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Introduction

The ASEAN Studies Centre (ASC) at the Institute of Southeast Asian Studies (ISEAS) partnered with the Centre for Liveable Cities (CLC) to convene a series of three regional workshops to bring together experts, academics and policymakers from Southeast Asian countries to discuss urbanisation issues, trends and prospects faced by countries in the region. The workshops were held in December 2009, March 2010 and July 2010.

The workshop series had the objective to gain a better understanding of urbanisation trends and challenges in the region. The workshop discussions helped to identify urbanisation issues that ASEAN member states have in common and that can be addressed at national and regional levels.

Recommendations emanating from the workshop discussions will be distilled into a publication for circulation at relevant ASEAN ministerial and senior officials meetings, and the ASEAN Summit.

The aim of putting together this report is to place the urbanisation discourse higher on the regional agenda. The report thus highlights (a) urbanisation issues that have implications for ASEAN cooperation, and (b) practical recommendations for policymakers. Recognising the diversity among countries of the region, the report focuses on shared concerns for collective action.

Urbanisation is a process that comes in tandem with development and therefore has economic, social, environmental and political implications. Countries in the region are in different stages of urbanisation and development and this provides opportunities for member states to learn from each other by sharing information and exchanging good practices.

ASEAN member states are also moving closer towards regional and economic integration by improving connectivity between existing and potential centres of economic activity. This will have immense repercussions for urbanisation and urban development in the cities and towns of member states.

Faced with continuing urbanisation and growing populations, all member states of ASEAN need to build, individually and collectively, the capacity of cities and towns to promote economic growth and development, to make urban development more sustainable and mitigate and adapt to climate change, and to ensure that all groups in society share in the development.

Challenges necessitate action. One challenge for ASEAN is to harness the energy of urbanisation for growth, development and social progress. This also resonates with priorities identified in the ASEAN Master Plan for Regional Connectivity which will be submitted to the 17th ASEAN Summit in October 2010.

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Introduction

1. Cities and towns are places with a large, dense and diverse population. This leads to divisions of labour, technological innovations and economic growth. It makes the provision of services such as education and health care more efficient, resulting in a more productive and therefore more prosperous population.

2. Because of the size and diversity of the urban population and the division of labour, urban areas offer personal freedom, anonymity and opportunities for socio- economic mobility. Anonymity can lead to alienation and crime. Large population concentrations can result in problems such as congestion, pollution and disturbance.

3. At some point, the concentration of people and economic activities place disproportional pressure on the natural environment through the over-exploitation of natural resources and the production of waste. This will result in the degradation of the environment at local, national and global level.

4. Urban areas need to be managed well, with positive developments promoted and negative ones mitigated. This is not impossible, because cities are centres of technological innovation and socio-economic activities are subject to formal control mechanisms rather than conventions and traditions.

5. However, never in history have so many people lived in urban areas and have cities been so large. Moreover, in the highly globalised economy market forces dominate and urban development is influenced by a host of decisions and events from around the world, making urban management difficult.

Urbanisation trends in Southeast Asia

6. Southeast Asia is steadily urbanising. Today, an estimated 41.8 per cent of the region's total population or almost 245 million people live in urban areas. In 1950, this was only 15.4 per cent. The urban population of the region will have increased to 49.7 per cent of the total population by 2025.

7. Urbanisation levels vary widely. The economically most advanced countries (Brunei, Malaysia and Singapore) have levels of urbanisation above

65 per cent. The economically least developed countries (Cambodia, the Lao PDR, Myanmar, Timor-Leste and Viet Nam) have levels of urbanisation below 34 per cent.

8. The urban population of the region will grow by 2.2 per cent per year during 2010-2015. The growth rate of the least urbanised countries is much higher: 5.0 per cent in Timor-Leste, 4.8 per cent in the Lao PDR; 3.2 per cent in Cambodia. Almost all countries will have a majority of their population living in urban areas by 2050.

9. Much attention is given to urban agglomerations which often cover several cities and towns. The mega-urban regions of Manila and Jakarta have a population of over 21 million each, while Bangkok has more than 10 million inhabitants and Ho Chi Minh City 5 million inhabitants.

10. A majority of the urban population of Southeast Asia (67 per cent or almost 165 million people) lives in small cities and towns with less than 500,000 inhabitants. These small cities and towns often struggle to improve the local economy and develop infrastructure, because they lack urban management capacity.

Cities as engines of development

11. The growth of the urban population occurred in tandem with the growth of the region's economy. Port cities, connected to global markets, became major economic centres Singapore (\$215 billion), Manila (\$149 billion), Bangkok (\$119 billion), Jakarta (\$92 billion), Ho Chi Minh City (\$58 billion), Hanoi (\$42 billion).

12. Despite rapid economic growth, the region cannot be complacent. Some cities and towns need to develop their economy and others need to renovate it. They need to compete globally to attract foreign direct investments. In the past, they could compete on low labour costs and good connectivity.

13. There is a shift in the global economy from manufacturing to services. To compete, urban areas need to develop higher-added value sectors, particularly knowledge-based services. They require a highly skilled labour force, good infrastructure and services and an attractive living environment.

14. Southeast Asian cities and towns are global tourist destinations, with medical and event tourism are growing sub-sectors in some countries. The growth in travel and tourism has led to competition between airports as regional transport hubs and the rise of low-budget airlines.

15. Many cities experience a slow growth in formal employment relative to the economic growth, because new economic activities are not labourintensive. Employment is growing mainly in the informal sector which has some of the worst aspects of exploitation and inhuman working conditions.

16. Informal employment as percentage of non-agricultural employment may be as high as 70 per cent in Indonesia, the Philippines and Thailand. The informal economy will remain large because of the decline in agricultural employment, and account for 60 per cent of total employment in 2015.

Inclusive urban development

17. The urbanisation of poverty is not a major problem in South-east Asia. In 1993-2002, 28 million people in rural areas and 5 million in urban areas escaped poverty. Rural poverty declined by 36.4 per cent, urban poverty by 30.8 per cent. The urban share of poverty grew from 19.0 per cent to 20.3 per cent.

18. Rapid economic growth has lead to more income inequality, but it is difficult to estimate with available data. Estimates of the Gini coefficient are: urban Asia: 0.39; Jakarta: 0.32 (2002); Phnom Penh: 0.36 (2004); Hanoi: 0.39 (2002); Manila: 0.41 (2003); Bangkok: 0.48 (2006); and Ho Chi Minh City: 0.53 (2002).

19. Some 72.5 million people in Southeast Asia live in informal settlements, mainly in Indonesia (28 million) and in the Philippines (23 million). Residents of slums often lack security of land tenure and access to basic infrastructure such as adequate water supply and sanitation.

20. Governments in Southeast Asia have addressed housing problems with various degrees of success. Singapore was most successful, providing public-sector housing and transport to employment centres. Some governments

(Thailand, Indonesia, Philippines) have launched programmes to improve slums and squatter settlements.

21. In order to look like modern cities elsewhere in the world, many cities in Southeast Asia are demolishing old buildings and neighbourhoods and replacing them by glass-and-steel high-rise. Similarly, urban populations are shedding local values. The result is a loss of cultural heritage and diversity.

22. Inclusive urban development concerns not only the currently marginalised, but also future generations. Many cities are trying to meet present needs without taking into account future needs, thereby compromising the ability of future generations to meet their needs.

Cities and the environment

23. Many cities in Southeast Asia place economic growth at the top of the agenda, postponing environmental clean-up until the economy has developed. Environmental problems are related to poverty (lack of water supply and sanitation), to mass production (e.g. GHG emissions) and to mass consumption (e.g. solid waste).

24. Many cities and towns in Southeast Asia experience heavy traffic congestion, due to the rapid growth of car ownership. Traffic congestion leads to serious losses for the economy, air pollution and a waste of fossil fuels. Many local governments have a hard time convincing the public to abandon the use of private cars

25. Architecture and landscaping in Southeast Asia tend to aim at giving cities and towns a modern outlook, with little concern for the urban environment. Such urban development aggravates heat island effects. Although urban land is scarce and valuable, green spaces and wetlands must have a high priority to make cities livable.

26. Southeast Asia contributed 12 per cent of the GHG emissions in 2000, and climate change will be the most serious challenges for the region in the 21st century. It is one of the most vulnerable parts of the world, with a long coastline and high concentrations of population and economic activities in coastal areas.

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27. In Southeast Asia, the urban low-elevation coastal zones represent 29.4 per cent of the total urban land area. The urban population in the zones is 12.3 per cent of the total population, 36.0 per cent of the urban population. Port cities in Southeast Asia are particularly vulnerable due to their location in low-lying delta areas.

28. A possible indirect impact of global warming in Southeast Asia are refugees, fleeing their rural homes due to persistent droughts, floods or erosion and seeking refuge in urban areas. Gaps in current knowledge on climate change, migration and the relationships among these make it impossible to assess their numbers now.

29. Efforts to mitigate the impact of urban areas on climate change will be too late to prevent climate change. Adaptation to the impact of climate change will be critical. Coastal cities will need the hard and soft infrastructure to cope with sea level rise and more violent weather patterns, but most of all a change in attitude and culture.

Urban and regional connectivity

30. A majority of the population of the region still lives in rural areas. Addressing the challenges of urbanisation must not be done at the expense of the rural population or of agriculture. Separating urban and rural development is unproductive. Rural and urban areas can only develop in an integrated way.

31. Well-functioning towns are critical for the marketing of agricultural produce, the extension of services to the rural areas and employment of the rural population. Rural household derive up to 70 per cent of their income from non-farm and often urban-based activities, as household members move between urban and rural areas.

32. Within urban areas, local governments increasingly understand that its policies should aim at moving people and goods rather than opening more space for (fossil-fuel driven) private vehicles. Cities are introducing mass transit systems to move people, but retrofitting cities with subways or overhead light trains is costly.

33. As production processes are divided between different cities and towns in one or more country, infrastructure linking cities and towns in industrial clusters becomes an important asset to attract investments and ensure efficient production. The links turn cities into mega-urban regions and vast urban corridors.

34. Where clusters cross borders, they contribute to regional economic integration. Cross-border connectivity generates opportunities for the economic development of border towns and growth triangles. The management of mega-urban regions, urban corridors and cross-border urban development requires new forms of governance.

35. Cross-border trade and transport are often hindered by diversity in regulatory frameworks and a lack of connecting infrastructure. To promote regional integration, cross-border trade and transportation facilitation, the removal of barriers and the integration of infrastructure planning and financing are urgently needed.

Governance and decentralisation

36. In recent years, several governments in the region have adopted policies aimed at devolving responsibilities to local governments. Decentralisation can give cities and towns the power to exploit its local potential. It is also expected to enhance local transparency and accountability.

37. National and local governments have also initiated privatisation policies and engaged in public-private partnerships in the delivery of public services. The policies should reduce the need for the public sector to raise capital and increase efficiency. In other words, they are expected to combine the best of both worlds.

38. Experiences from Southeast Asia show that decentralisation is easier to talk about than to implement it. It is uncharted territory for governments. Lack of local capacity is a major problem, but inconsistencies and discrepancies in the legal and institutional frameworks often pose more problems.

39. In the decentralised system, local governments are assigned new tasks, but they often lack the authority to mobilise the human and financial resources

necessary to undertake those tasks. They remain dependent on tax sharing arrangements with and transfers from the national government.

40. Decentralisation should improve transparency and accountability, but often fails to do so. Its benefits are captured by the local elite, the rich and powerful, while the poor and other disadvantaged groups are not better off. Non-compliance with rules and regulations is a major problem in many urban areas.

41. When public services are privatised, policy formulation and planning are no longer the domains of government, but the result of complex processes of coalition formation between public and private sector. Urban planning is fragmented into individual projects, negotiated between private developers and local government.

42. Many local governments lack the capacity to negotiate contracts with private companies that advances the public interest. The private sector wants a say in the design of projects to ensure that it can earn a profit. This leads to criticism that public-private partnership is "the private management of public policy".

43. To achieve the best possible deal, local governments need personnel with contract management experience, policy expertise, negotiation, bargaining and mediation skills, oversight and programme audit capabilities and communication and political skills to deal with third parties in a complex political environment.

Conclusions

44. Rapid population increase and economic growth place an immense stress on urban infrastructure and services. The development of adequate urban infrastructure to deal with the population increases, economic growth and environmental protection, will cost billions of dollars.

45. Local government must partner with the private sector to generate economic growth, with rural areas to reduce poverty and develop agriculture, with the urban poor to improve their productivity and living conditions, with the

private sector and civil society to protect the environment, and mitigate and adapt to climate change.

46. This requires policies and legal and institutional frameworks for decentralisation that empower local governments to mobilise the human and financial resources and to apply principles of good urban governance in making urban areas more sustainable and inclusive.

47. Urban management in times of globalisation, decentralisation and privatisation requires skills that many local governments, in particular in small cities and towns do not have. Capacity development of elected and appointed officials in local government is critical for local governments to fulfill their responsibilities.

48. Local governments also need to have better insights and understanding of the dynamics of urban development and have portfolios of good practices that can turn cities and towns in sustainable urban areas. This requires the collection and analysis of data on urban conditions and the identification of good practices.

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Recommendations

Southeast Asia is urbanising and the challenges emanating from the urbanisation are numerous and complex. The ASEAN Studies Centre (ASC) and the Centre for Livable Cities (CLC) jointly organised three workshops in December 2009 and March and July 2010 in Singapore to discuss these challenges on the basis of a regional overview paper and a number of other topical papers. Based on the overview paper, the thematic papers and discussions by participants in the workshops, the following recommendations have been formulated for ASEAN's consideration. Follow-up can be through the existing networks created by the CLC-ASC regional workshop series or through other relevant ASEAN fora.

Networking

- ASEAN currently does not have a formal network of researchers on urbanisation in Southeast Asia. With the CLC-ASC regional workshops as the starting point, ASEAN can develop a network of urban researchers and practitioners in the ASEAN member states, leading towards the establishment of a network of experts on urbanisation in Southeast Asia.
- Most countries of ASEAN have an association or league of municipalities in one form or another. These associations/leagues can be formed into a regional federation of associations/leagues of municipalities to facilitate cooperation, the exchange of information and experiences and their capacity development.
- 3. Networking can be further enhanced through regular annual roundtables which bring together urban researchers, policymakers and the private sector, with the aim of developing recommendations for more responsive policies to address the challenges of urbanisation in Southeast Asia, for consideration by ASEAN decision-makers.

Developing more responsive policies

4. Urban-specific data are required to formulate effective policies on critical urban issues, especially data on the impact on urbanisation and

urban settlements of increased connectivity and economic integration in the region. Building on the CLC-ASC regional workshop series, ASEAN can further develop a series of workshops for policy-makers, statistical offices and researchers from member states to discuss the collection and use of urban-specific data.

5. Economic globalisation, decentralisation, privatisation, and climate change mitigation and adaptation are largely uncharted territory for cities and towns in Southeast Asia. It is timely for ASEAN to commission a series of studies of good practices in urban development under these conditions.

Increasing capacity

- 6. Many local governments lack the capacity to make use of the opportunities offered by decentralisation, privatisation and economic globalisation; and in dealing with climate change. This hampers the development of cities and towns. In conjunction with the commissioned studies on good practices in urban development, ASEAN can organise seminars at national and regional level for local governments to review good practices on urban development.
- 7. In order to develop the capacity of local governments on a sustainable basis, ASEAN should identify research and training institutes in member states that can provide training on urban issues for local governments through existing or new training programmes, and encourage member states to facilitate participation by local government staff.

