The Promise of Urbanization
151 million today live in cities
220 million will live in urban areas by 2045.
Urbanization promises—but does not guarantee—prosperity.
Benefits of Cities

1. People find the right jobs and employers the right talent
2. Firms have more choices of who to buy from and sell to
3. Infrastructure costs can be spread
4. Easier to share ideas
Urbanization has already helped deliver prosperity to Indonesia...
...But not as much as in its neighbors

Growth Return, 1996–2016 (%)

- China: 3.0%
- EAP–Developing: 2.7%
- Indonesia: 1.4%
Congestion costs Indonesia at least 6 percent of GDP.

1. Cost of macet: 0.5% of GDP (~ USD 4 billion a year)
2. Cost of premature deaths from pollution: 3.5% of GDP
3. Cost of poor sanitation & hygiene: 2.3% of GDP

Total 6.3% of GDP
Commuting time > 1 hour per day for more than 40% commuters in Jabodetabek
Secondary cities already congested

% of driving time in traffic congestion, 2017 data

- Yogyakarta
- Padang
- Malang
- Bangkok
- Pontianak
- Bandung
- Tarogong
- Medan
- Jakarta
- Bengkulu
- Sungai Pinang
- Semarang
- Tasikmalaya
- Surabaya
- Denpasar
- Sakaka
- Riyadh
- Lat Krabang
- Bogor
- Fujairah
- Chiang Mai
- Kuwait City
- Jeddah
- Dubai
- Singapore

- Indonesian Cities
- Cities not in Indonesia
Air quality is poor and could worsen further.

Annual average PM$_{2.5}$ concentration ($\mu$g/m$^3$), 2015

- Acceptable air quality
Access to basic services still difficult for many

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>1 in 7 urban households lack access to clean water</td>
</tr>
<tr>
<td>2</td>
<td>1 in 5 do not have access to safe sanitation</td>
</tr>
<tr>
<td>3</td>
<td>1 in 5 urban residents live in slums</td>
</tr>
<tr>
<td>4</td>
<td>1 in 3 residents in DKI Jakarta live in overcrowded housing</td>
</tr>
<tr>
<td>5</td>
<td>1 in 5 urban residents lack access to junior high school</td>
</tr>
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</table>
Good policies can help tilt the balance and fulfil urbanization's promise.
Time to **ACT**: Realizing the Potential of Urbanization
Three policy principles to tip the balance
Three policy principles to tip the balance

Augment

Coverage & quality of basic services
Three policy principles to tip the balance

**A** Augment
Coverage & quality of basic services

**C** Connect
People to opportunities & services
Three policy principles to tip the balance

Augment
Coverage & quality of basic services

Connect
People to opportunities & services

Target
Marginalized groups & lagging places
Three policy principles to tip the balance

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<tr>
<th>ACT</th>
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Prosperity
Inclusiveness
Livability
Augment

Coverage & quality of basic services
Augment infrastructure and basic services to subdue congestion forces...
Some convergence, but disparities in coverage & quality remain high, both between urban & rural areas & across urban places.

…and help everyone everywhere get an equal shot.
Connect
People to opportunities & services
Connect urban areas with each other, rural areas & international markets

<table>
<thead>
<tr>
<th>Country</th>
<th>Main Roads per 1,000 population, circa 2015 (Km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1.17</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.90</td>
</tr>
<tr>
<td>Germany</td>
<td>0.78</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.66</td>
</tr>
<tr>
<td>China</td>
<td>0.50</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.44</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>0.37</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.11</td>
</tr>
<tr>
<td>India</td>
<td>0.05</td>
</tr>
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</table>
Connect people to jobs & services by coordinating housing & transport.
Target
Marginalized groups & lagging places
Target places & people that may be left behind
Augment: Coverage & quality of basic services
Connect: People to opportunities & services
Target: Marginalized groups & lagging places

Prosperity
Inclusiveness
Livability
Augment
Coverage & quality of basic services

Connect
People to opportunities & services

Target
Marginalized groups & lagging places

by improving Governance & Finance

Prosperity
Inclusiveness
Livability
ACTing for greater prosperity, livability & inclusiveness requires reforms to how cities are managed and financed.

1. Expand options for subnational financing
2. Build capacity to plan, implement, finance urban development
3. Improve institutional coordination

Augment Connect Target
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To ACT, district governments need more money.

- PPPs for commercial infrastructure
- Direct market borrowing
- Large multi-year investments
- Missing Middle
- Local budget
To ACT, cities need the skills to plan, implement and finance development.

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<th>Professional courses, tertiary education, on-the-job training programs on...</th>
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| Data analysis |
| Tax management |
| Monitoring & evaluation of SNG performance |

Integrated data platform aligned with implementation & capital investment plans

Municipal spatial data infrastructure as a city-level platform

Integrating disparate statutory plans into a spatial development framework, linked to a capital investment plan.
Enforce coordination to ACT more effectively

National level – urban development involves 8+ different planning systems

Improve coordination by

1. developing national platform on urban transformation
2. using common data and mapping platform to integrate sectoral plans
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Clarify roles in service delivery & infrastructure

Better align national, provincial & district-level plans & programs
Enforce coordination to ACT more effectively

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Improve metro coordination:

- Provide incentives to provincial governments to strengthen coordination role
- Encourage greater contracting between SNGs to deliver complementary services
Thank You