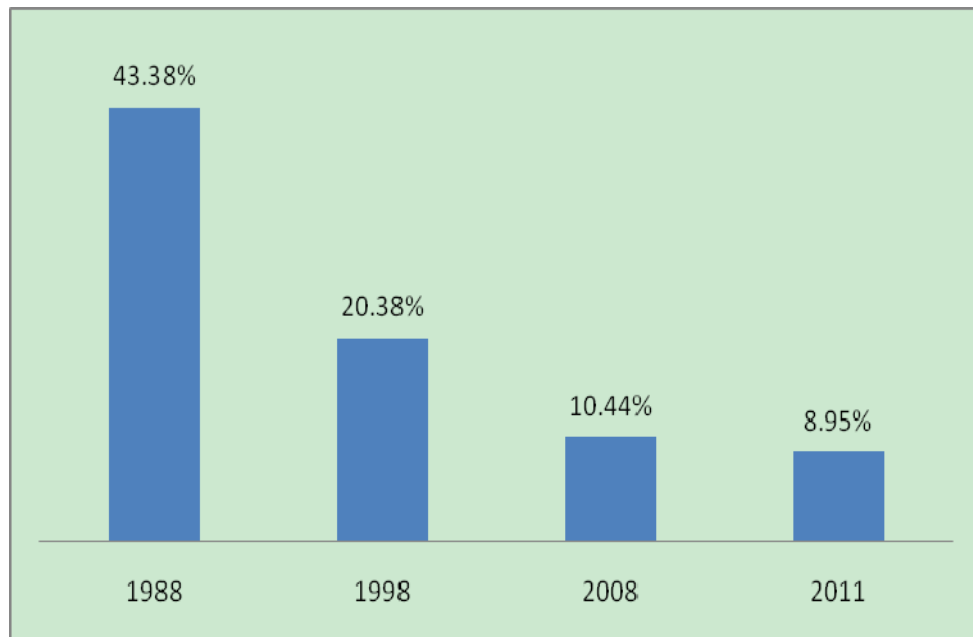


Figure 8 Poverty Headcount Ratio at Urban Poverty Line in Thailand (% of Urban Population)

Source: Compiled and processed from World Bank. *World Development Indicators 2013*. 2013.

¹⁶ World Bank. *World Development Indicators 2013*. 2013. Available at <http://data.worldbank.org/country>. [accessed on 13 May 2013]

Moreover, apart from urban-rural disparity, regional divisions, especially between megacities and remote areas, is evident in many Southeast Asian countries. From the *Thailand Millennium Development Goals Report 2009* submitted to the UN by the Office of the National Economic and Social Development Board, the poverty rate of northeast Thailand was much higher than that of other Thai regions, followed by the north, the south and the central regions. The poverty rate of Bangkok, in central Thailand, had the lowest poverty rate in the country in 2009¹⁷.

The poverty gap index estimates the depth of poverty by considering how far, on the average, the poor are from a poverty line. In most Southeast Asian countries, by the standards of an urban poverty line, the poverty gap has narrowed. For example, the urban poverty gap index in Malaysia dropped from 0.5% in 2004 to 0.3% in 2009. In Indonesia it dropped from 2.4% in 2003 to 1.4% in 2012.

2.3.2 Education and Urban Poverty

With rapid industrialization and urbanization, many rural working-age people migrate to cities. But because of poor educational facilities, education level indicators of some Southeast Asian populations are much lower than that of populations in the developed world. The enrollment rate of urban school-age children

in primary school is higher than that of their rural counterparts. This shows educational facilities in cities are better than rural areas, and proves uneven urban-rural distribution of human capital. In 2003 in the Philippines, the urban boys' enrollment rate was 88.7% versus 89.3% for urban girls, both higher than that of their rural counterparts (84% vs 85.6%)¹⁸. Vietnam and Indonesia basically followed the same pattern.

But within cities, access to education is not equal. The poorer the family is, there is less access to education and more obvious boy-girl inequality. Take Indonesia as an example. Girls' enrollment was lower than boys'. Enrollment of poor urban residents, especially girls from slums, was lower than the urban average and even lower than that of rural girls in 2009¹⁹. Indonesian poor families are worse off in this regard. It is getting worse in recent years with enrollment of girls from slums dropping from 79.1% in 1994 to 77.4% in 1997 and to 73.1% in 2002²⁰.