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OVERVIEW PAPER

BY DR YAP KIOE SHENG

Editor CLC-ASC Publication "Urbanisation in Southeast Asian Countries"* * Working Title

This document is a preliminary draft presented at the World Cities Summit Expert Panel Session and 3rd CLC-ASC Regional Workshop on Urbanisation in Southeast Asian Countries.

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Demographically, 2000 was a global milestone, as the world became predominantly urban (UNPD, 2010). The United Nations Population Fund wrote in its State of the World Population 2007 report (UNFPA, 2007: 1):

"For the first time in history, more than half its human population, 3.3 billion people, will be living in urban areas. By 2030, this is expected to swell to almost 5 billion. Many of these new urbanites will be poor. Their future, the future of cities in developing countries, the future of humanity itself, all depend very much on decisions made now in preparation for this growth."

Southeast Asia is somewhat behind the world as a whole in terms of urbanisation, as more than 41.8 per cent of the region's population now (2010) lives in urban areas. At this time, it is of critical importance that the governments of Southeast Asia take a hard look at the challenges that urbanisation brings to the region, in particular because urbanisation in Southeast Asia is closely connected with two other major trends that affect the region: economic globalisation and climate change.

The nature and the impact of urbanisation and the challenges it brings are, however, not always well understood. Therefore, participants at regional workshops on "Urbanisation in Southeast Asia" held in Singapore in December 2009 and March 2010 concluded that it was necessary:

"to develop a better understanding among decision-makers of how best to manage urbanisation in order to promote economic growth, improve people's well-being, preserve the cultural heritage and develop a socially and environmentally conscious society so that urbanisation becomes an engine for sustainable development."

Over the past few years, both the European Union and the Organisation for Economic Cooperation and Development (OECD) have dedicated ministerial meetings to the issue of urban policy. The OECD General Secretary (OECD, 2007a) stated that the OECD recognises the need for more attention for urban areas, as cities are engines of economic growth and drivers of entrepreneurship and innovation, places with poverty and criminality and generators of almost 70 per cent of total gas emission.

This overview paper on urbanisation in Southeast Asia aims at contributing to the better understanding of urbanisation by decision-makers in Southeast Asia.

2. Urbanisation

Urbanisation trends

Southeast Asia is steadily urbanising. Today (2010), 41.8 per cent of the population or 246.7 million people in the region live in urban areas. This was only 15.5 per cent in 1950. The United Nations expects that the urban population of the region will have increased to 49.7 per cent by 2025.

Country	1950	1975	2000	2025	2050
Brunei	26.8	62.0	71.1	80.9	87.2
Cambodia	10.2	4.4	16.9	26.3	43.8
Indonesia	12.4	19.3	42.0	50.7	65.9
Lao PDR	7.2	11.1	22.0	49.0	68.0
Malaysia	20.4	37.7	62.0	80.5	87.9
Myanmar	16.2	23.9	27.8	44.4	62.9
Philippines	27.1	35.6	48.0	55.4	69.4
Singapore	99.4	100.0	100.0	100.0	100.0
Thailand	16.5	23.8	31.1	42.2	60.0
Viet Nam	9.9	14.6	24.3	36.4	54.9
Timor Leste	11.6	18.8	24.5	40.5	59.0
Southeast Asia	15.5	23.3	38.2	49.7	65.4

Levels of urbanisation vary widely between countries, with a clear link between urbanisation and economic development. The countries can be divided into three categories. The first category consists of countries with a high level of urbanisation (over 65 per cent) and a high level of economic development in terms of GDP per capita: Singapore, Brunei and Malaysia. The second category consists of economically less advanced countries with a low level of urbanisation (less than 34 per cent): Cambodia, Timor-Leste, Viet Nam, the Lao PDR, and Myanmar. Thailand, Indonesia and the Philippines form a category in between.

The region has an average annual urban growth rate of 2.22 per cent, but the annual urban growth rate of the least urbanised countries is much higher: 5.0 per cent for Timor-Leste, 4.9 per cent for the Lao PDR and 3.2 per cent for Cambodia. The United Nations estimates that as a result, a majority of the population in all countries of Southeast Asia will live in urban areas by 2025

Table 2. Urbanisation, urban growth rate and GNI per capita							
	F	Population in 201	0	Urban annual	GDP per capita		
Country	Urban ('000)	Total ('000)	% urban	growth rate (2010-2015)	(\$, 2009)*		
Singapore	4,837	4,837	100.0	0.9	52,840		
Brunei	308	407	75.7	2.2	48,714		
Malaysia	20,146	27,914	72.2	2.4	14,275		
Thailand	23,142	68,139	34.0	1.8	8,479		
Indonesia	102,960	232,517	44.3	1.7	4,380		
Philippines	45,781	93,617	48.9	2.3	3,604		
Viet Nam	27,046	89,029	30.4	3.0	3,104		
Timor-Leste	329	1,171	28.1	5.0	2,677		
Laos	2,136	6,436	33.2	4.9	2,401		
Cambodia	3,027	15,053	20.1	3.2	2,084		
Myanmar	16,990	50,496	33.6	3.0	1,244		
SEA	246,701	589,615	41.8	2.2			
* based on purcha	asing power parity	(PPP); current in	ternational \$	•	•		
Source: UNPD, 20	010; IMF, 2010.						

Official urbanisation statistics do not fully reflect the urban reality. The numbers used above are provided by the United Nations on the basis of statistics supplied and endorsed by the government of the countries concerned. The statistics present the population living within the boundaries of municipality or another type of area defined as urban. The data are useful for some purposes, but they have serious limitations for policy formulation dealing with the process of urbanisation (Cohen, 2003). Only an in-depth understanding of urbanisation in all its aspects can result in the formulation of effective policies.

Understanding urbanisation

The role of urbanisation in development needs to be better understood. Urbanisation can be defined as a shift in the ratio of people living in urban and in rural areas. What are urban and what are rural areas? Surprisingly, there is no definition of rural; it is simply all that is not urban. Equally surprising is that there is no agreed definition of urban. Each country has its own definition of "urban".

Country	Components of definition
Brunei	Municipalities and areas having urban socio-economic characteristics
Cambodia	Municipalities and other urban centres
Indonesia	Municipalities, regency capitals and other places with urban characteristics
Lao PDR	The five largest towns
Malaysia	Gazetted areas with their adjoining built-up areas and with a combined population of 10,000 persons or more
Myanmar	n/a
Philippines	All cities and municipalities with a density of at least 1,000 persons per km2; administrative centres, barrios of at least 2,000 inhabitants and those barrios with at least 1,000 inhabitants which are contiguous to the administrative centre, in all cities and municipalities with a density of at least 500 persons per km2; and all other administrative centres with at least 2,500 inhabitants.
Singapore	City of Singapore
Thailand	Municipalities
Timor Leste	-
Viet Nam	Places with 4,000 inhabitants or more

The fastest population growth often occurs not within urban boundaries, but just outside them. The boundaries of many metropolitan areas have often been drawn to include surrounding rural areas that can accommodate future urban growth. Once the areas are urbanised, additional growth takes place beyond the boundaries, but their growth is counted either as rural population growth or as urban population growth in a different municipality (Jones and Douglass, 2008: 5).

The definition of urban used in Thailand and the Philippines may explain the anomaly in their levels of urbanisation relative to economic development. Much of the migration in Thailand in the 1980s was to areas surrounding Bangkok; these were often still classified as rural in the 1990 census. Based on municipal areas alone, the annual rate of urban growth between 1980 and 1990 was 2.53 per cent, against 5.55 per cent in the previous decade. If rural areas surrounding the municipality were included, the annual urban growth rate was 2.82 per cent for 1980-1985, and 3.23 per cent for 1985-1988 (Pejaranonda et al. 1995: 183).

The classification of an area as "urban" may have political reasons. In Thailand, municipalities have special administrative status, and not all towns are so defined. Non-municipal towns can be quite large, but are not "urban" according to the Thai definition. There may also be political reasons why they remain rural, as they are under tighter control of the provincial governor than are municipalities, which have

popularly elected governments. In the Philippines, on the other hand, small villages with populations of only 1,000 are considered urban (Jones, 2002:5).

If fringe areas are included, some cities have a much larger population. Jones (2008: 42) calculated the population size of Bangkok, Ho Chi Minh City, Jakarta and Manila using the 1990 and 2000 census. He distinguished three zones: (a) an urban core with a population density exceeding 5,000 persons per km²; (b) an inner zone with a density exceeding 1,000 persons per km² and employment in agriculture of less than 10 per cent; (c) an outer core: the remainder of the administratively defined region surrounding the core and the inner zone, excluding areas with more than 40 per cent employment in agriculture. The actual population of Bangkok, Jakarta and Manila proved to be more or less double the official one.

Mega-Urban	Pop	oulation ('000	0)	Mega-Urban	Рор	ulation ('00	00)
Region	on MUR City Regio	Region	MU	IR	City		
	1990	2000	2000		1990	2000	2000
Jakarta			8,390	Manila			9,958
Core	8,223	8,347		Core	7,907	9,880	
Inner Zone	5,434	9,435		Inner Zone	4,183	6,365	
Outer Zone	3,442	3,407		Outer Zone	3,819	5,368	
Total	17,098	21,190		Total	15,909	21,613	
Bangkok			6,332	HCM City			4,336
Core	5,445	5,876		Core	2,320	3,203	
Inner Zone	1,596	2,380		Inner Zone	904	1,078	
Outer Zone	1,593	2,163		Outer Zone	700	756	
Total	8,634	10,419		Total	3,924	5,037	
MUR: Mega-urb	an region; Ci	ty: populatior	n within adı	ministrative boun	dary.		

Census data are just a snapshot of the population in a particular locality and at a particular moment. There may be a chronic under-count of the urban population, because some people are overlooked, and for some it is difficult to determine where the person should be recorded (Jones, 2008: 44). Many Southeast Asian cities and towns have large number of migrants who leave their rural or urban home to earn a living in a different locality. Their stated intention is usually to stay only temporarily, but some stretch their actual stay indefinitely. Others may come and go on a regular basis. Many remain registered in their place of origin, although they have been away most of the time. Jones (2000: 3) even suspects a census under-count of two million people in Jakarta, but provides no evidence.

Urbanisation is more than just numbers. Urban areas differ from rural areas in demography, economy, administrative status and physical landscape and social traits, although rural areas are increasingly adopting urban characteristics. Urban settlements display a set of interrelated features:

- Demographic: an urban area tends to have relatively large, dense and diverse population.
- Economic: the population of an urban area is predominantly engaged in nonagricultural activities, i.e. industry and services.
- Administrative: an urban settlement often has the status of municipality or capital of district or province.
- Physical: an urban settlement has a high density of buildings and network infrastructure such as paved roads, electricity, water supply and drainage.

Urban areas benefit from economies of scale and agglomeration. The size, density and diversity of an urban population lead to divisions of labour, innovation, economic growth and prosperity. Economic growth, prosperity and employment attract people to these urban areas, thereby further increasing the size, density and diversity of the settlement. The high concentration of people and economic activities requires infrastructure and rules and regulations to minimise negative impacts and enhance efficiency. Urban settlements are granted municipal authority to set rules and regulations, mobilise funds and develop infrastructure.

Urban densities make it more efficient to provide to services such as education, health care, clean water and safe sanitation. In 2006, 86 per cent of the population of Southeast Asia had access to improved water supply; the coverage was 92 per cent in urban areas and 81 per cent in rural areas. Better access to such services improves the health and level of education of the population and thereby their productivity. A well-skilled labour force attracts investments which generate more employment and more prosperity.

	1970	1980	1990	2000
Indonesia	1.4	1.9	2.7	3.5
Myanmar	7.0	8.9	13.8	18.6
Philippines	8.0	8.0	8.7	9.5
Singapore	5.1	8.5	14.8	15.1
Thailand	5.2	7.3	9.6	11.6

Urban culture

The size, the density and the diversity of the city lead people to live a life that differs from that in a town, a village or the rural areas, although urban social life will also have the imprint from the traditional and rural way of life. Urbanisation is accompanied by profound changes in virtually every phase of social life. The clock and the traffic signal are symbolic of the basis of our social order in the urban world (Wirth, 1938). However, the importance many Southeast Asians attach to the clock and the traffic signal shows that the urban culture is actually a mixture of urban and rural elements.

Urbanisation leads to changes in population dynamics. Urban areas provide better access to health and education services, in particular for women and girls, and education offers a pathway for economic upward mobility. Faced with the monetary nature of the urban economy and the high cost of urban living and enabled by better education, a large percentage of women in urban areas of Southeast Asia participate in the labour force outside the home. This makes women independent income earners and contributes to their emancipation and empowerment.

In urban areas, family planning tends to become the norm and fertility rates decline. Many women focus on their career and postpone marriage or do not get married at all. Because of low infant mortality rates in urban areas and career opportunities that tend to delay marriage, many women chose to have fewer children. The total fertility rate in many cities of Southeast Asia is now at or below the replacement level of 2.1 and this trend is spreading to other urban areas as well as rural areas

Table 6.	Total fertility rates in urba	an and rural areas of Sou	Itheast Asia
Country			
Cambodia	Total fertility rate	2000	2005
	Urban	3.1	2.8
	Rural	4.2	3.5
	Phnom Penh	2.1	2.5
Indonesia	Total fertility rate	1970-1976	2007
	Urban	4.72	2.3
	Rural	5.34	2.8
	Jakarta		2.1
Philippines	Total fertility rate	1993	2003
	Urban	3.50	3.0
	Rural	4.80	4.3
	National Capital Region		2.8
Thailand	Total Fertility Rate	1987	
	Urban	1.68	
	Rural	2.57	
	Bangkok	1.64	

Viet Nam	Total fertility rate	1989	2002
	Urban	2.2	1.40
	Rural	4.3	1.99
	Ho Chi Minh City	-	1.51
Total fertility rate:	average number of children born	to a woman over her lifetin	ne.
Sources: Camboc and Hasmi, 2005, Orbeta, 2002: 2 a Trinh et al., 2005:	ia: NIS et al, 2001: 60-61 and Ni and Statistics Indonesia and Ma nd NSO and Macro, 2004: 41, 4 307 and Committee for Populatio	PH et al., 2006: 61, 63; Ind acro International, 2008: 44 2; Thailand: Chayovan et a on, Family and Children and	donesia: Tjiptoherijanto 3, 50: 170; Philippines: al, 1988: 38; Viet Nam: d Macro, 2003: 28.

Lower fertility rates and higher life expectancy is leading towards the ageing of the population in many parts of Southeast Asia. An ageing of the population has many economic and social consequences: a shrinking of the labour force and increased dependency on fewer workers, increased costs of health care and the need for changes in the way houses are built and cities and towns are designed. There is often also a need to promote international immigration. The low fertility arte forced the government of Singapore to change its slogan from "Stop at two" to "Have three, if you can afford it!"

Urbanisation may affect care of the elderly in different ways (Mason 1992: 4). There may be a loss of parental power over and loyalty and obedience by younger generations due to the separation of economic production from the household. Increased labour force participation by women reduces their availability to provide care to elderly. Lower fertility reduces the number of potential care-givers. With an increase in migration, multi-generational households decline. On the other hand, rising income makes traditional financial safety nets less critical and gives the elderly greater independence.

An urban way of life can change in the relationship between the family and the state. Smaller housing units, the need to work long hours outside the home constrains the time spent in care for vulnerable members. If the family and the community are less available to look after its vulnerable members, there is more pressure on the state to perform social functions. Schools play a larger role in the education of children, but as parents are busy working, the media and the "street" also play a, not always positive, role. Care for the elderly may need to shift from the family and the community to the State.

A significant development in Southeast Asia is the rise of the urban middle class. Although defined in many ways, there is an agreement that the middle class is well educated, has a stable employment as a professional, often in the formal sector, and has adequate income to spend beyond the basic necessities of food and shelter on items such as a car and a home. The stable income and employment and

homeownership give the middle class a stake in society and the economy (Shiraishi, 2004).

The urban middle class in Southeast Asia are often seen as supporters of order, harmony and consensus that allow their government the free hand to meet their material needs (Peerenboom, 2005: 131). Economic growth driven by domestic demand relies on the consumerism of the urban middle class. The environmental movement places its hope on the education and awareness of the urban middle class to move society and the economy into a more sustainable direction. The sport utility vehicle (SUV) and organic food are probably both symbols of the urban middle class in Southeast Asia.

Urbanisation leads to changes in the living arrangements. The cost of urban housing is high and most housing units can only accommodate a nuclear family, not an extended family. It is not uncommon in urban areas of Southeast Asia to see an urban household split up to take advantage of differences in the cost of living and to reduce transport costs. The wife and school-going children live in a suburban area; the husband and income-earning children rent housing near centres of employment; and the grandparents live in the rural areas with the very young children.

The use of public space is another challenge of urban living. Use of public space requires an "urban" type of behaviour to deal with the intensive use by diverse people. An example is the way drivers of cars, motorcycles and bicycles use public roads. In Southeast Asian cities, many are unaware of traffic rules (and traffic signals) and precedence is determined by the status of the car. Another example is the use of corridors and stairways in residential multi-storied buildings. Interiors of the housing units tend to be impeccably clean, but semi-public space seems no one's concern. The government of Singapore has taught its residents how to behave in a way that fits the urban condition and enforces the rules with steep fines.

Cultural changes pose a dilemma for policy makers. Official ideologies describe the cities of Southeast Asia as the symbiosis of tradition and modernity (Evers and Korff, 2000: 5). The combination is not easy, though. On the one hand, cities need to appear modern, a part of the global economy. As a result, most cities look alike with glass-and-steel office towers, hotels and shopping malls. On the other hand, people should not "americanise" with cola, pizza and burgers, and lose their unique national or local identity.

Southeast Asian cities feel the need to modernise in order to compete with world cities. They replace the traditional shop-houses with shopping malls, and

allow McDonald and Burger King to set up shop on every street corner. Cities like Singapore, Bangkok and Hanoi risk losing their unique traditions, and start to look more and more like any other city in the world. With constantly rising land prices, preserving cultural heritage is difficult. Many cities regret too late the losses incurred. An international conference on urban culture stated: "a city can only be reborn successfully, if it does not lose its unique cultural identity" (Beijing Declaration, 2007: 4-7).

Cultural changes do not remain confined to urban areas, but spread to rural areas. This dissemination is facilitated by the increased mobility of the population and the penetration of the education and the media into the rural areas (Thompson, 2007). In Thailand, migrant women take "social remittances", i.e. ideas, patterns of behaviour, identities, attitudes, skills and practices back to their family. Learning the importance of education, they send money for the education of other children (Clawen, 2002: 61). As rural populations adopt urban norms and values and an urban way of life, urbanisation as a social process spreads to cover ever wider areas.

3. Concerns about Urbanisation

Some social critics and policy-makers raised concerns about urbanisation. Some of these concerns relate to urbanisation per se and to the arrival of poor rural migrants in urban areas. Other concerns relate to the pace, the form and the impacts of urbanisation.

Anti-urbanisation

Some social critics argue that Southeast Asia is and should remain an agrarian society. They deplore its urbanisation and seem to say that urbanisation is a new trend in a traditionally rural region. Evers and Korff (2000: 30, 40) distinguish three types of traditional Southeast Asian cities:

- Sacred cities as centres of inland empires such as Angkor, Mandalay, Yogyakarta, Ayuthaya, Hue.
- Commercial cities situated along the coast, such as Melaka, Brunei, Cebu, Hanoi, Surabaya, Patani.

Smaller, intermediate cities.

In the 16-17th century, Southeast Asia was already highly urbanised. It saw a shift in power from the older capitals that had owed more to tribute in labour and agricultural produce, to trade-based cities. The commercial peak period (1570-1630) led to rapid urbanisation with some established cities growing and new ones appearing. In this period, an estimated 5 per cent (one million people) of the total population of the region lived in cities with 30,000 inhabitants or more. Colonialism brought the demise of many traditional cities and towns, and was a reason why so few Southeast Asians lived in cities in the century before 1940, as the colonial powers did not encourage (or even disallowed) the local population to migrate to the city (Reid, 1993: 67-90, 303).

Some hold the view that the common Southeast Asian men and women should live on and off the land; cities are for the political and religious leaders. These views go back to the days of the sacred cities, when only the elite and its immediate servants populated the centres of political (royal courts) and religious (temples), authority, insulated from the agrarian hinterlands. The major marketplace was at river mouth on the coast at the societal periphery rather than in the upstream heartland, and served as points of contact with the outside world (Hall, 2007: 1).

Table 7. Esti	Table 7. Estimated population of selected cities in Southeast Asia (1900-1950)						
	Ca. 1900	ca. 1910	ca. 1920	ca. 1930	ca. 1940	ca. 1950	
Jakarta	115,000	160,000	290,000	533,000	545,000	1,661,000	
Saigon-Cholon	192,000	260,000	300,000	300,000	460,000	1,500,000	
Manila City	257,000	na	293,000	451,000	661,000	984,000	
Singapore	228,000	303,000	418,000	557,000	680,000	938,000	
Bangkok	600,000	629,000	na	890,000	800,000	782,000	
Rangoon	245,000	293,000	342,000	400,000	501,000	737,000	
Hanoi	80,000	na	Na	na	na	568,000	
Kuala Lumpur	32,000	47,000	80,000	111,000	na	176,000	
Phnom Penh	42,000	na	Na	103,000	108,000	111,000	
Source: Rimmer a	and Dick, 2009	: 9.					

There is also some nostalgia for the time when cities in Southeast Asia were small, orderly, pleasant and quiet. In the first half of the 20th century, cities like Bangkok, Batavia, Phnom Penh and Saigon were small, as the majority of the population lived in the rural areas. However, life in the rural areas was far from idyllic in those days. The national life expectancy reflects the harsh conditions in the villages. In 1950-1955, life expectancy at birth was 37.5 years for Indonesia, 39.4 years for Cambodia and 48.5 years for Malaysia. Today, all countries in Southeast Asia have a life expectancy at birth of 60 years or more (UNPD, 2009).

Some governments have tried to keep the rural population out of the urban areas. In Cambodia, the Khmer Rouge took the most extreme position. After taking power in Phnom Penh in 1975, it vacated the urban areas and drove the entire urban population to the countryside where hundreds of thousands died of starvation and maltreatment. After its victory in 1975, the government of Viet Nam sent many rural families from Ho Chi Minh City to new economic zones in the rural areas to reduce the size of the city population.

Restricting rural-urban migration proves to be not only difficult, but often also counterproductive. Ali Sadikin, Governor of Jakarta (1966-1977) tried to stop migration into Jakarta by introducing a residency permit system that allowed only those who could prove they were employed to enter the city. He had to abolish the system when the city faced a shortage of low-cost labour. Viet Nam has a household registration system similar to China's hukou system. Although the regulations are gradually being relaxed, they still result in a two-tier system of urban residents with full registration and those with temporary registration (Locke et al, 2008).¹

¹ Au and Henderson (2006) concluded that many cities in China face large income losses, because they are in fact too small due to strong rural-urban migration restrictions.

Others realised that urbanisation can have a positive impact. In 1970, Mahatir bin Mohamad (2008: 136) wrote in "The Malay Dilemma": "we must seek to urbanise the Malays".

"The importance of urbanisation in the progress of a community lies in the more complex organisation which the towns and the cities provide. This makes urban dwellers sharper and more knowledgeable. The rural dwellers on the other hand are cut off from these experiences and are subjected only to the age-old pattern of life that characterises the countryside. Their sum total of knowledge is therefore minimal and their capacity for change limited. The rural community is thus more static when compared with the urban community. In short, there is inequality of development between the urban and the rural areas" (2008: 105).

As a result of affirmative policies, Malays who formed 27.6 per cent of the urban population in 1970 increased their share of the urban population to 43.9 per cent in 2000 (Tey, 2005: 215).

Today's concerns about urbanisation as such focus on its environmental impact (Newman, 2006). Urban settlements generate immense amounts of pollution. Households, industry and services produce more and more waste; the domestic and the industrial sector discharge untreated waste water in the rivers, lakes and seas; and industries and fossil-fuelled vehicles emit green house gases resulting in global warming. The ecological footprint of Singapore in 2005 was, for instance, 4.2 global hectares per capita, while its bio-capacity was 0.0 global hectares per capita (Global Footprint Network, 2008). In contrast to cities, rural areas look clean and harmless.

Urban areas pollute more than rural areas because of the high concentration of economic activities and the prosperity. On the production side, many industries are urban-based, but they do not produce only for the urban areas, but also for the rural ones. On the consumption side, it is not the size or the growth of the urban (or rural) population that drives the increase in greenhouse gas emissions, but the growth in number of consumers and in their level of consumption due to increases in prosperity (Satterthwaite, 2009). If the rural population of Southeast Asia reaches the same level of prosperity as the urban population, rural pollution levels will also rise.

Urban areas can spearhead efforts to mitigate climate change. Urban density and spatial organisation can influence energy consumption. By concentrating people and economic activities in a limited area, compact cities can make more efficient use of natural resources and services. Emissions can be reduced, if the population relies more on public transport, Cities that align their consumption with realistic needs, produce more of their own food and put more of their waste to use, can achieve greater efficiency in water, materials, food and energy use (O'Meara, 1999: 7-9). Local governments have the authority to influence urban activities through market incentives and regulations, and law enforcement is easier in urban than in rural areas. Finally, cities are centres of technological innovation and places where solutions can be developed (WWF, n.d.).

Components of urban growth

Poor rural migrants are often blamed for urbanisation. Urban growth, however, has three components: (a) natural population growth, (b) migration and (c) reclassification. The share of each of the components differs from country to country and also over time. Natural population growth contributes 40-50 per cent of the urban population growth, but as urban fertility rates in Southeast Asia decline and economic opportunities in urban areas increase, the impact of natural population growth declines in favour of migration.

A second component is rural-urban migration. However, people migrate not only from rural to urban areas, but also from urban to rural areas and between urban areas and between rural areas. Rural-rural migration dominates migration flows in most Asian countries, but its share is decreasing. Between 1995 and 2000, 29.5 per cent of the migrants in Thailand were rural-rural migrants, 28.6 per cent were rural-urban migrants, 21.4 per cent were urban-urban migrants and 12.4 per cent were urban-rural migrants; the origin of the remainder was unknown. Between 1994 and 1999, 37.0 per cent of the migrants were rural-rural migrants and 27.2 per cent rural-urban migrants in Vietnam (Guest, 2009: 360-361).

Indonesia		1961-197	1971-1980
	Natural growth	68	48
	Net migration	32	52
	Total	100	100
	TULAI	100	100
Source: World	Bank quoted in Tjiptoherijant	o and Hasmi, 2005: 161	100
Source: World Malaysia	Bank quoted in Tjiptoherijant	o and Hasmi, 2005: 161	1991-2000
Source: World Malaysia	Bank quoted in Tjiptoherijant	o and Hasmi, 2005: 161 1957-1970 60	1991-2000 46
Source: World Malaysia	Bank quoted in Tjiptoherijant Natural growth Net migration	o and Hasmi, 2005: 161 1957-1970 60 20	1991-2000 46 33
Source: World Malaysia	Bank quoted in Tjiptoherijante Natural growth Net migration Reclassification	o and Hasmi, 2005: 161 1957-1970 60 20 20	1991-2000 46 33 21

Philippines		1980-1990	
	Growth and migration	43.5	
	Reclassification	56.5	
	Total	100.0	
Source: Gultiano a	and Flieger, 1993: 270		
Vietnam		1989-1999	
	Natural growth	41	
	Migration	32	
	Reclassification	27	
	Total	100	
Source: Trinh et al	, 2005: 290-291		

The third component is the reclassification of rural areas into urban areas. This occurs for two reasons. On the one hand, rural areas surrounding a city or town are incorporated into the urban administration. On the other hand, rural settlements are reclassified as urban and provided with an urban status, because they underwent a structural transformation, when they grew and densified, their non-agriculture employment increased and urban infrastructure and services developed.

The share of each of these components of urbanisation is difficult to determine. However, available data show that natural urban population growth was initially the main component of urban growth, because fertility rates, even in urban areas, were high. As family planning became more common in urban areas, the share of natural growth in urban growth started to decline. At the same time, urban economic growth accelerated resulting in an increase in rural-urban migration. Reclassification, which occurs in leaps and bounds, played an important role in the urbanisation in some countries (e.g. the period 1980-1990 in the Philippines).

Over-urbanisation

Some policy-makers have raised concerns about the pace of urbanisation. In the 1950s and the 1960s, many believed that developing countries were characterised by over-urbanisation, because migrants were pushed from rural areas due to population pressure rather than pulled into urban areas because of better opportunities. Urban population growth that exceeds the growth of the urban economy results in unemployment, poverty, homelessness etc.

The motivation for migration may be mainly economic, but migrants are not always poor and destitute. Migrants are usually younger, better educated and more entrepreneurial than non-migrants. Studies show that most rural migrants find a better income in the urban areas. Migration is better explained by the consistently higher output (and income) per worker in urban areas than in rural areas than by push factors alone. An increasing share of rural household income is earned outside agriculture. The rural non-farm economy contributes 40-45 per cent of the income, and urban income may contribute another 25-30 per cent (DFID, 2002: 1). Off-farm sources of income accounted for 64.5 per cent of total rural income in Indonesia and 37.8 per cent in Vietnam. In Vietnam, 99.0 per cent of the rural households continued to do some on-farm work, but only 64.3 per cent did so in Indonesia (Davis et al. 2010: 48-51). Rural households diversify their sources of income, because it offers a pathway out of poverty and a way to manage risk.

Employment in agriculture will continue to decline. In ASEAN, employment in agriculture will decline by 6.6 million between 2005 and 2015, while employment in industry and services will expand by 24 million and 35 million respectively. The service sector will be the main source of job creation by 2015, and the largest sector in terms of employment with 40 per cent of ASEAN's total employment. The share of agriculture will drop from 47.8 per cent to 37.6 per cent, and the share of industrial employment will grow from 17.4 per cent to 22.2 per cent (ILO, 2007: 72).

	Output per worker,	most recent year (const	ant 2000 US\$)
	Agriculture	Industry	Services
Cambodia	320	1,445	789
Indonesia	738	5,394	2,351
Lao PDR*	479	2,290	2,331
Malaysia	6,095	17,670	8,487
Philippines	1,163	5,789	3,268
Thailand	751	9,710	5,470
Viet Nam	359	2,294	1,491
* 2001			

Urbanisation is essential for economic growth, says the World Development Report 2009 "*Reshaping Economic Geography*". Countries cannot grow economically without industrialisation and urbanisation. Economic growth requires higher densities, shorter distances and fewer divisions. Cities, migration and trade have been the main catalysts of progress in the developed world over the past two centuries and should also be for the developing countries: However, unbridled urbanisation can lead to social imbalances (World Bank, 2009).