This pattern is not only reflected in the enrollment rate of poor girls but also in the illiteracy rate of urban women. The illiteracy rate of women in slums is much higher than the urban average. In 2002, the average illiteracy rate of urban women in Vietnam and Indonesia was 2.7% and 2.2%, but that of women in slums was 5.4%, more than twice the urban average²¹.

¹⁷ Office of the National Economic and Social Development Board. *Thailand Millennium Development Goals Report 2009*. July 2010. Available at: http://www.undp.or.th/resources/documents/Thailand_MDGReport_2009.pdf. [Accessed on 19 May 2013].

¹⁸ UN-HABITAT. *Global Urban Indicators-Selected Statistics*. November 2009.

¹⁹ *ibid.*

²⁰ *ibid.*

²¹ *ibid.*

2.3.3 Health and Urban Poverty

In theory, compared to rural areas, cities enjoy better medical conditions, but in reality, that is not true. The urban poor cannot enjoy urban medical services due to the constraints of health-care conditions, transport, environment and personal behaviors. Furthermore, urban residents are more likely to suffer from malnutrition or mental illness related to economic or life stresses compared to their rural counterparts²². In many countries, the rich-poor divide within cities is wider than that in rural areas. In many cases, the nutrition status of poor urban families is worse than that of poor rural families. Malnutrition, hunger and illness are more common in cities.

The National Demographic and Health Surveys (DHS) in Indonesia and the Philippines (Table 3) reveal that the infant mortality rate and the under-5 mortality rate of the poorest income quintile are significantly higher in urban than in rural areas. This disparity in mortality outcomes may reflect higher environmental health risks in cities. The DHS surveys also show surprisingly lower immunization coverage for measles and diphtheria, tetanus and polio in urban areas than in rural for the poorest income quintile in the Philippines²³. The findings indicate that an urban advantage in access to services does not always exist, especially for poor urban residents.

Table 3 Health Indicators by Urban-Rural Residence in Indonesia and the Philippines

Indonesia 1997										
indicators	Urban income quintiles					Rural income quintiles				
	Poorest	Second	Middle	Fourth	Richest	Poorest	Second	Middle	Fourth	Richest
Infant mortality rate	46.5	75.3	3.3	34.9	25.6	78.9	55.5	54.0	42.2	18.5
Under-5 mortality rate	102.3	112.8	456.5	44.7	31.3	109.1	72.8	73.5	56.0	24.6
The Philippines 1998										
Indicators	Urban income quintiles					Rural income quintiles				
	Poorest	Second	Middle	Fourth	Richest	Poorest	Second	Middle	Fourth	Richest
Infant mortality rate	49.7	40.1	37.6	24.8	17.7	48.7	38.7	28.4	25.1	35.5
Under-5 mortality rate	70.5	62.9	57.9	33.2	26.9	81.2	59.2	38.8	33.7	39.8

Source: World Bank. *Urban Poverty in East Asia*, 2001a. p.26.

²² UN-HABITAT. *Cities in a Globalizing World: Global Report on Human Settlements*. Nairobi, Kenya: UN Center for Human Settlements. 2001. p.108.

²³ World Bank. *Urban Poverty in East Asia*. 2001a.

In the Philippines, both infant and child mortality are somewhat worse for urban than for rural populations at the lower quintiles. Access to medically trained personnel is better in urban areas, but fees for health care in the Philippines create a significant strain on urban households. In Naga City, 68% of respondents suffer from all kinds of diseases and 57% suffer from cancer, asthma or cardiovascular disease. This is more common for poor urban residents²⁴.

Health outcomes, especially for young children, may also reflect difficulties in nutrition. A report on the Philippines in 1999 found that 20% of the extremely poor in

urban areas reported hunger in the last three months, and 11% said they felt hunger 'always'. In Vietnam as of 1994, over one million (9%) of the total urban population could not meet the basic requirement of 2,100 calories daily. About one-fourth of the children who were found to be malnourished lived in major cities such as Ho Chi Minh City and Hanoi²⁵.

For Vietnam, the urban population overall reports a lower incidence of sickness (38%) than did their rural counterparts (43%) (Table 4). However, the urban poor are sick more often than the rural poor are.

Table 4 Health Status in Vietnam, by Poverty Status, Rural/Urban

		Not poor	Poor	Total
Rural	Was not sick	56.9	57.7	57.3
	Was sick	43.1	42.3	42.7
Urban	Was not sick	63.1	54.2	62.3
	Was sick	36.9	45.8	37.7

Source: World Bank. *Urban Poverty in the East Asian Region*, Volume 2: Annex Tables. 2002. p.134.

Although urban residents earn more than rural residents, the former spend more on medical treatment than the latter does. Statistics reveal that urban residents, poor or non-poor, spend a greater proportion of their income on health care than the rural

population. The urban poor spend almost as much on health care as the non-poor do, even though the poor would be expected to rely more on free public services. This shows a lack of government commitment to the poor.

²⁴ *ibid.*

²⁵ *ibid.*

Table 5 Health Expenditure in Vietnam, by Poverty Status, Rural/Urban, (% of Total Household Expenditure)

	Not Poor	Poor	Total
Rural	0.7%	0.71%	0.7%
Urban	1.62%	1.43%	1.6%

Source: World Bank. *Urban Poverty in the East Asian Region*, Volume 2. 2002. p.132.

Sexually transmitted diseases, including HIV-AIDS, are increasing rapidly in urban areas. The higher prevalence of HIV-AIDS in large urban areas (e.g. Ho Chi Minh City) as compared with smaller urban and rural areas is apparent in many countries²⁶.

2.3.4 Water, Sanitation and Urban Poverty

In many Southeast Asian countries, cities cannot satisfy residents' needs for

public sanitation facilities. Underinvestment in water and sewage facilities causes drinking water insecurity for many urban residents, especially for those who live in slums. World Bank statistics show that there are huge differences in access to safe water and sanitation facilities among Southeast Asian countries (Figure 9). Laos, Vietnam, Myanmar and Cambodia, the four new ASEAN members, are much further behind, compared to more urbanized and industrialized countries.

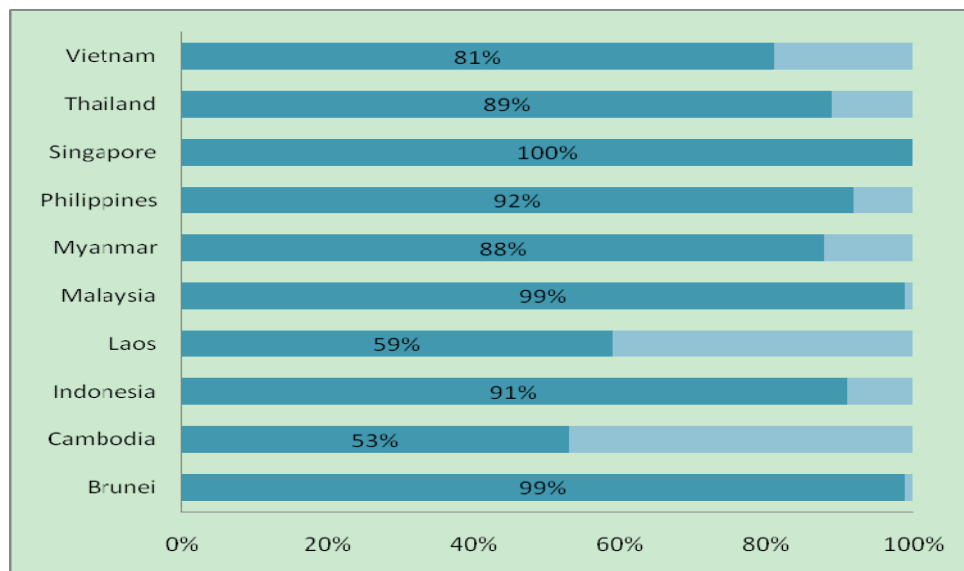


Figure 9 Population with Access to Improved Water (% of Urban Population)

Source: Compiled and processed from World Bank. *World Bank Human Development Indicators 2001*. 2001b.