Mega-cities and small towns

Many have expressed their concerns over the size of mega-cities. In a plenary lecture, the Director of the Institute for Environmental Studies (Hong Kong University of Science and Technology) said: "Contemplating mega-cities in Asia, and elsewhere in the world, which will have population of 25 million and more within the next 25 to 50 years, is inviting disaster and anarchy" (Heinke, 1997: 170).

It is more difficult to manage a mega-city than a small town. However, Tokyo with 36 million inhabitants is not only the most populous city in the world, but also its richest with an estimated GDP of \$1,497 billion (Hawksworth et al, 2009: 31). Despite notorious traffic congestion, foreign direct investment in Bangkok remains strong. The management of mega-urban regions may require new approaches and a new institutional framework, but problems of size can be overcome.

Urban primacy has also raised particular concern. Urban primacy is defined as a high concentration of the urban population in a single city. It is measured in different ways. The UN calls a city primate if its population represents at least 40 per cent of a country's total urban population (UNPD, 2004: 97). Phnom Penh is a primate city, as its population is almost half of the total urban population of Cambodia. Others measure primacy by the ratio of the population of the largest city to that of the second largest city or of the total of the second to the fourth largest cities.

Table 10. Urban primacy in the 1990s									
Country	Ratio*	Country	Ratio*						
Thailand	21.4	Malaysia	4.1						
Cambodia	17.8	Indonesia	3.9						
Philippines	9.2	Viet Nam	1.9						
Myanmar	4.2	Lao PDR	1.8						
* Ratio between the largest city and the second largest city in terms of population									
Source: Dutt and Song, 1	994: 172								

In early stages of economic growth, financial resources are scarce and investments are made where the return is highest. This is usually the capital or the largest city of the country. Governments also want to keep their decision-making centralised in the capital where the best minds of the country are concentrated. Given the value attached to face-to-face contacts and social networks in decision-making in Southeast Asia, a presence in the capital is often considered essential.

The capital city also has a nation-building function. It needs to be beautiful and a place that the nation can be proud of.

National urban concentration tends to change with economic growth. Studying 80-100 countries between 1960 and 1995, Henderson (2000: 25-26) found that urban concentration increases sharply as income rises, up to a per capita income of about \$5,000 (PPP), when it declines modestly. Economic growth losses from significant non-optimal urban concentrations can be large. Examples are Thailand with an excessive concentration and Malaysia with too little primacy.

A large majority of the urban population lives in small cities and towns. The UN defines mega-city as a city with 10 million inhabitants or more. Thus, there is only one real mega-city in Southeast Asia: Manila with 11.1 million inhabitants in 2007. 70 per cent of the urban population of Southeast Asia (200 million people) lives in urban settlements with less than 500,000 inhabitants. Only 12 per cent lives in cities with more than 5 millions inhabitants (UNPD, 2008).

Table 11. Urban population by size of settlement (2010)											
	<0.5 million		0.5-1 million		1-5 million		>5 million		Total		
	abs (m)	%	abs (m)	%	abs (m)	%	abs (m)	%	abs (m)	%	
BRU	308	100.0		0.0		0.0		0.0	308	100.0	
CAM	1,464	48.4		0.0	1,562	51.6		0.0	3,026	100.0	
IND	76,696	74.5	5,123	5.0	11,931	11.6	9,210	8.9	102,960	100.0	
LAO	1,304	61.1	831	38.9		0.0		0.0	2,135	100.0	
MAL	14,171	70.3	3,328	16.5	2,647	13.1		0.0	20,146	100.0	
MYA	10,582	62.3		0.0	6,408	37.7		0.0	16,990	100.0	
PHI	29,703	64.9	2,931	6.4	1,519	3.3	11,628	25.4	45,781	100.0	
SIN		0.0		0.0	4,837	100.0		0.0	4,837	100.0	
THA	16,165	69.9		0.0		0.0	6,976	30.1	23,141	100.0	
VIE	329	100.0		0.0		0.0		0.0	329	100.0	
TLS	14,523	53.7	1,571	5.8	4,784	17.7	6,167	22.8	27,045	100.0	
SEA	165,245	67.0	13,784	5.6	33,688	13.7	33,981	13.8	246,698	100.0	
UNPD, 2010.											

The functions of small cities and towns are different from those of mega-cities.

Towns perform essential functions for the commercialisation of agriculture and for the dispersion of urban services and facilities. Farms need to have access to markets where farm produce can be sold for cash without a limited number of buyers and sellers (Ruddle and Rondinelli, 1979). Small towns often lack the urban management capacity to perform their functions efficiently. Supporting small towns is essential for the development of their urban population and the surrounding rural areas where a substantial part of a country's poverty is concentrated.

A majority of the population and a majority of the poor in Southeast Asia live in the rural areas. The total population of the region is estimated at 594 million and more than 300 million of them live in the rural areas. The United Nations estimates that, around 18.9 per cent of the population of Southeast Asia or more than 100 million people lived on less US\$1.25 a day in 2005. Although the exact number is not known, it is often assumed that two-thirds to three-quarters (around 65-75 million) of these poor lives in the rural areas.

Reducing rural poverty and increasing agricultural productivity remain critical for development. Addressing the challenges of urbanisation must not be done at the expense of the rural population or of agriculture. It is difficult, if not impossible, to improve agricultural productivity, and reduce rural poverty without well managed cities and towns. The most unproductive agriculture is found in the most thoroughly rural countries, and to be productive agriculture must incorporate many goods and services produced in cities or transplanted from cities (Jacobs, 1970: 7-11).

Small towns can have four functions for surrounding rural areas: (a) as markets and transport hubs for agricultural produce from rural areas; (b) as centres for the production and distribution of goods and services to the rural areas; (c) as centres for the growth and consolidation of rural non-farm activities and employment; and (d) as centres to reduce migration pressure on larger urban centres (Tacoli, 2004: 4-5). In other words, the development of urban areas should not only benefit conditions in urban areas, but in rural areas as well. Urban and rural development are not two separate agendas, but should be seen as a single challenge.
4. Urban Challenges

Urbanisation is never a smooth process. There are always tensions between the different components of urbanisation: urban population growth, urban economic growth (and the growth of urban employment) and the development of a capacity to manage urban areas in a way that synchronises these trends to make cities and towns productive, inclusive and sustainable.

It is often argued that the three objectives cannot be achieved simultaneously, that there is always a need to prioritise because of scarcity of resources. The World Development Report 2009 (World Bank, 2009: 27) states, for instance, that "policy makers must show patience in dealing with these imbalances". The need to accept such imbalances is often based on the "Kuznets curve" which shows that economic inequality increases in early stages of development, but declines when a certain income level is reached. Similarly, the "Environmental Kuznets curve" would show that environmental conditions worsen early in development, but improve afterwards.

The idea that conditions will improve after they deteriorated is hardly a consolation for policy-makers and the poor². There will be political pressure to make interventions, even if these are untimely and costly; in fact, there may not be sufficient time to wait (Scott, nd: 13). Politicians in Southeast Asia are learning through experience that today's disadvantaged urban and rural poor are better educated, better informed and better organised. If income inequalities are not be corrected in time, prolonged political instability may be the result.

It is highly questionable that it is good policy to grow first and clean-up later. Although countries that clean-up later may have access to more advanced technologies, clean-up (or replacement) costs may be larger than abatement costs (O'Connor, 1996: 31). Moreover, some negative environmental trends may be irreversible, and developing countries will not be able to export their environmental problems, unlike the now developed ones did.

If the Kuznets Curve applies, it must be kept as short and shallow as possible. The urban challenge faced by the countries of Southeast Asia (and elsewhere in the world) is to achieve, within available resources, a better synchronisation between different, but related processes:

² The theory sounds like "opium of the people": on this side of the curve there is just poverty, but beyond the curve the poor will find the income equality they are longing for!

- Urbanisation in a demographic sense of growth of the urban population relative to the rural population.
- Urban economic development, including the generation of sufficient urban employment to reduce poverty.
- The reduction of urban poverty and urban disparities through the inclusion of informal settlements in the urban fabric.
- Protection of the urban environment, including mitigation and adaptation to climate change.

Urban economy

Competitive Cities

Many urban areas in Southeast Asia have become engines of economic growth. Hawksworth et al. (2009) measured the richest cities in the world by GDP. Tokyo ranked first with a GDP of \$1,479 billion in 2008. Eight cities in Southeast Asia were included: Singapore (\$215 billion), Metro Manila (\$149 billion), Bangkok (\$119 billion), Jakarta (\$92 billion), Ho Chi Minh City (\$58 billion), Hanoi (\$42 billion), Yangon (\$24 billion) and Bandung (\$21 billion).

Not all cities and towns and not all urban residents have been part of the rapid economic growth. Some cities and towns are better situated, better equipped and/or better managed than others. Much of the region's economic development has been based on export-oriented industrialisation, and cities with ports and along trade routes have had a clear advantage. Also, large cities with good economic, financial social and legal infrastructure such as Singapore have attracted foreign and domestic investments and generated wealth.

Table 12. Richest cities in Southeast Asia (2008)								
City	GDP (US\$bn) (2008)	City	GDP (US\$bn) (2008)					
Singapore	215	Ho Chi Minh City	58					
Manila	149	Hanoi	42					
Bangkok	119	Yangon	24					
Jakarta	92	Bandung	21					
Source: Hawksworth e	t al, 2009.		·					

Cities and towns need further economic growth to create jobs, upgrade infrastructure, improve the quality of life and reduce poverty. In the globalised economy, cities and towns compete for investments that can bring economic growth, generate employment and produce income. In the early stage of development, the low costs of labour and other factors of production were the main attraction of Southeast Asia in the decision by a domestic or a foreign company to invest.

Cities and towns must attract higher-value added manufacturing and services. As the economy develops, labour costs rise and competition increases, other issues, such as the quality of factors of production, start to play a role in the investment decision (Begg, 1999). In the global economy, Southeast Asia faces competition from less developed and therefore cheaper locations, and needs to catch up with locations that are innovators in the supply of goods and services.

The World Economic Forum defines competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country. It lists 12 pillars for competitiveness, each with a large set of indicators: (a) institutions; (b) infrastructure; (c) macroeconomic stability; (d) health and primary education; (e) higher education and training; (f) goods market efficiency; (g) labour market efficiency; (h) financial market sophistication; (i) technological readiness; (j) market size; (k) business sophistication; (l) innovation (Schwab, 2009: 4-7, 45-47).

The Global Urban Competitiveness Project defines competitiveness as a city's ability to create more wealth in a faster and better way than other cities in the world. It measured the competitiveness of 500 cities in terms of nine indexes: GDP, GDP per capita, per unit area GDP, labour productivity, the number of multi-national enterprises in the city, number of patent applications, price advantage, economic growth rate and employment rate. Its 2007-2008 report (GUCP, 2008) ranked New York first, and included 15 cities in eight Southeast Asian countries.

Rank	City	Score	Rank	City	Score
1.	New York	1.000000	336.	Rayong	0.183110
8.	Singapore	0.645897	368.	Medan	0.155998
155.	Bangkok	0.330798	371.	Bandung	0.155608
209.	Kuala Lumpur	0.276306	384.	Phnom Penh	0.144471
248.	Jakarta	0.245050	392.	Penang	0.137771
317.	Hanoi	0.192682	427.	Yangon	0.116008
318.	HCM City	0.192522	436.	Malacca	0.111536
323.	Manila	0.190379	460.	Cebu	0.103958

Cities in Southeast Asia, except Singapore, do not score well competitiveness surveys. MasterCard ranked 75 cities around the world. London scored the best;

Singapore ranked 4th. Other Southeast Asian cities scored low in the areas of financial flow (with indicators such as financial services networks, transactions and traded contracts), business centre (e.g. volumes of goods and services at ports and airports, numbers of hotels and commercial real estate development), but in particular in knowledge creation and information flow (MasterCard, 2008: 12-14).

	1. London	4. Singa- pore	42. Bang- kok	50. Kuala Lumpur	68. Jakarta	71. Manila
Legal & Political Framework	85.17	90.32	71.29	69.26	53.48	54.62
Economic Stability	89.66	89.74	82.78	78.90	58.04	76.99
Ease of Business	79.42	82.82	61.56	65.95	45.46	47.95
Financial Flow	84.70	42.15	27.07	24.54	20.49	7.76
Business Centre	67.44	62.58	44.21	25.66	24.98	22.63
Knowledge Creation, Information Flow	62.35	39.45	15.48	8.61	11.17	6.38
Liveability	91.00	84.94	67.75	74.19	58.63	69.56
Index Value	79.17	66.16	48.23	45.28	35.40	35.15

In a knowledge economy, competitiveness depends on the ability to create and generate knowledge. Quality of education and an environment that encourages innovation, creativity and information flow are critical. They are associated with large, thriving university complexes in cities with a multiplicity of universities and research institutions, reputed because of their numbers of researchers, scientific publications and citations (MasterCard, 2008: 14). Cities like Kuala Lumpur and Singapore make sustained efforts to proclaim, by means of visible markers, their status as points of attraction for investors and a high-quality labour (Scott, nd: 8).

'Quality of place' becomes increasingly important in location choices. In a knowledge economy, highly skilled workers determine the comparative advantage of a firm. They can work anywhere in the world and may be attracted by the "quality of place" (OECD, 2005: 5). Singapore has an active policy of attracting young and highly educated and skilled labour in view of the ageing of its population, although "buying in" of research and knowledge is no substitute for long-term investment in education, research and knowledge creation, according to MasterCard (2008: 14).

Despite its low competitiveness ranking, Southeast Asia is attracting its fair share of foreign direct investment. Rapid urbanisation is likely to lead to a rise of cities in developing countries in the ranks of leading FDI locations in the world. Singapore was in the top five destination cities in Asia-Pacific in terms of capital investment, despite a decline of 8 per cent in actual projects 2008. Bangkok doubled its market share to almost 2 per cent due to a growth in capital investment of 130 per cent (FDI Intelligence, 2009: 3-4, 14).

There is a shift of the global FDI market from manufacturing to services. For the first time, financial services globally overtook software and IT services to become the leading sector for FDI. The two sectors, combined with business services, accounted for 27 per cent of global FDI projects; manufacturing projects had a 23 per cent share. In Southeast Asia, the service industry is an important and growing sector of the economy (FDI Intelligence, 2009: 4).

Southeast Asian cities and towns are global tourist destinations. Bangkok, Pataya, Luang Prabang, Hanoi, Yogyakarta, Siem Reap, Singapore, Phuket and Bali are building hotels and promoting their famous sites. As a result of deregulation of the airline industry and the emergence of low-cost carriers, airports compete for (a) destination traffic, (b) connecting traffic which is very important for the region with its many tourist destinations, and (c) cargo traffic (Tretheway and Kincaid, 2005: 4-6).

Medical and event tourism are growing sub-sectors in some countries. Medical services in Southeast Asia tend to be much cheaper than in Europe and North America. Estimates of the size of this sector vary widely, but a study estimated 1,280,000 medical tourists in Thailand in 2006, 448,000 in Singapore and 350,000 in Malaysia (Gupta, 2008). Southeast Asian cities and towns also compete for, what is called MICE (meetings, incentives, conferences/ conventions and events/exhibitions).

The growth in travel and tourism has led to competition between airports in Southeast Asia. Today, there is a fierce competition between Singapore's Changi Airport, Bangkok's Suvarnabhumi Airport and Kuala Lumpur International Airport to be the hub in Southeast Asia for passengers from Europe and North America. The competition is not limited to capital cities, but includes secondary cities, using lower landings fees and less congestion as attractions. Cities like Chiang Mai, Cebu City, Surabaya and Penang seek to develop their airports through links not only with the capital city, but also with international destinations (Rimmer and Dick (2009: 102-12).