²⁶ UN-HABITAT. *Cities in a Globalizing World: Global Report on Human Settlements*. Nairobi, Kenya: UN Center for Human Settlements. 2001.p.107.

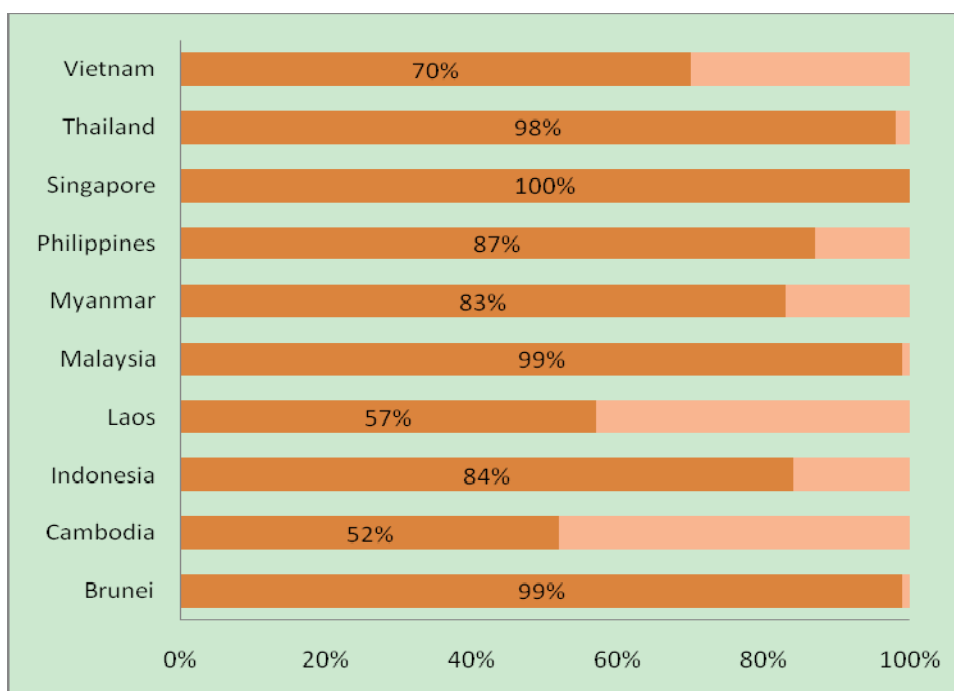


Figure 10 Population with Access to Improved Sanitation (% of Urban Population)

Source: Compiled and processed from World Bank. *World Bank Human Development Indicators 2001.2001b*.

Meanwhile, the ratio of urban households with access to tap water varies widely. In Phnom Penh, 86% of households have access to tap water, while the ratio is very low or even less than 50% in other locations in Cambodia. Less than one third of urban households in Indonesia use tap water²⁷. Moreover, water supply lags far behind the demands of rapidly rising urban populations. In recent years, the percentage of urban households with access to tap water has been falling. In Jakarta, the percentage of households with access to tap water fell from 35.6% in 1997 to 29.7% in 2007. In Palembang and Medan, the access rate to tap water fell from 81.2% and 68% to 16.8% and 48.6% respectively²⁸.

The same problem exists in many cities in the Philippines and Vietnam.

Sewage treatment in most Southeast Asian countries has not reached 100 percent, but has improved in the recent decade. The percentage of homes connected to sewer lines in Manila increased to 96.7% from 92.3% in 1998, and in Ho Chi Minh City increased from 92.7% to 96.6%²⁹. Despite the high sewage discharge rate city-wide, low-income groups and especially slum residents contribute little to that rate because of poor sanitation and inadequate government planning and investment.

²⁷ UN-HABITAT. *Global Urban Indicators-Selected Statistics*. November 2009.

²⁸ *ibid.*

²⁹ *ibid.*

2.3.5 Housing and Urban Poverty

Slums are generally a run-down populous area of a city characterized by substandard housing and impoverishment³⁰. Normally, the poverty rate of cities is lower than that of the rural areas. However, living conditions within the city are vastly different, which is an important dimension of urban polarization. When we divide statistics of urban and rural areas into the statistics of rural area, urban area, slum, and non-slum, we will find that lives of slum residents are not better off than their rural counterparts in terms of non-income factors such as education and health care.