Table 15. Southeast Asian airports in global top 30 ranking (2008)						
	Passen	senger traffic Cargo traffic				
Airport	Rank	Passengers	Rank	Cargo*		
Bangkok	18.	38.6 million	20.	1.2 million		
Kuala Lumpur	-	-	27	0.7 million		

Singapore	19.	37.7 million	10.	1.9 million
* metric tones				
ACI, 2009: www.airpo	orts.org			

Urban employment

Despite rapid economic growth, some urban areas experience a slow growth of employment. A study that included Cambodia, Indonesia, Malaysia, Philippines and Thailand, found that, with the exception of Malaysia, economic growth was not nearly as employment-intensive as in the East Asian miracle. The causes are not clear, but there may be a shift to low labour-intensive activities due to a loss of competitiveness in labour-intensive exports and the emergence of new opportunities for low-labour intensive activities (Khan, 2007: 43). Almost 75.0 per cent of the added employment in Southeast Asia involves own-account workers or contributing family workers (UN ESCAP, 2008: 105-106). This could be an indication that employment is growing mainly in the urban informal sector.

	Average annu	al growth rate		Average annu	Average annual growth rate				
Country	GDP	Employment	Country	GDP	Employment				
Cambodia	9.0	5.7	Singapore	5.5	4.1				
Indonesia	5.2	1.6	Thailand	4.8	1.6				
Malaysia	5.1	2.1	Viet Nam	7.5	2.3				
Philippines	5.0	2.3							
Cambodia: GDP 2008; Malaysia: (Cambodia: GDP growth: 2000-2005, Employment growth: 2000-2006; Indonesia: GDP growth: 2001-2008; Malaysia: GDP growth: 2001-2008; Viet Nam: Employment growth: 2000-2006.								
Prasad, 2009: 40	١.								

The urban informal sector is very dominant in the urban areas of Southeast Asia. It covers a wide range of economic activities: from food hawkers in the streets to sweatshops producing items for global brands. It includes own-account workers that have found a small market niche and the large company that tries to avoid regulations and taxes.

The economic importance of the informal sector is hard to measure, but is thought to be very large. UNDP (2007: 299-300) estimated employment in the urban informal sector as a percentage of non-agricultural employment at 78 per cent in Indonesia (1998), 70 per cent in the Philippines (1995) and 72 per cent in Thailand (2002). In the 1990s, 18 per cent of the non-agricultural self-employment was in the industrial sector, 51 per cent in the trade sector and 31 per cent in the services

sector. The informal sector outside agriculture generated 31 per cent of the nonagricultural GDP of Indonesia (1998) and 32 per cent of that in the Philippines (1995) (ILO, 2002b: 23-24).

Own-account workers often show great entrepreneurship and alertness to income-generating opportunities. They meet the demand for goods or services that the formal sector is unable or unwilling to meet due to labour costs, regulations, the small size and low purchasing power of the market etc. The capability to innovate is perhaps not in the area of engineering and design, but just lie in that special taste of their noodle soup, attracting patrons from across the entire city.

	Average Annual Growth rate								
	Labo	our Productiv	ity	E	Employment				
	91-95	95-00	00-05	91-95	95-00	00-05			
Brunei	-	-	-	2.9	2.8	2.2			
Cambodia	2.4	5.1	7.3	2.4	3.5	3.2			
Indonesia	5.7	0.5	3.5	2.2	2.5	1.0			
Lao PDR	-	-	-	2.9	2.7	3.0			
Malaysia	7.0	3.5	2.7	3.1	3.6	2.6			
Myanmar	6.2	7.2	11.7	2.2	2.1	1.7			
Philippines	0.7	1.8	2.5	3.7	2.0	4.4			
Singapore	6.2	3.6	2.1	2.0	3.0	1.5			
Thailand	7.3	-0.5	4.3	0.8	1.0	1.4			
Timor-Leste	-	-	-	1.7	-3.2	8.5			
Viet Nam	6.8	5.5	6.3	2.6	2.4	2.4			
Southeast Asia	5.7	1.3	3.9	2.2	2.2	1.9			

Because of the decline in agricultural employment, the informal economy is expected to remain massive in Southeast Asia. In ASEAN, the number of contributing family workers will decline by 10 million, but the number of own-account workers will increase by more than 43 million. Wage and salary employment is expected to rise by 56 million, but a part of it will be in small enterprises in the informal economy. On the whole, the informal economy will still account for at least 60 per cent of ASEAN's total employment by 2015 (ILO, 2007: 72).

The informal sector does not only cater for the urban poor, but also for the urban middle class and the formal sector. Often close links exist between the formal and the informal sector (Daniels, 2004: 505) and a major link is subcontracting (Bunjongjit and Oudin, 1992: 36-37). The role of the informal sector is evident food, transport and housing supply. Informal-sector food vendors, housing in informal

settlements and motorcycle taxis keep the costs of urban living low. Without the informal sector, the cost of urban living would be much higher for low- and middle-income households, and this would affect the competitiveness of the city or town.

Low productivity and low incomes are said to characterise the urban informal sector. However, that is not always the case. Incomes in the informal sector sometimes exceed those in the formal sector, and poor working conditions and low wages are not limited to the informal sector. The formal sector often pays low wages, forces workers to make long hours, and operate under poor working conditions. That is not to say that all is well in the informal sector: working conditions tend to be extremely poor and wages extremely low.

Cities in Southeast Asia face a dilemma in dealing with the informal sector. The sector is a convenient and low-cost way to create employment and generate income, but it exposes some of the worst forms of exploitation and inhuman working conditions. The best option is a gradual accommodation of the informal sector in the formal economy through selective and staged interventions (such as micro-finance, access to market information and training) that lead to improved conditions, while preserving the sector's viability (ILO (2002a: 1).

Urban poverty

There is a concern that rapid urbanisation will shift poverty from rural to urban areas. Ravallion, Chen and Sangraula (2007) analysed 208 household surveys (1992-2004) in 87 countries. They found that the urbanisation of poverty differs from region to region. East Asia³ is the region with the least urbanised income poverty problems. During 1993-2002, more than 33 million people in the region escaped poverty: almost 28 million in the rural areas and about 5.5 million in the urban areas. Rural poverty declined by 36.4 per cent, while urban poverty declined by 30.8 per cent. There was a small increase in the urban share of poverty from 18.96 per cent to 20.28 per cent between 1993 and 2002.

Table 18. Urban and rural poverty in East Asia (1993-2002)								
		Urban and rural poor						
		millions			%			
	urban	rural	total	urban	rural	total		
1993	17.73	75.79	93.52	18.96	81.04	100.00		
1996	12.39	59.94	72.68	17.05	82.47	100.00		

^{3.} The data for East Asia presented here cover Cambodia, Indonesia, the Lao People's Democratic Republic, Philippines, Thailand, Viet Nam and Mongolia, but exclude China.

1999	12.60	47.46	60.05	20.98	79.03	100.00			
2002	12.27	48.22	60.49	20.28	79.72	100.00			
Change 1993-2002 (%) 5.46 27.57 33.03 -16.53 -83.47 -100									
East Asia here includes Cambodia, Indonesia, the Lao PDR, Mongolia, Philippines, Thailand and Viet Nam, but excludes China. Poverty line of \$1.08/day (in 1993 PPP)									
Source: Ravallion, Chen and	Source: Ravallion, Chen and Sangraula, 2007: 38.								

What is very visible in urban areas is the contrast between rich and poor. Intraurban income inequality is, however, difficult to calculate with available data and estimates must be viewed with caution. UN-HABITAT (2008: 74-75) estimated the Gini coefficient for urban Asia at 0.39, and for selected cities as follows: Jakarta: 0.32 (2002); Phnom Penh: 0.36 (2004); Hanoi: 0.39 (2002); Manila: 0.41 (2003); Bangkok: 0.48 (2006); and Ho Chi Minh City: 0.53 (2002). Suryadarma et al. (2006: 16) calculated the Gini coefficient for the urban areas of Indonesia in 2004: 0.44 against 0.35 for rural areas. Healy and Jitsuchon (2007: 739) found a Gini coefficient of 0.463 for urban areas in Thailand, and 0.400 for Bangkok.

Poverty is not just a lack of income, employment and assets. It is in fact a multidimensional condition. Very important in urban areas are a lack of access to basic services (water, sanitation, education, health care etc.) and a lack of power to influence decision-making. Most urban residents in Southeast Asia have access to improved water sources, ranging from a household connection to a public standpipe. However, the coverage in some countries is declining. The reason could be that the rate of urbanisation is higher than the rate at which people gain access to improved water sources.

However, "improved water source" does not imply an adequate quantity and quality of water. In some parts of a city or town, water may be supplied intermittently and this could lead to contamination of the water, if the pressure declines and waste is sucked into the pipes. Moreover, if households rely on public water stand post and water is supplied intermittently, household members may have to queue for hours to fetch water. Sanitation is still unsatisfactory in many urban areas.

Table 1	Table 19. Access to improved water sources and sanitation (1990-2006)								
	Urban Population with Access (%)								
	Im	proved Wa	ater Sourc	es		Improved	Sanitation		
	1990	1995	2000	2008	1990	1995	2000	2008	
Brunei	-	-	-	-	-	-	-	-	
Cambodia	52	54	64	81	38	40	50	67	
Indonesia	92	91	90	89	58	60	63	67	
Lao PDR	-	78	77	72	-	56	62	86	

Malaysia	94	96	99	100	88	91	94	96	
Myanmar	87	85	80	75	-	77	81	86	
Philippines	93	93	93	93	70	73	76	80	
Singapore	100	100	100	100	99	99	100	100	
Thailand	97	98	98	99	93	94	94	95	
Timor-Leste	-	-	69	86	-	-	55	76	
Viet Nam	88	91	94	99	61	70	79	94	
SEA	92	92	92	92	69	71	71	79	
Source: JMP,	Source: JMP, 2010: 38-52.								

The urban poor are generally better off than the rural population, but that there is often a clear gap between the urban poor and the urban non-poor. The Panel on Urban Populations Dynamics (2003: 175) compared access to water supply and sanitation for the rural population, the urban poor and the urban non-poor, based on data from Demographic and Health Surveys in the late 1980s and the 1990s in Indonesia, the Philippines and Thailand. It found that almost 30 per cent of the rural households, 17. 5 per cent of the urban poor households and a negligible percentage of the urban non-poor lacked adequate water supply, sanitation and electricity.

Table 20. Access to services in selected countries of Southeast Asia										
		Access to Services (1980s-1990s)								
	Piped water Water in Neigh- Flush Toilet Pit Latrine Electricity Lacks Service									
Rural	18.6	53.7	55.5	24.3	50.8	29.4				
Urban Poor	34.0	53.7	61.8	22.9	68.9	17.5				
Urban Non-Poor	55.8	40.1	89.0	9.4	97.4	0.6				
Source: Papel on	Lirban Populat	ion Dynamics 20	12:175							

Source: Panel on Urban Population Dynamics, 2003: 175.

A key problem for the urban poor is a lack of affordable housing in suitable locations. This forces them to rent accommodation in dilapidated buildings in central parts of the city or town, or to squat, without the owner's consent, on public or private land. There, they build or buy their house without proper permits and authorisations. UN-HABITAT uses the term "slum" for all forms of inadequate housing.⁴ Because the settlements are unauthorised, the residents face a constant threat of eviction which discourages them from investing in the improvement of the house.

Most governments are unwilling to invest in water supply, drainage or roads in unauthorised neighbourhoods. Thus, the poor's lack of access to infrastructure is

^{4.} UN-HABITAT (2008: 92) defines slum conditions as a lack of one or more of the following conditions: security of tenure, access to improved water, access to improved sanitation facilities, sufficient living area and structural quality and durability of dwelling.

not so much a matter of lack of infrastructure or a lack of government funding, but a deliberate decision to exclude informal settlements and thereby many urban poor from access to infrastructure services. Without a formal status, houses do not have a proper address and residents are stigmatised for living in such settlements.

Country	Slum population ('000) (2005)	Urban population ('000) (2005)	Slum population as % of urban population	
Brunei	-	275	-	
Cambodia	2,309	2,926	78.9	
Indonesia	28,159	107,068	26.3	
Lao PDR	969	1,222	79.3	
Malaysia	-	17,345	-	
Myanmar	7,062	15,487	45.6	
Philippines	22,768	52,101	43.7	
Singapore	-	4,327	-	
Thailand	2,061	7,927	26.0	
Timor Leste	-	357	-	
Viet Nam	9,192	22,257	41.3	
Southeast Asia	72,520	208,988*	34.7*	
* excluding Brunei, M	alaysia, Singapore and Timor-	Leste		

Overall, rapid urban economic growth has resulted in improved urban housing conditions across the region. The combination of higher incomes, the emergence of private-sector housing developers and improvements in the housing finance sector have increased effective demand for and the supply of middle and lower-middle-income housing, usually in the form of row-houses and condominiums. Still, many cities and towns in Southeast Asia face a massive housing shortage for low- and lower-middle-income groups.

Governments have tried to address urban housing problems with various degrees of success. Singapore has been the most successful, as it provided public-sector housing with transport links to employment centres as part of planned urban development from early stages of economic development. The approach is difficult to replicate in other countries because of the unique character of Singapore: a strong and stable government, a relatively small population and no rural hinterland, a rapidly growing economy and a population that works predominantly in the formal sector.

Resettlement of squatters and slum dwellers in new settlements produced mixed results. Most resettlement sites are situated outside the city proper, where land is less costly. Some resettled households from Phnom Penh found themselves in a location without infrastructure, far from centres of employment and with a risk of flooding. The resettlement of canal-bank squatters benefitted some, but it excluded those with a temporary residence permit; it raised housing-related costs and led to a drop in income for some (Castiglioni et al, 2010: 114-115).

Some governments have launched programmes to improve living conditions in slums and squatter settlements. The programmes aim at regularisation of land tenure, the provision of infrastructure and the improvement of housing conditions with strong community involvement. Good practices include the Community Mortgage Programme (CMP) in the Philippines, the Kampung Improvement Programme (KIP) in Indonesia and the Baan Mankong Programme in Thailand.

In places where land or land occupancy rights can be traded, legalising land tenure of squatter settlements is difficult. Because of the complexities of granting land tenure to squatters, many settlements have been upgraded without security of tenure. They still face the threat of eviction, when urban economies boom and the market pressure on urban land increases. Where they obtain legal titles, the urban poor are often tempted or forced to sell to high-income groups.

In many cities and towns of Southeast Asia, the housing problems of the urban poor have not be solved.

"The importance of allocating attention and resources to addressing the housing problems in the cities of Southeast Asia cannot be overstated. Persistence of the problem reflects not only on the lack of political will among governments at addressing the issues involved, but also the disparities in the distribution of wealth as well as the share in the benefits from the rapid economic growth seen in the region" (Ooi, 2005: 88).

<u>Urban environment</u>

Urban areas or rather activities in urban areas such as industry, transport and consumerism cause serious damage to the environment. Urban areas in Southeast Asia are no exception and their residents experience daily the impact of various types of pollution on their health. The most direct links between urban environmental degradation and health are (a) air pollution and respiratory diseases, (b) water pollution and water related diseases such as diarrhea and cholera, (c) solid waste and diseases such as the plague, and (d) toxic waste and toxicity-related cancers and neurological problems (Brandon, 1998: 38).