In Southeast Asia, 31% of urban population lived in slums in 2010, the second highest ratio in history³¹. A high ratio means poor quality of life and high mortality of children in countries with many slum dwellers, such as Laos, Cambodia and Myanmar.

Figure 11 reveals that in the early 1990s, almost half of the urban population in Southeast Asian countries lived in slums. Before 2000, the ratio of slum dwellers in Southeast Asia was higher than the average ratio of developing countries. This lasted to the beginning of this century. Since 2000, the ratio of slum dwellers in Southeast Asia has been lower than the average ratio of developing countries. On the whole, the long-term ratio of slum dwellers in Southeast Asia is decreasing.

However, there is great diversity in the status of slums in each of the Southeast Asian countries. In Table 6, it shows that between 1990s and 2005, the number of slum dwellers in the Philippines and Vietnam decreased while in Myanmar, Laos and Cambodia the number increased. A higher ratio represents poor quality of life and more often than not, a high mortality of children.

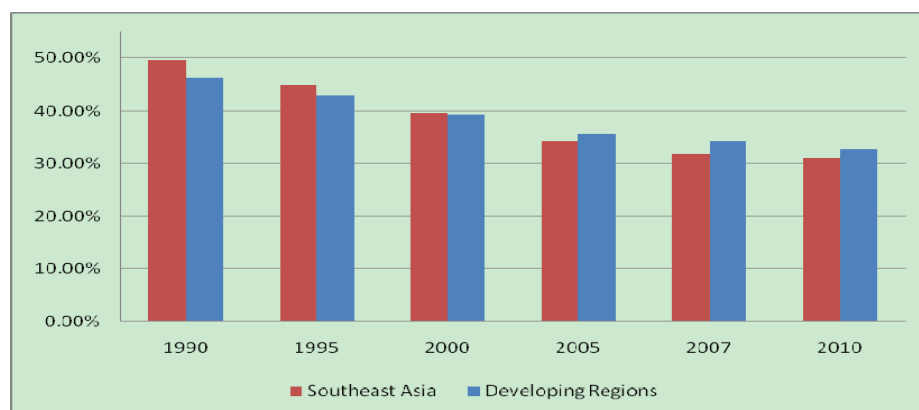


Figure 11 Proportion of Urban Population living in Slums

Source: Compiled and processed from UN-HABITAT. *World Urbanization Prospects: The 2007 Revision*. 2007a.

³⁰ See <http://www.unhabitat.org/stats/> for definitions.

³¹ UN-HABITAT. *State of the World's Cities 2010-11: Bridging the Urban Divide*. 2010.

Table 6 Population in Slums (% of Urban Population)

Country	1990	2001	2005
Cambodia	72	72	78.9
Indonesia	32	23	26.3
Laos	66	66	79.3
Myanmar	31	26	45.6
The Philippines	55	44	43.7
Vietnam	60	47	41.3

Source: UN-HABITAT. *Global Urban Indicators*. 2007b.

3. Policy and Practice to Reduce Urban Poverty in Southeast Asia

Urbanization should not merely aim to promote industrialization and economic growth. It should also mean the urbanization of the people, which implies to improve people's well-being. Urbanization should be people-focused. How to provide relatively equal opportunities and livable environments and how to provide the means for livelihood in the cities are issues of concern. The government should pay more attention to living conditions of vulnerable groups, respect their rights of survival and value democratic engagement in the decision-making process.

Through the analysis of urban poverty in Southeast Asian countries, it can be seen that urban poverty has many causes, including poor government planning and slow urban-rural integration, limited job opportunities, uneven distribution of wealth and opportunities, inadequate provision of basic public service, and a lack of social

participation. These causes imply that the role of government is crucial. In the following, some effective governmental policies and practices for urban poverty reduction in Southeast Asian countries will be discussed.

3.1 Urbanization and Urban-Rural Integration

Many of problems associated with urban poverty in Southeast Asia are rooted in over-concentration of population and economic activity in megacities. A healthy and sustainable process of urbanization is to balance the development of rural and urban areas. Some Southeast Asian countries have committed to developing lagging rural areas through the development of small towns. For instance, the government of Thailand initiated comprehensive rural development policies aimed at increasing the incomes of farmers and quality of life and promoting the development of small towns³². To ease

³² Xin, Yuyan. *Urbanization in Foreign Countries: Comparative Study and Inspirations from Their Experience*. [In Chinese]. Chinese Academy of Governance Press. Jan 2013.

population pressures on cities and transforming villages into small towns, the Thai government has established a multi-layered rural development management system, invested heavily in small town development, and developed small towns into comprehensive rural centers.

Two of Thailand's such measures are as follows: (a) *Programs for reducing rural poverty*. The government tries to improve and the rural poor's living standards through assistance of means of production, improvement of public facilities and promotion of technology. (b) *Non-farming jobs creation programs*. The government aims at increasing non-farming income of the farmers through government fiscal support and development of non-farming sectors. After years of efforts, the number of extremely poor villages has been significantly reduced. By narrowing the rural-urban divide through developing small towns, the pressure put on megacities by large scale rural-urban migration has been alleviated.

In order to decentralize the urban population in Thailand, the Thai government also gives tax incentives to regions outside Bangkok. By doing so, the government hoped to stimulate the development of new industry centers in Bangkok's neighboring provinces. However, in practice, the measure was ineffectively implemented because the government failed to improve the infrastructure and supporting facilities as prerequisites of any production activities. For

businesses, investing in Bangkok, the capital city with well-established infrastructure and abundant human resources, is much better an option than investing in low-tax regions. The failure of the policy measure proves how big the challenge facing Southeast Asian countries is in their endeavor to solve urban over-concentration.

3.2 Employment Opportunities in Cities

Urban unemployment is a serious social issue. It worsens urban poverty and triggers social instability. Unemployment of the urban poor has two distinctive features. First, the urban poor are mostly unskilled surplus labor force. Second, they generally work in informal sectors like the tertiary sector³³. Engaged in informal sector activities, they tend to have low pay, unsteady jobs, and few protections against job insecurity. These two features make the employment issue more difficult to solve.

Many Southeast Asian countries facilitate employment in the urban areas by enhancing professional and skills training. Thailand spent \$130 million on providing skills training to the jobless in 1998³⁴. In its first year, this policy measure helped about 140,000 people gain employment in food processing sectors. In 1994, the government of the Philippines set up the *Technical Education and Skills Development Authority*

³³ Laker, Judy. 'Urban Poverty: A Global View'. *World Bank Urban Papers*, No.UP-5. Washington, D.C. 2008. p.5.

³⁴ Meng, Lingguo and Xu, Linqing. 'On How Southeast Asian Countries Solve Their Unemployment Problems and on How China Can Benefit from Their Methods'. *Around Southeast Asia*. [In Chinese]. No.1. 2004. P.24-29.

which has many branches in other cities besides Manila offering free training services³⁵.

In addition, many governments in Southeast Asian countries provide the jobless with career information and consulting. The government of the Philippines established its Bureau of Local Employment to provide employment services. The Bureau is an official intermediary institution. Job seekers and employers can register with the Bureau and reach an employment agreement based on mutual intention. The government of Thailand set up a 24/7 career guidance center and spent vast amounts in building an employment information database to provide free career information and consulting to people looking for work³⁶.

One unique measure to promote urban employment adopted by many Southeast Asian countries such as Indonesia and the Philippines is exporting the labor force overseas. For instance, the Philippines expanded its labor market in Central Asia, South Asia and Africa and exported a total of 750,000 well-trained people overseas in 1997, alleviating the pressure of urban surplus labor force and employment and thus profiting substantially from foreign exchange earnings. In 2001, \$460 million was repatriated to Indonesia by people working

overseas³⁷.

Furthermore, Southeast Asian countries have tried some other measures to help the urban unemployed find work. For instance, the Indonesian government encourages the urban unemployed originally from rural areas and those who have relatives and friends in rural areas to engage in farm work and provide those people who have returned with living subsidies and production loans³⁸. To some extent, this measure reduces the pressure put by the unemployed on urban development.