Table 22. Concentration of PM_{10} in urban areas (1990-2005)							
	Micrograms per m ³						
	1990	1995	2000	2006			
Brunei	108.1	88.4	85.0	69.0			
Cambodia	32.0	56.0	66.0	59.0			
Indonesia	86.0	50.0	48.0	46.0			
Lao PDR	137.0	114.0	119.0	95.0			
Malaysia	91.0	52.0	54.0	50.0			
Myanmar	37.0	32.0	27.0	24.0			
Philippines	107.0	90.0	77.0	64.0			
Singapore	55.0	58.0	48.0	26.0			
Thailand	106.0	53.0	44.0	41.0			
Timor Leste	88.0	85.0	79.0	78.0			
Viet Nam							
Southeast Asia	123.0	78.0	70.0	61.0			

Particulate matter (PM) is the term for fine solid or liquid particles from various sources found in the air. PM_{10} is particulate matter smaller than 10 micrometre in the air. The standard for PM_{10} is 50 microgram per m³.

UN ESCAP, 2008: 191.

Air pollution is one of the immediate problems urban dwellers experience in their daily life. Air pollutants are emitted by factories, motor vehicles, power plants etc. Because many cities and towns in Southeast Asia are one vast construction site dust from construction also pollutes the air. However, there seems to have been an improvement in the air quality in Southeast Asia over the past 20 years. Particulate matter in the air is a type of pollution that all urban residents (including the urban middle class) notice more quickly than water or soil pollution. Did this result in popular pressure on the local or national government to take mitigating measures?

Growing prosperity leads to a rapid growth in the production of solid waste. Many local governments face immense problems disposing of the waste generated in urban areas. In cities and towns of poorer countries, informal-sector street collectors often separate solid waste for recycling and reuse, but when the urban population prospers and the supply of waste increases, households have to pay collectors to remove the recyclables rather than being able to sell the waste. Some cities and towns have a well developed recycling industry in the formal or informal sector, but the industry tends to focus on the most profitable materials in the waste only.

Table 23. M	unicipal solid waste	generated (2001) (kç	g/capita/day)
Country	Solid waste generated per capita per day	Country	Solid waste generated per capita per day

Brunei	1.4 kg	Myanmar	na
Cambodia	na	Philippines	0.50 kg
Indonesia	na	Singapore	1.86 kg
Lao PDR	0.75 kg	Thailand	1.0 kg
Malaysia	0.68 kg	Viet Nam	0.61 kg
Source: ASEAN, 2006: 7	D.	·	

A common disposal method for solid waste in Southeast Asia is open dumping and landfill. It becomes more and more difficult for urban local governments to find suitable sites within municipal boundaries, and situating a dump or landfill site in a neighbouring district is usually completely out of the question. Incineration is regularly mentioned as an alternative disposal method, but the costs of incineration are high. Much of the waste in Southeast Asia (64 per cent) consists of organic matter such as fruits and vegetables. Given their high moisture content, they require incineration at high temperatures. There is also the fear of the environmental impact of incineration.

		Disposal Method							
Country	Composting	Open Dumping	Landfill	Incineration	Others				
Brunei	2	0	70	0	2				
Indonesia	15	60	10	2	1				
Malaysia	10	50	30	5					
Myanmar	5	80	10	-					
Philippines	10	75	10	-					
Singapore	-	-	10	90					
Thailand	10	65	5	5	1				
Viet Nam	10	70	-	-	2				

The countries of Southeast Asia receive abundant rain and are rich in water resources. The annual per capita water resources availability exceeds 5,800 m³ in all countries, except Singapore. The total water withdrawal is only 4.5 per cent of the available water resources, but the withdrawal rate varies from 0.9 per cent in Cambodia and the Lao PDR to 21.2 per cent in Thailand. Agriculture is the major water consumer (85.5 per cent of total water use), followed by the industrial sector (7.8 per cent) and the domestic sector (6.6 per cent) (UNEP, 2009: X).

Cities and towns in Southeast Asia use a range of methods to manage urban water demand. They include: (a) tariff solutions such as adjusting tariffs to reflect the value of water as an economic good; (b) management solutions such as improving the operational efficiency of urban water utilities; (c) technical solutions such as reducing leakages; (d) institutional and regulatory solutions such as promoting bench marking; and (e) leadership, public education and community involvement (ASEAN, 2009: 34-35).

The lack of infrastructure and of law enforcement has led to extensive water pollution in Southeast Asia:

- Only seven cities in the Philippines have piped sewer systems and they cover a small percentage of the population. Most domestic wastewater enters directly or via septic tanks into the groundwater, public canals or drainage systems and eventually rivers and other water bodies. In Metro Manila, only 15 per cent of the population is connected to a sewer system; 192,000 tons of domestic waste enters the drainage system and groundwater yearly after only minor treatment in largely unmaintained septic tanks (World Bank 2007: 19).
- Rivers in Vietnam's urban areas, especially major cities, are seriously polluted by untreated industrial wastewater. Lakes, streams and canals within cities increasingly serve as sinks for domestic sewage and municipal and industrial wastes (World Bank, 2003a: 22-23).
- In urban areas of the Lao PDR, pollutants from roads, commercial and industrial areas, and private properties wash into the drains and watercourses. Litter, dust and dirt, oil and grease, particles of rubber compounds from tires and metal, glass and plastic from vehicles, and lead are common pollutants. Drains act as secondary sewers carrying industrial discharges, septic tank seepage and overflows in wet weather. Sewage is disposed into surface drains and drainage channels (World Bank, n.d.: 33-34).
- Indonesia has one of the lowest rates of sewerage and sanitation coverage in Asia. The industrial expansion in Indonesia has taken place without much regard for the environment and led to serious environmental degradation. Domestic sewage, industrial effluents, agricultural runoff, and mismanaged solid waste are polluting surface and groundwater in Indonesia (World Bank, 2003b: 20-21).

Southeast Asia contributed 12 per cent (5,187 MtCO2-eq) of the global greenhouse gas emissions in 2000. Of these emissions, 59 per cent came from Indonesia, 6 per cent from Thailand, 4 per cent from the Philippines, 2 per cent from Viet Nam and 1 per cent from Singapore; the remaining came from the rest of Southeast Asia (ADB, 2009a: 126). Per capita, the emissions are considerably higher than the global average, although still relatively low when compared to developed countries (ADB, 2009a: 5).

Sector	1990	1995	2000
Energy	432.6	635.5	971.8
Industrial Process	25.4	46.4	50.8
Agriculture	336.7	369.3	407.0
Land Use Change and Forestry	3,232.4	3,832.2	3,861.0
Waste	64.1	70.5	76.6
Total	4,091.2	4,944.9	5,187.2

Climate change is one of the most serious challenges facing Southeast Asia in the 21st century. The region is one of the most vulnerable to climate change. It has long coastlines of 173,251 kilometres and very high concentrations of population and economic activities in coastal areas which will be exposed to sea level rises of 1.3 ± 0.7 mm per year over the next decades. The most conservative scenario estimate is a sea level rise in Southeast Asia of about 40 cm above today's level by the end of the 21st century (ADB, 2009a: 32).

Table 26. Share o	of population within	100 kilometres from	n the coast (2005)
Country	%	Country	%
Indonesia	98.4	Thailand	39.5
Philippines	88.6	Viet Nam	77.9
Singapore	84.4	Southeast Asia	80.2
Source: ADB, 2009a: 9			

The urban low-elevation coastal zone (LECZ)⁵ in Southeast Asia represents 29.4 per cent of the total urban land area. The urban population living in these zones is 12.3 per cent of the total population, and 36.0 per cent of the total urban population of Southeast Asia (CIESIN, 2006). It is very likely that the urban poor will be affected disproportionally, as they tend to live in very-low-elevation areas.

Table 27. Urban population at risk from sea level rise (1995, 2000)							
	200	0 Population ('000)	199	5 Land Area (F	(m²)	
Country	Total	Urban	Urban in LECZ	Total	Urban	Urban in LECZ	
Brunei	328	222	25	5,901	1,117	256	
Cambodia	13,082	1,886	288	179,505	672	136	

⁵ Contiguous land area up to 100 kilometres from the coast that is 10 metres or below in elevation.

Indonesia	212,068	81,367	22,705	3,213,908	32,398	8,174
Lao PDR	5,278	892	0	230,230	1,134	0
Myanmar	47,749	12,452	4,509	669,310	4,698	1,084
Malaysia	22,172	13,902	3,684	329,945	14,090	3,774
Philippines	75,290	24,866	6,807	295,408	8,596	1,872
Singapore	4,018	3,926	550	597	543	62
Thailand	62,610	20,787	12,472	516,922	27,525	9,191
Timor-Leste	737	33	1	14,789	134	7
Viet Nam	78,136	17,406	12,863	328,535	5,959	3,872
SEA	521,468	177,739	63,904	5,785,050	96,866	28,428
LECZ: Low-elev 10 metres or be Note that the da	ation coastal low in elevatic ta used in this	zone, i.e. contig n. s table may diffe	guous land are	a up to 100 kilo cial data.	ometres from th	ne coast that is
Source: CIESIN	, 2006; McGra	anahan, Balk ar	nd Anderson, 2	006: 23.		

A sea level rise of 59 cm could result in loss of mangroves, coastal erosion and land loss for Singapore. Rising sea levels, combined with land subsidence due to overexploitation of ground water, will move the coastline in Indonesia inland with a higher risk of flooding. If the sea level rises 0.25, 0.57 or 1.00 cm per year, floods will affect about 40, 45 or 90 km² respectively of North Jakarta in 2050. If the mean sea level rises by 0.5 meters and land subsidence continues, parts of six sub-districts of North Jakarta and Bekasi will be permanently inundated (ADB, 2009a: 49-50).

A 30 cm rise in sea level in the Philippines by 2045 could affect 2,000 ha of land and about 500,000 people. A rise in sea level of 100 cm by 2080 will inundate over 5,000 ha of the Manila Bay coastal area and affect over 2.5 million people. The risks will intensify if sea surges associated with intense storms increase. In Thailand, settlements along rivers and coastal areas will be at risk from the threat of sea level rise and coastal storm surges. An increase in coastal erosion is expected with consequent loss for the tourism industry. In Viet Nam, a rise in sea level of 100 cm could lead to flooding of 5,000 km² of Red River Delta and 15,000–20,000 km² of Mekong Delta (ADB, 2009a: 50-51).

Climate change will affect urban assets such as ports. Port cities in Southeast Asia are vulnerable due to their location in low-lying delta areas. Nicholls et al. (2008) studied the impact of climate change on port cities with more than one million inhabitants in 2005, including 12 port cities in Southeast Asia. In these 12 port cities, more than 5 million people and assets worth US\$ 114 billion are already exposed to coastal flooding due to storm surge and damage due to high winds. In 2070, 28 million people and assets worth US\$ 2,900 could be exposed to climate change.

Table 28. Exposure of port cities to climate change (2005, 2070)								
			Current City (2005)		Future Ci	ty (2070)		
	Pop. 2005 ('000)	Delta	Exposed Pop. ('000)	Exposed Assets (US\$ b)	Exposed Pop. ('000)	Exposed Assets (US\$ b)		
Indonesia								
Jakarta	13,215	D	513	10.11	2,248	321.24		
Malaysia								
Kuala Lumpur	1,405	-	270	15.06	295	83.88		
Myanmar								
Yangon	4,107	-	510	3.62	4,965	172.02		
Philippines								
Manila	10,686	D	113	2.69	545	66.21		
Singapore								
Singapore	4,326	-	16	2.30	29	20.54		
Thailand								
Bangkok	6,593	D	907	38.72	5,138	1,117.54		
Viet Nam								
HCM City	5,065	D	1,931	26.86	9,216	652.82		
Delta: Cities in deltaic locations tend to have higher coastal flood risk as a result of their tendency to be at lower elevations and experience significant (natural and anthropogenic) subsidence. Current city: situation in 2005; future city: future socio-economic situation with the 2070's climate change, natural subsidence/uplift and human-induced subsidence).								
Source: Nicholls et al.	, 2008.			-				

A possible indirect impact of global warming in Southeast Asia are refugees,

People may be fleeing their rural homes due to persistent droughts, floods or erosion and seek refuge in urban areas. The Asian Development Bank (2009b) notes that there have been a number of speculative predictions of human displacements at the global level, despite many gaps in current knowledge on climate change, migration, and the relationships among these in Asia and the Pacific. It would be irresponsible to speculate on future numbers of people likely to migrate.

5. Cross-cutting responses

Urban infrastructure

In order to attract investments and generate economic growth, cities and towns need to function efficiently. The rapid growth of the population and of the economy is placing an enormous stress on existing urban infrastructure and services. Traffic congestion, environmental degradation and slums and squatter settlements are evidence that cities like Bangkok, Jakarta, Manila and Ho Chi Minh City have not managed to stay ahead of the growing demand for infrastructure and services. Infrastructure investment needs are immense, running into billions of dollars.

Most cities and towns in Southeast Asia need to invest in a wide range of infrastructure. Urban areas need roads, water and power supply, railway lines, ports and airports to promote economic growth. Urban areas need to expand water supply and sanitation, education and health facilities to reduce poverty and increase productivity. Urban areas need mass transit systems and improved solid waste management to improve the living environment. Adaptation to climate change will require investment in disaster preparedness.

Table 29. Infrastructure expenditure needs (2006-2010)							
Country	Urban Sector (basic) (\$ million)	Urban Sector (basic + other) (\$ million)	Country	Urban Sector (basic) (\$ million)	Urban Sector (basic + other) (\$ million)		
Cambodia	55.0	132	Philippines	1,043.7	2,504.9		
Indonesia	1,998.7	4,772.9	Thailand	266.7	640.1		
Lao PDR	26.4	63.4	Viet Nam	455.4	1,093.0		
Malaysia	279.3	670.3	Total	4,442.0	10,636.9		
Myanmar	316.8	760.3					
Source: ADB, 20	08:41	•	•				

One of the most visible infrastructure bottlenecks is urban transport. Bangkok, Jakarta and Manila, but also Ho Chi Minh City and Phnom Penh, and even secondary cities are notorious for their traffic congestion because of the rapid increase in various means of transport. In Hanoi, the number of motorcycles increased from 56,648 to 1,076,581 and the number of private cars from 18,000 in 1981 to more than 109,900 between 1981 and 2002 ((Koh, 2006: 165). The economic and environmental costs of traffic congestion are immense.

Year	Singapore	Kuala Lumpur	Bangkok	Jakarta	Manila	Surabaya
1960	39	46	14	n.a.	n.a.	n.a.
1970	69	72	54	22	38	14
1980	64	86	71	38	55	20
1990	101	170	199	75	66	40
1995	116	209	249	103	74	Na
2000	97	na	270	148	77	Na

Rapid motorisation outstripped the expansion of the road network in Bangkok, Jakarta, Manila and Singapore. Due to a lack of convenient public transport modes, economic growth and increases in income lead to a rise in car ownership and road transport demand. With urbanisation and economic growth, cities expand and the length of commuting trips increases, leading to more car dependence and road demand. A lack of road supply and public transport cause severe traffic congestion. To meet the growing demand, cities develop their own public transport systems, such as small and medium-volume, ride-sharing public transport, including taxis and motorcycle taxis (Hayashi et al., 2004: 29-32).

Table 31. Vehicles per kilometre of road in selected cities (2000)						
City	Vehicles/km	City	Vehicles/km			
Bangkok	1,332	Singapore	219			
Jakarta	472	Chiang Mai	148			
Metro Manila	435	Kuala Lumpur	113			
Surabaya	422	Penang	93			
Cebu	276					
Source: Rimmer and Dic	k, 2009: 239.					