3.3 Slum Upgrading

The role of government in urbanization is limited. One approach adopted by Southeast Asian countries to transform the slums is government guidance plus participation of the private sector, community, NGOs and residents. The major strategies of slum rebuilding are slum elimination, incorporation into the overall urban development plan and slum upgrading. Compared to slum elimination, slum upgrading is more cost-effective, so it is the preferred solution for many Southeast Asian countries.

The private sector plays an irreplaceable role in infrastructure-building such as housing and slum transformation. The non-government nature and sensitivity to risks and costs make the private sector an

³⁵ Li, Bihua. 'Unemployment in Southeast Asia and Solutions'. *Around Southeast Asia*. [In Chinese]. No.2. 1998. P.28-31.

³⁶ Meng, Lingguo and Xu, Linqing. 'On How Southeast Asian Countries Solve Their Unemployment Problems and on How China Can Benefit from Their Methods'. *Around Southeast Asia*. [In Chinese]. No.1. 2004. P.24-29.

³⁷ *ibid.*

³⁸ Wu, Chongbo. 'Status Quo, Solutions and Prospects of Employment in Southeast Asia'. *Southeast Asian Affairs*. [In Chinese]. No.1. 2000. p.8-12.

ideal participant in developing affordable project plans. Some local governments in Southeast Asia are signing turn-key contracts with private sector firms to design plans of renovation, transformation and construction of urban housing (or slums) so as to increase efficiency and control costs. One way is to include slums and informal places of residence to local government transformation projects with market feasibility and design commercially workable projects.

Strategic Private Sector Partnerships for Urban Poverty Reduction in Metro Manila (STEP-UP) is an exemplar of public-private cooperation. *National Urban Development and Housing Framework (2009-2016) (NUDHF)* points out that urban housing, especially slums, are hindering

urban development in the Philippines. Slums and informal housing are particular problems of urban housing. The government found that it could not satisfy the growing housing demand on its own so it adopted an innovative strategy: engaging the private sector. Government spending on housing is less than 1% of the total budget, which is the lowest in Asia³⁹. Slum transformation programs are characterized by public-private participation. Besides government, over 200 businesses and 34 Homeowners Associations are involved. Businesses have four major responsibilities: participation in slum transformation, educational assistance, skills training and first aid training. Some of the major activities featuring business engagement are shown clearly in the column below.

Special Column Major Activities Featuring Business Engagement in STEP-UP

- Slum Transformation: AAI employees contribute 24 hours annually to house furnishing and community landscaping. GST employees take part in house construction.
- Educational Assistance: Citibank and Deutsche Bank AG made substantial donations of public school buildings. Credit Suisse provided scholarships for 20 elementary students. Some other companies offered tutorials for the children.
- Skills Training: HOLCIM, a local cement manufacturing company, upgraded painting skills of community members.
- First Aid Training: Nestle conducted free Fire Prevention & First Aid Training sessions.

Source: Steinberg, Florian. 'Philippines: Strategic Private Sector Partnerships for Urban Poverty Reduction in Metro Manila', in Steinberg, Florian and Lindfield, Michael.(eds.). *Inclusive Cities*. ADB.2011, p.71.

³⁹ Mathur, Om. *Urban Poverty in Asia*. ADB. June 2013. p.68.

This program has upgraded 23 poor communities, improved housing conditions for 1,350 poor families and provided training sessions to 741 individuals in Manila⁴⁰.

The Indonesian government has also developed many social assistance programs for the urban poor, the most important one being its National Program for Community Empowerment. It is a program that relies on the community as its driving force⁴¹. An important method for change is to empower and mobilize the community to engage in government-led transformation and improvement actions. The Program includes three parts: community empowerment, community capacity-building, provision of policies and technical support by the government. Placed at the community level, volunteer groups can help community members to design, manage and execute targeted development plans. The Program is one of the major strategies for urban poverty reduction in Indonesia. A World Bank report (2012) states that this program is a very effective approach for community participation in infrastructure building⁴².

⁴⁰ ADB. *Inclusive Cities* (Brochure). Manila. 2011.

⁴¹ World Bank. 'Indonesia: A Nationwide Community Program (PNPM) Peduli: Caring for the Invisible'. Available at <http://www.worldbank.org/en/results/2013/04/04/indonesia-a-nationwide-community-program-pnpm-peduli-caring-for-the-invisible>.

⁴² World Bank. *Indonesia: Evaluation of the Urban CDD program – Program Nasional Pemberdayaan Masyarakat (PNPM-Urban)*. Policy Note. 2012.

4. Lessons to be Learned from Southeast Asian Countries

4.1 Coordinating Urbanization and Urban-Rural Integration

Since the 1970s, China's urbanization level has been rapidly rising with ratio of urban population increasing to 51.3% in 2011 from 18% in 1978⁴³. Despite the fact that China is experiencing a period of rapid urbanization, due to historical, political and economic reasons, rural areas and urban areas are separate in terms of household registration (*hukou*), social security, health care and education systems.

From Southeast Asia's experience, emphasizing urban expansion over rural development is shortsighted. Instead, the government should improve the economic and living conditions of the rural areas and increase living standards and incomes of farmers so as to realize balanced urban-rural development. In the process of urbanization, the government should also modernize agriculture, increase agricultural productivity, facilitate infrastructure building in the rural areas and realize integrated development of urban and rural areas.

The government should also pay attention to the migrant population and rural workers and respect their rights and interests so that they will not become disadvantaged and vulnerable groups in the city. That requires policy considerations on rural

⁴³ This is urbanization rate of mainland China. See Niu, Wenyan. (ed.) *China's New-Urbanization Report 2012*. [In Chinese]. Science Press. Oct 2012.

migrant workers in urban planning, household registration, public service access (especially housing, employment, children's education and health care) and economic and livelihood security so that they can integrate into cities and enjoy the same public services as their urban counterparts.

4.2 Pursuing a Diversified Pattern of Urbanization

One of the lessons learned is to avoid urban population explosion and over-concentration of population in megacities. Over-concentration of the migrant population will give rise to over-concentration of slum dwellers, an issue of concern for many Southeast Asian countries in the process of urbanization. The Chinese government should, therefore, step up the development of small towns. It is meaningless to pursue a higher urbanization rate and it is neither realistic nor scientific for every city to become a megacity.

China should pursue a diversified pattern of urbanization. On the one hand, the government should endeavor to build core metropolises with international competitiveness and pillar industries and develop metropolis-based urban agglomerations. There are three urban agglomerations in China, namely the Pearl River Delta, Yangtze River Delta and Bohai Rim⁴⁴. On the other hand, the government

should actively develop small towns, because small towns act as an important bond between cities and villages due to their geographic proximity. However, the development of small towns is a weak link in China's urbanization process. A wise way to develop small towns is to build local specialty industries in line with local characteristics. This two-pronged approach can maintain diversity of urban development in the process of urbanization.

4.3 Creating New Employment Opportunities

Southeast Asian policies for promoting employment are very relevant to China. The government should provide skills training to the unemployed and rural migrant workers. In particular, the government should provide the migrant population, especially rural migrant workers, with targeted job information, develop IT systems and service capacity of employment service agencies and analyze local employment status and economic growth.

Exporting labor and gaining foreign exchange are practices worth learning from as they can ease the burden of unemployment and play a supplementary role in spurring economic growth. The government can identify appropriate countries for labor export and establish partnerships with the labor-importing countries and with domestic multinationals in

⁴⁴ Yi, Peng. 'City Clusters Necessitate Final Confirmation of the Market'. *Dahe Daily*. [In Chinese]. Republished QSTheory website. 6 June 2013. Available at

http://www.qstheory.cn/zt/bkix/201306/t20130606_237868.htm.

order to ensure the safety and security of Chinese workers overseas.

4.4 Involving Different Stakeholders into the Development of the Urbanization Process

STEP-UP shows that government efforts alone are far from enough. Stakeholders

such as businesses, communities and NGOs should also be engaged in urbanization. China's society is inadequately involved in urbanization. The core of integrating government planning and social involvement is that urbanization can faithfully reflect people's needs, interests and issues of concern.

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