Many cities lack a long-term public transport vision and a strategic planning and coordination capacity (APERC, 2008: 1). At an early stage of urban development, cities need to assess future transport requirements so that timely investments in mass transit systems can be planned and high car dependence can be avoided. Otherwise, land use patterns have been fixed and residents have become dependent on road-based (private) vehicles (ADB, 2005: 47). Major longterm investments would be needed to redesign and rebuild the transport system, and major efforts to change people's behaviour to reduce car dependence.

In many cities, independent government agencies and private companies operate different parts of the public transport system. This makes coordination and integration of different modes of public transport often difficult. As a result, even if a mass transit system exists, feeding the system through other modes of public transport is a problem. In other words, once committed to a transport policy centred on the private car, governments change course only slowly (O'Connor, 1996: 31).

Affordable mass transit systems provide the population with a wider choice of residential locations. If public transport is unavailable or expensive, low-income groups are forced to live close to their place of work, but such locations tend to be unaffordable. This forces many to live in slums and informal settlements near centres of employment. To prevent the development of informal settlements, governments need to set aside urban land for housing the urban poor and connect these to centres of employment through inexpensive mass transit systems.

Table 22. Mass transit system in Southeast Asia							
City	Mass Transit since	Length	City	Mass Transit since	Length		
Bangkok	December 1999	47.3 kms	Singapore	November 1987	147.7 kms		
Kuala Lumpur	December 1996	72.0 kms	HCM City	Being planned			
Metro Manila	December 1984	45.6 kms					
Source: <u>www.urb</u>	Source: <u>www.urbanrail.net</u>						

Competitive cities also need "soft" infrastructure. Such infrastructure includes a reliable banking system, educational institutions, medical facilities, technological readiness and business sophistication. Southeast Asian cities and towns (with the exception of Singapore) are deficient in this respect. Southeast Asia is represented in the ranking of top 200 of world universities by only four universities: two from Singapore, one from Thailand and one from Malaysia.

	Тор	200				Тор 50						
	Ove	erall		1		2		3		4		5
	rk.	sc.	rk.	SC.	rk.	SC.	rk.	sc.	rk.	sc.	rk.	SC.
NUS	30	84.3	14	57.5	20	57.4	27	50.7	20	57.3	23	55.0
NTU	73	72.0	33	45.3	-	-	-	-	-	-	-	-
Chula	138	62.3	-	-	-	-	-	-	-	-	40	40.7
UM	180	56.5	-	-	-	-	-	-	-	-	-	-
1: engineering and IT; 2: life sciences and bio-medics; 3: natural sciences; 4: social sciences; 5: arts and humanities; rk. rank; sc. score.												
NUS: Na Universit	tional U ty; UM: l	niversity Jniversity	of Sing / Malay	apore; N	ITU: Na	anyang T	echnol	ogical Ur	niversit	y; Chula:	Chula	longkorr

Decentralisation

In order to manage urban areas better and mobilise funds for development, local governments need more authority. However, countries in Southeast Asia have generally had very centralised forms of decision-making. National governments have generally been reluctant to give local governments more decision-making powers. They pointed at a lack of local management capacity, the opportunities for corruption and the need to ensure the integrity of the nation-state. The decentralisation they allowed was usually some form of deconcentration (see Box 1) with a token role for local representatives.

Box 1. Forms of decentralisation

Decentralisation can take one or a combination of the following forms (White and Smoke, 2005: 6):

- Deconcentration: sub-national governments act as agents of the national government ministries in the delivery of certain services without much or any authority over what and how they provide;
- Delegation: sub-national governments, rather than branches of central government, are responsible for the delivery of certain services under the supervision of central government;
- Devolution: (semi-)independent, elected sub-national governments are responsible for the delivery of public services and for imposing fees and taxes to finance the services.

The move towards greater decentralisation may be explained in different ways. Was it because of a willingness to bring decision-making closer to the people? Was it because of the realisation of the need to take specific local needs and conditions into account? Was it because of central government's inability to meet the growing demands for better cities and towns by the urban populations? Whatever the reason, devolution of responsibilities to local government occurred to different extents in Cambodia, Indonesia, the Lao PDR, the Philippines, Thailand and Viet Nam.

	Box 2. Decentralisation policies in Southeast Asia
Country	Policy

Cambodia	Hybrid case, with de-concentration to provinces and devolution to communes; commune system new and given greater emphasis, but provinces are more significant in terms of public expenditures.
Indonesia	Focus on substantial devolution to cities and districts, which replaced earlier emphasis on de-concentration to provinces; limited formal role at lowest levels; 2004 reforms increased the role of higher levels.
Philippines	Focus on devolution to sub-provincial units, but provinces still play a significant role.
Thailand	Historical focus on de-concentration to provinces and districts, but 1997 framework shifts toward devolution to municipalities, districts, and sub- districts; implementation has been limited.
Viet Nam	Focus mainly on de-concentration with stronger role for provinces, including regulatory control over sub-provincial levels; sub-national governments have been allocated rights over specific functions, approaching devolution.
Source: Smoke,	2005: 28.

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Decentralisation has generally been welcomed, as a step towards greater democracy and better governance. However, experiences in Southeast Asia show that it is much easier to talk about decentralisation than to implement it. Decentralisation is an uncharted territory for national and local governments, and it is a process that takes time and that is often not as rosy as initially thought.

Many factors determine the success of decentralisation policies. Jutting et al (2004: 11-12) distinguish background conditions include (a) country settings such as the level of economic development, (b) capacity of local actors and the culture of accountability and law enforcement, (c) social institutions and (d) political power structure. Process conditions include (a) the ability and willingness to carry out the reforms, (b) transparency and participation, (c) elite capture and corruption, and (d) policy coherence.

National governments in Southeast Asia do not seem to have adopted decentralisation policies wholeheartedly. There are substantial differences between de jure and de facto decentralisation. Policies change often and there are frequent attempts by central government to re-centralise decision-making. National governments tend to blame problems with decentralisation on a lack of capacity of local actors, but policy incoherence appears to be a major problem.

Inconsistencies and discrepancies in the legal provisions of decentralisation often pose serious problems. Decentralisation in the Philippines was implemented in a rather compartmentalised way with little coherence between the different parts of the institutional framework (Guevara, 2004: 2). Inconsistencies in the enabling

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legislation in Indonesia led to conflicts between levels of government and agencies, because of sustained uncertainty about the roles and responsibilities of different levels of government (Campos and Hellman, 2005: 250).

Conditions	Indonesia	Philippines	Thailand	Viet Nam
Clear assignment of Responsibilities	low	medium	medium	medium
Matching of resources to responsibilities	low	medium	medium	medium
Matching of authority to responsibilities	medium	medium	low	low
Local capacity	medium	medium	low	medium
Local accountability	low	low	medium	low
National accountability	medium	low	medium	low

Local governments are often assigned new tasks, but are unable to mobilise the resources to undertake those tasks. Local governments often remain dependent on tax sharing arrangements with and transfers from the national government. The Asian Development Bank (2008: XI) argues that local governments need greater control over tax policy and that they must be able to sets rates and define the tax base. On the other hand, they must also administer their local tax system better and reduce non-compliance.

Decentralisation is expected to improve transparency and accountability, but often fails to do so. The benefits of decentralisation are captured by the local elite, the rich and powerful, while the poor and other disadvantaged groups are not better off than before. In Indonesia, decentralisation did not empower the disadvantaged, but facilitated the rise of local patronage networks. Predatory interests effectively captured the process. Moreover, any abuse of power occurring in a small town or village is less exposed by the media than such abuse in the capital city (Firman, 2009b: 336; Hadiz, 2004). In Thailand, government officials at the provincial and local level often maintain de facto control over decision-making by elected councils, and local businessmen with interests in the construction sector tend to play a dominant roles in the planning of infrastructure works (Arghiros, 2002),

Box 4. Sub-national fiscal structure							
	Own-Source Revenues	Shared Taxes	Unconditional Transfers	Conditional Transfers	Informal Revenues		
Cambodia	low	low	high ^a	n.a. ^b	high		

Indonesia	low	moderate	high	low	moderate
Philippines	moderate	moderate	high	low	moderate
Thailand	low	high	moderate	moderate	low
Viet Nam	none	high	low	high	moderate

Note: "Low," "moderate," and "high" refer to the rough proportions of total sub-national revenues attributable to each revenue source relative to international experience. a. Refers only to the commune level.

b. Most "provincial" agencies are de-concentrated arms of central ministries, so the term "transfer" does not apply.

Source: White and Smoke, 2005: 13

Decentralisation increases problems of coordination and cooperation between local governments and between different levels of government. Metropolitan regions often already cover different administrative entities. Greater Jakarta (JaBoTaBek) consists of five municipalities and three regencies. Bangkok's metropolitan region covers six provinces: Bangkok, Nonthaburi, Pathum Thani, Samut Prakan, Samut Sakhon and Nakhon Pathom. Metro Manila consists of 16 cities and one municipality. Many metropolitan regions are also fragmented sectorally between competing local jurisdictions with line agencies in charge of transport, water and power supply, and hierarchically between districts, towns, cities and provinces (Laquian, 2008: 7).

Decentralisation generates "egoism" among local governments who only look inwards and only think about themselves (Firman, 2009a: 2; 2009b: 336). The autonomous entities may have different functions: some are mainly residential, other are primarily commercial or industrial. This complicates the situation, because investments may be needed in one part, but taxes are collected in another (OCED, 2006: 157-201). Infrastructure development, environmental pollution and public transport are cross-boundary issues, while urban plans, legal ordinances, zoning codes and land use rules and regulations may only apply within the jurisdiction where they were promulgated.

Decentralisation may require institutions to coordinate policies and programmes with cross-boundary implications. However, this would be an additional layer of government and of decision-making with all its technical and political problems. It would also face strong opposition from the cities and towns concerned, and possibly also from the national government, as all of them would lose power.

In the name of decentralisation, national governments are in fact more inclined to break up a large city into smaller municipalities to reduce its power. They fear the emergence of strong local governments that often belong to the political opposition, because their needs and priorities tend to be quite different from those of the country as a whole. The OECD (2006: 190) concludes that there is no simple governance model for metropolitan regions, as the differences between the models contain considerable trade-offs in terms of benefits and costs.

The problems experienced by local governments after decentralisation are not an argument or an excuse to re-centralise power. Without democratic decentralisation, there can be no advance in local governance; decentralisation is a necessary first step (Arghiros, 2002: 243). Making decentralisation work requires time and patience. Inconsistencies in the regulatory framework need to be removed. Some decision-making may need to be taking place at higher (intermediate) levels of government. Capacity development of local governments must be a critical part of any decentralisation effort.

Privatisation

Economic growth led to the emergence an urban middle-class. The middle class is well educated, with stable employment as a professional and an adequate income. The enhanced education, better access to information, increased mobility and heightened political awareness, enables the urban middle class to compare local conditions with conditions elsewhere. It makes them become more vocal and more demanding. Importantly, their demand for quality public services is accompanied by a capacity and willingness to pay. When they find that the government cannot deliver, they turn towards the private sector.

The trend fitted well with the global shift towards economic liberalisation. Privatisation can be looked at from various perspectives. Some believe that the government is unsuitable to deliver any services in an efficient manner, because of its bureaucratic nature. Others stress that privatisation fosters competition and gives consumers more choices. Osborne and Gaebler (1993: 35) argued that governments should concentrate on "steering" public affairs and leave the "rowing" to the private sector and civil society who are better equipped for such roles.

Privatisation shifts the burden of raising capital for infrastructure investments from the government to the private sector. Local governments could issue bonds to finance urban infrastructure investments. However, there may be doubts about the credit-worthiness of a local government and national governments which would have to step in, in case a local government defaults, are often reluctant to allow subnational entities to issue bonds. Privatisation or public private partnerships avoid the problem by leaving it to the private companies to find the needed capital. **Public-private partnerships are often presented as the best of both worlds.** Experiences in Southeast Asia show that they are often difficult to conclude. The tollways of Bangkok are an outstanding example. It is often difficult for a government to estimate the long-term demand for the service on which the private sector can calculate its cash flow. Decisions by subsequent governments (e.g. opening new tollfree roads that compete with the toll-way) may affect demand. Denying the private partner the agreed fee increases for political reasons will undermine the financial foundation of the project.

Public-private partnerships are criticised as "private management of public policy". The partnerships suffer from a lack of transparency and accountability. This makes it difficult to assess if the government has brokered the best deal for the general public. The problem is not that the private sector seeks to make profit, but that many local governments lack the capacity or the political willingness to negotiate an outcome that is in the best public interest. Important decisions on public affairs seem to be taken behind closed doors in an elitist circle to which ordinary citizens do not have proper access (OECD, 2007: 13).

The private sector will demand a say in the design of large infrastructure development projects in which it participates. It will only participate, if it can make sure that it can earn a profit. Public-private partnership often operates the profitable lines of a mass transit system; it collects solid waste only in neighbourhoods that can afford to pay for the service. A private company will prepare an urban plan in exchange for valuable land or build a mass transit system in exchange of the right to develop real estate along the railway lines. The private sector develops shopping malls, offices and hotels and new towns, frequently with disregard for urban plans and building regulations.

Today, the private sector across Southeast Asia fills gaps left by government to meet the demand for public services. Urban middle-class families in Jakarta, Manila, Bangkok and elsewhere live in gated communities, guarded by private security firms rather than the police. They drink bottled water rather than tap water. They drive on privately-operated toll-roads rather than congested public roads, and enjoy a day at the private golf course rather than in poorly maintained public parks. They shop at private malls, cleaned and protected by private firms rather than in dirty streets where they can be disturbed by beggars and are afraid of being mugged.

The urban middle class households buy public services from the private sector, because they have the money. Local government is left with limited resources to protect and maintain the public spaces, to tackle the problems of crime and pollution, and to meet the needs of the urban poor. Political pressure to improve water supply, to clean roads, to ensure public safety, and to build more parks is reduced, because those in the best position to exert political pressure have already been looked after by the private sector.

At the other end of the socio-economic spectrum, the informal private sector develops its part of the city or town. With one quarter to one-third of the population living in informal settlements, the impact of the informal housing sector on urban development can be substantial. Informal settlements tend to develop on land which is either unsuitable or not yet profitable for commercial development, and large sections of the urban population therefore live under a permanent threat of eviction.

The informal economic sector has its own impact on urban development. The importance of the informal sector has led local governments to accommodate the informal sector in the formal urban fabric. In Bangkok, the de facto occupation of sidewalks by informal vendors has been regularised, on the condition that the vendors vacate the sidewalk at regular times to allow for a proper cleaning. Closure of streets for food stalls during the evening is common in Thailand, Malaysia and Singapore. The authorities in Bangkok have recognised motorcycle-taxis, as they provide public transport where other forms of transport are unfeasible.

Privatisation by the formal and the informal sector raises the question who takes the decisions on urban development. As a result of economic globalisation and an increasing reliance on market mechanisms to decide on investments and to supply public services, the number of decision-makers that take decisions affecting urban public affairs has become much larger. Decisions that have an impact on urban development are now taken by private companies and civil society organisations at local, national and global level.

6. Good Urban Governance

An important component of good urban management is good urban governance. Governance is a complex concept which has been defined in many different ways. A relatively simple definition is "the quality of the relationship between the government and its citizens" This still abstract definition can be operationalised as: "the quality of the process by which decisions are taken that affect public affairs, as well as the quality of the implementation and outcome of these decisions."

The reference to "quality" implies that governance is a normative concept. Many different criteria have been proposed to measure the quality of governance, but there seems to be a consensus on the following criteria: inclusiveness, participation, transparency and accountability, equity, predictability, adherence to the rule of law and subsidiarity. These criteria of good governance are related and reinforce each other. They offer different entry-points into an assessment of good governance.

National and local governments are expected to take the decisions related to public affairs, on behalf of the citizens whom they exist to serve and protect. They are accountable to the citizens for the decisions they have taken and for their implementation and outcomes. However, globalisation and privatisation have weakened the role of government and increased the number of decision-makers. This makes transparency and accountability much more difficult. Southeast Asia with its open economies has proven to be particularly sensitive to decisions taken all over the world, as the 1997 financial crisis showed.

A clear area of contention is the role of the government in times of market liberalisation and privatisation. Some defend the ability of the private sector to be self-regulatory, with the government acting simply as its supporter and enabler. A lesson from the 2009 global financial crisis seems to be that any shift in decision-making power cannot and must not relieve the government from its primary responsibility to serve and protect its citizens. An example is urban planning.

Urban planning

Many urban areas in the region have become vast construction sites, experiencing constant change and development. Rural areas are urbanised; old buildings in historic centres are being demolished; new buildings are being constructed. There is a saying in Southeast Asia that someone who has not visited a particular neighbourhood for six months will easily get lost, because the cityscape will have changed completely. With the exception of Singapore, urban planning has a bad reputation in Southeast Asia. Many visitors to Bangkok tend to ask the rhetorical question: What happened to urban planning here? Vorratnchaiphan and Villeneuve (2006: 347) write that in Thailand urban planning is an area in which cities and towns perform very poorly. Planning has had almost no effect on how urban form and land use develop in Thailand. Cities and towns are essentially self-organising rather than planned. However, in these self-organising systems some have more influence than others.

The lack of urban planning is not limited to free-market countries like Thailand. In urban areas of the socialist Lao People's Democratic Republic, private initiatives increasingly determine land uses. The transfer of state land to private ownership often occurs gradually on an informal basis rather than by design, but it is raising concerns that the private sector dominates the land market and could damage the wider public interest. Private investors often choose to ignore master plans and to bypass planning guidance and controls (Rabé et al, 2007: 28-30).

There is a disconnect between planners working in the traditional planning mode and the actual market-based mechanisms for urban development. Major decisions affecting public affairs at the local level are not taken by an (elected) local government. They are in the hands of a wide range of stakeholders at local, national, regional and global level with local government often as the weakest player.

Is ineffective urban planning is the result of a lack of capacity or a lack of political willingness to intervene? Is it a deliberate policy to leave urban development decisions to the market? The need for cities to compete in the global economy may have led to a shift in urban governance from managerialism to entrepreneurialism (OECD, 2007: 7-13, 30). Managerialism is primarily concerned with the provision of services to citizens. Entrepreneurialism is concerned with pro-economic-growth strategies, a positive attitude toward the private sector and a willingness to collaborate with it.

Planning and policy development are the result of a complex process of coalition formation between the public and the private sector. They are no longer the domain of the government alone. This can be worrisome, as there are close links in many Southeast Asian countries between politicians and those with vested interests in land and real estate development. It is not surprising that appointed and elected officials in local government are often inclined to attach higher priority to the private interests of a few than to the public interests of many.

Urban development becomes the result of negotiations over individual projects between private developers and local government. In these negotiations, the government plays only a facilitative and coordinating role. There is no attention for the broader picture, for the public interest, for marginalised groups and for the global environment. As the representative of the population at large, elected or appointed local government officials must try to find a better balance between the efficiencies of the market and the role of the government.

Public leadership

Globalisation, decentralisation and privatisation take local governments into uncharted territory. Laws or regulatory frameworks are often inconsistent or just lacking. With central government unsure if it really wants to devolve powers to lower levels, local governments cannot expect much guidance from higher authorities. They are, therefore, constantly on the look-out for good practices, i.e. success stories about a local government that was able to solve a problem they have in common.

Many local governments in Southeast Asia, alone or in partnership with the private sector or civil society are trying out new approaches. However, they operate under the wide variety of circumstances, and it is difficult to talk about "best" practices, as if there is a single way of addressing the problems. At best, the search is for practices "that have proven to be effective under particular circumstances".

Good practices related to local government and good urban governance have emerged in Southeast Asia. These include Naga City in the Philippines, Tarakan and Yogyakarta in Indonesia, and Baan Mankong in Thailand (see Box 5). Good practices are often partnerships between a local government and one or more partner from among other local governments, the private sector, civil society or urban poor communities. They address problems that many local governments face.

Sceptics will argue that good practices cannot be replicated on a wider scale or applied under different circumstances. The conclusion seems to be that good practices cannot be cloned, but that valuable lessons can be drawn from experiences in other cities and towns. One condition that is usually highlighted is the need for strong leadership or a champion. Mayors of the above mentioned towns are mentioned as persons without whom the good practice would not have developed.

Box 5. Good urban practices					
Country	City or Town	Good Practice			
Philippines	Naga City	Naga City and 14 surrounding towns formed the Metro Naga Development Council in a cooperative effort to complement limited resources, pool investment potentials and comparative advantages			

		to promote economic development. It partners with the private
		sector, enhances urban-rural linkages and promotes participation,
		transparency, accountability and predictability in managing public
		affairs (Mangahas, 2006: 295-300). [metro.naga.gov.ph]
Indonesia	Jogyakarta	Yogyakarta and two municipalities have set up a joint secretariat
		whose main objective is to ensure a balanced development of
		physical infrastructure in the region through coordination in
		planning, implementation, evaluation and monitoring. The local
		governments have established this coordination mechanism,
		because they are realise that urban infrastructure development and
		management can only perform well, if it is managed as a system,
		regardless of administrative jurisdictions (Firman, 2009a).
Indonesia	Tarakan	After the decentralisation of responsibilities to local government, the
		city of Tarakan adopted the "three pillars of development": human
		resources development, the rule of law and law enforcement, and
		economic development in the broad sense of development of
		people's welfare. Singapore provided the inspiration for the initiative,
		as it is an island-city like Tarakan. In addition, Tarakan includes
		environmental considerations in all of its major decision-making
		(Sarosa, 2006: 173-178).
Thailand	200 cities	Baan Mankong supports community-based organisations in informal
		settlements to develop into city-wide networks that partner with
		NGOs and academics to enable communities to negotiate better
		deals with land owners for the lease or purchase of land, with the
		aim of enhancing security of land tenure, developing basic
		infrastructure and improving housing conditions for the urban poor.
		[www.codi.or.th/housing]
1	1	

The search is for leaders who can think laterally, innovate and manage change. They reinvent local government so that it can make full use of its new responsibilities and become more effective after decentralisation and privatisation. Leaders must able overcome the inertia of the local administration and the opposition of vested interests that prefer the status quo, in order to make their city or town function better.

"We want a government of laws, not of men [*or women*]" is a quote attributed to John Adams. The call for and the reliance on leaders raise two questions: (a) Can a leader bring about structural changes that are sustainable after he or she leaves office? (b) Is a good practice, tested in one place, replicable without a leader ready to take risks to overcome adversities? The answer to these questions is not clear and requires more study of good practices and the conditions that made them successful.

Inclusiveness

Good governance is critically important to avoid divided cities and towns. The poor tend to be particularly disadvantaged in their relationship with the government. Good governance, and in particular good urban governance, emphasises the importance of inclusiveness, equity, participation, subsidiarity. This means that all citizens, including the poor and other marginalised groups, have the right:

- To participate, directly or indirectly, in decision-making that affects their life and livelihood;
- To be recognised for the contribution they make to development, even if these are made through the informal sector;
- To share in the benefits of economic growth and development, including such benefits as access to basic infrastructure and services, and (land for) housing.

Such a right may be controversial and misunderstood. They do not entitle people to free access to infrastructure, services, land and housing. There can only be progressive realisation of the rights. They require (local) governments to respect and protect these rights, and facilitate their fulfillment through support and assistance.

Some countries have formal barriers to inclusion and participation. In Viet Nam, residential status determines an urban resident's right to access social assistance, the formal banking sector, employment in civil service etc. In a resettlement programme in Ho Chi Minh City, households with only temporary urban registration were excluded from the benefits of the programme (Castiglioni et al, 2010: 106-114). Other countries in Southeast Asia also have household registration systems that may deny residents certain rights outside the location where they are registered.

In a situation with advanced levels of privatisation, a key obstacle to inclusion for the poor is costs in terms of money and time. However, even if there are no costs involved, exclusion is common and it is often quite subtle. Language, appearance or an informal settlement address can stigmatise rural migrants and deny them a service. The urban poor are also often targeted for harassment by law enforcement agents, treated with disrespect by those delivering public services, and asked to pay bribes before they can receive assistance to which they are entitled.

Privatisation of urban development can lead to a division of the city or town. The population will be divided between the intra-muros population and the extramuros population. The intra-muros live in gated communities with all the amenities and benefits of urban life. The extra-muros who have no access to affordable land for housing are forced live in informal settlements excluded from urban amenities.

Good governance also relates to environmental sustainability, a particularly difficult issue in urban areas. Decision-makers must take the needs of future generations into account, and should not compromise the ability of future generations to meet their needs, when meeting the needs of present generations (or the private sector). This is becoming particularly urgent as the impact of climate change on the region could be devastating.

Inclusiveness also extends to the rural population. Cities and towns are in a position to contribute to increases in productivity in agriculture, to a reduction of rural poverty and to the development of rural areas. Mechanisms that enable consultation, coordination and cooperation between an urban local government and adjacent rural and urban areas is essential to expand the benefits of development to both sides.

It is often argued that conditions get worse before they can get better. The argument is applied to income inequality (the Kuznet's curve) and to environmental conditions (the environmental Kuznet's curve). It may even be applied to political participation, as Asians are said to give initial priority to material well-being over liberal democracy. Arguing that inequality and environment conditions will worsen before they will get better is difficult to accept.

The urban (and rural) poor are becoming increasingly demanding. Growing sections of the urban population are exposed to new ideas as a result ever more widely available information, universal education and increasing organisation. This leads to growing political awareness and empowerment of the urban poor who start challenging the inequalities in society. Due to the links between the urban poor and the rural poor, the demand for a fairer distribution of the benefits of economic growth and development becomes a national political issue.

It is now clear that local environmental problems have national, regional and global consequences. Moreover, some negative environmental trends are simply irreversible and developing countries, unlike the now developed ones, will also not be able to export their environmental problems. The impact of climate change needs to be mitigated now and urban areas must play a central role in the mitigation efforts.

Urban areas must become not only more productive, but also more inclusive and more sustainable. To do so, local governments need to collaborate with all stakeholders (private sector, civil society, the urban poor and others) to develop a commitment for productive, inclusive and sustainable cities and towns. This requires that local governments develop their capacity to manage resources efficiently and effectively and adhere to the principles of good urban governance.

City Development Strategy is a process of bringing together all stakeholders to formulate a strategy for urban development. Its outputs are (a) a collective vision and strategy for a city; (b) defined priorities and action plans (c) development strategies that promote economic growth and address poverty reduction; and (d) defined policies that lead to an improved investment climate. Its goal is to generate internal institutional and political capacity to innovate and respond to the rapidly changing economic and social realities of today (ADB, nd).

Capacity development

Local governments must be smart buyers and good urban managers to "steer" and reap the public benefits of globalisation, decentralisation and privatisation. They need personnel with contract management experience, policy expertise, negotiation, bargaining and mediation skills, oversight and programme audit capabilities and communication and political skills to manage programmes with third parties in a complex political environment (Van Slyke, 2003: 296-297). Large cities are hard-pressed to find such staff; for small cities and towns, it is nearly impossible.

Urban management capacity is lacking in most countries of Southeast Asia:

- In Cambodia, the government has been unable to minimise the negative impact of rapid urbanisation due to limited human, technical and financial resources, leading to growing incidents of urban deficiencies and problems (Beng Hong, 2006: 75).
- In Indonesia, weakness in the institutional capacity, both at national and local level, is one of major problems in the implementation of new decentralisation policy in Indonesia (Firman, 2009a).
- In the Lao People's Democratic Republic, the main constraints facing provincial and district-level land management authorities are a lack of staff, particularly staff trained in land management, the absence of a fully fledged network of district offices and the lack of appropriate equipment and facilities required for their new tasks (Rabe et al, 2007: 33).
- In Thailand, municipalities still have difficulty attracting and retaining a critical mass of high-quality, appropriately skilled staff. Many local governments want to increase the capability of their current staff rather than wait for an increase of

staff or financial resources to recruit additional staff (Vorratnchaiphan and Villeneuve, 2006: 346).

In Viet Nam, local governments have a poor understanding of the nature of urbanisation and lack the necessary skills to develop appropriate policies that are responsive to the development of a market economy (Nguyen, 2006: 379).

The lack of expert staff is often used as an argument to turn back decentralisation policies or to privatise public services. Capacity development is a critical requirement to make cities and towns more productive, inclusive and sustainable. Capacity development in this respect includes both institutional development and human resources development. The needs for capacity development are enormous in particular as the decentralisation of responsibilities for urban planning and management to local governments continues across Southeast Asia.
7. Conclusion

A small majority of the population of Southeast Asia still lives in the rural areas where poverty is also concentrated. The reduction of rural poverty and the enhancement of food security through increases in agricultural productivity are likely to lead to a further decline in employment in agriculture. While the generation of rural, off-field employment is a possibility, it will not be able to absorb the rural population, in particular as more and more of them have higher levels of education. They will need and want to find employment in the urban areas.

Urbanisation is an inevitable process that occurs in tandem with economic development. The size, density and diversity of an urban population lead to innovation, the division of labour and economic growth. Urbanisation has also a positive social impact, as it makes it easier to provide access to services such as education and health care. The impact of urbanisation is, however, not only positive. The high size and density of the population and of economic activities can lead to congestion, pollution, alienation and crime.

A considerable portion of GHG emissions originates from urban areas, but not because they are "urban". The reason is that urban areas tend to be centres of economic activity and wealth. To mitigate the impact of climate change which will hit the urban areas of Southeast Asia particularly hard, urban residents and urban businesses will need to change the way they think and the way they function. If they do, urban areas have the potential to become the protectors of the environment, because of their density.

Cities and towns in Southeast Asia face five major interdependent challenges. They need to promote economic growth and employment. They need to develop urban infrastructure and services. They need to reduce urban poverty. They need to protect the environment, mitigating and adapting to climate change. They need to develop a culture that enhances urban living and improves urban sustainability, while preserving those norms and values that are typical to the region.

Urbanisation and urban development need to be managed better. This requires policies and a legal and institutional framework for decentralisation that empower local governments to mobilise the human and financial resources to improve urban infrastructure and services. It requires capacity development in urban management and good urban governance for elected and appointed officials in local government. At the same time, national governments need to reaffirm their responsibility to ensure

coordination and cooperation between local governments and redistribution of resources between more and less wealthy parts of the country.

The empowered local government should aim at promoting productive, inclusive and sustainable cities and towns. To achieve this, it needs to support the private sector to generate economic growth and employment, assist the urban poor to improve their productivity and move out of poverty and the surrounding rural areas to reduce rural poverty and develop agriculture, strengthen partnerships with the private sector and civil society to protect the urban environment, to reduce carbon emissions that damage the environment and adapt to climate change.

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