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Urban Development



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Urban Development: Coping with Urbanisation

With special focus on Southeast Asia

Smart Cities is a global buzzword - 32 Smart cities are expected to flourish in Asia by 2025, the Asian market is booming and the time for Danish companies to get involved is now. As an effort to expand the Asia House business platform 'Gateway to India's Smart Cities', Asia House has conducted an initial research of the Urban Development market in Thailand, Vietnam and The Philippines. It is evident that these countries constitute vast business opportunities in a sector within which Denmark has a strong profile. However, it is also evident that each country differs in respect to the political and financial framework within which they implement their urban development programs. Learning to navigate these frameworks is essential for any effort to penetrate these ambitious markets.

Why so many Smart City projects now?

The rapid migration to cities with poor or non-existing urban planning leads to a number of issues, including lack of affordable housing, water and sanitation, overburdened infrastructure and increasing urban poverty. Cities also consume close to 2/3 of the world's energy and account for more than 70% of global greenhouse gas emissions. Almost half a billion urban residents live in coastal areas, increasing their vulnerability to climate change-created weather phenomena.¹

However, cities generate more than 80% of the world's GDP while only representing 54% of the total population². In other words, urbanisation can contribute to (inclusive) growth if managed correctly, but this is a great challenge as the scale and speed of urbanisation has reached levels so far unseen and projections estimate a continuation of the tendency.

In this regard, attempts to improve the situation, and to mitigate future projections, are now being launched all over Asia in the form of ambitious Urban Development plans.

The purpose of this Asia House Briefing is to

- Shed light on the Urban Development market in The Philippines, Thailand and Vietnam by offering a country specific comparative analysis in terms of political and financial framework, narrative and transparency.
- Facilitate an understanding of where Danish companies can position themselves in these markets by highlighting key projects, budgets and MoUs.
- Provide the knowledge base for an Asia House Seminar on Urban Development in 2018.

Urban Development: What is it exactly?

Urban Development is essentially an effort to accommodate the increasing urbanisation and improve the existing situation in many Asian metros. It comprises as many sectors and genres as urbanisation causes problems. As such, there is no 'one size fits all'-strategy, and one Urban Development project may differ very much from another. This is also why some Urban Development projects are called 'Smart City'-projects, 'Climate Change Adaptation'-projects, 'Digital Infrastructure'-projects or a number of other terms.

In reality, most Urban Development projects include a wide range of sectoral sub-projects, some of which are a direct response to urbanisation-led issues while others are more 'opportunistic', e.g. the implementation of UN's Sustainable Development Goals or national economic reform models.

This is also the reality in the three countries that are the focus of this briefing. The case-by-case analysis below aims to show how each country position their Smart City-projects in different narratives, how they are configured within different political and financial frameworks, and finally, a note on the difficulties in obtaining this information.

¹ <http://www.worldbank.org/en/topic/urbandevelopment/overview>

² Ibid.

The Three Countries

The Philippines:

The Philippines is one of the fastest urbanizing countries in the East Asia and Pacific region. In the last 50 years the urban population has grown by over 50 million people and urban density is generally high, especially in Metro Manila.³

Urban development in the Philippines is partly integrated into the country's comprehensive infrastructure program called 'Build, Build, Build'⁴ under which public spending is estimated to reach US\$150 billion dollars over the next 5 years. Next to focusing on inter-regional connectivity infrastructure, the program also includes the construction of the Special Economic Zone 'Clark Freeport Zone' and the ongoing development of the 'New Clark City', a smart and green city, for which Malaysian MTD Capital just offered a proposal for the development of the New Clark City National Government Administrative Center, with an estimated cost of US\$235 million.⁵

The transparency level of the 'Build, Build, Build' program is high, official information on projects, bidding, budgets and stakeholders is accessible and exhaustive, although often scattered across various agencies.

Localized Urban Development projects are currently under the decision making of Local Government Agencies (LGUs). The government, however, has initiated a policy prompting the production of Master Development Plans to harmonize decision making, interests, coordination and implementation as well as the identification of a supervising and accountable entity in these projects.⁶

The Philippines has a reactive approach to Disaster Risk Management and Climate Change, focusing on identifying vulnerable areas, constructing disaster plans and policies, educating the population and securing social welfare and re-housing to (future) disaster victims.

Currently, a number of Smart City projects are being implemented throughout the country including the 'New Manila Bay', which is witnessing the most urbanisation-related issues, and its sister project, the US\$500m 'Metro Manila Flood Management Project'. A Cebu Smart City project called 'Mega Cebu: Making W.A.V.E.S' is currently on a preliminary stage while Cagayan de Oro City's 'Updated Development Plan 2017-2019' is being implemented, with an estimated three-year budget of US\$400 million.⁷

The interregional project called Luzon Spatial Development Framework 2015-2045 entails 463 programs, project or activities (PPAs) with an aggregate budget of US\$157 billion. 21% of the 133 'Core PPAs' fall within the energy and water sub-sectors, with a budget of US\$46 billion.⁸ Luzon is the largest island in the Philippines and home to capital Manila, and the coordinating and implementing political bodies are the The Luzon Regional Development Committee and the National Economic Development Authority.

Project bidding framework often includes pre-qualification and pre-bidding rounds, access to which is purchased for various figures, sometimes as high as US\$20,000. Some projects include provisions on foreign investors.

³ Philippines Urbanization Review, 2017, World Bank

⁴ <http://www.build.gov.ph/>

⁵ <https://newclarkcityph.com/2017/10/17/mtd-capital-berhad-submits-proposal-for-the-devt-of-ncc-government-center/>

⁶ <http://www.neda.gov.ph/2017/04/05/terms-of-reference-tor-for-the-formulation-of-the-manila-bay-sustainable-development-master-plan-mbsdmp/>

⁷ https://www.aiib.org/en/news-events/news/2017/20170929_001.html

⁸ Philippines Urbanization Review, 2017, World Bank, p. 16

⁹ 'Luzon Spatial Development Framework 2015-2045'

Thailand:

Urban Development in Thailand is integrated in its economic reform program 'Thailand 4.0'. The program is a US\$43 billion political program to transform the country from a manufacturing economy to an innovation driven economy by creating Special Economic Zones, developing critical hard infrastructure and Smart Cities.

Despite informative official brochures and presentations on most projects and programs, any follow-up information is difficult to access for to Danish companies, mainly due to language barriers, but also shortcomings of digital infrastructure and unavailability of key development plans. National and international news media mention projects, documents and budgets that are difficult to affirm through official sources due to the issues described above.

The newly established Ministry of Digital Economy and Society is the coordinating body behind the 'Thailand 4.0' reform policy and the digitisation of the country, including Smart City projects, and is also the author of the key document "Digital Economy and Society Development Plan". Currently Phuket, Chiang Mai and Khon Kaen are being developed as Smart Cities. The Digital Economy Promotion Agency is perceived as the implementing body, but variances do exist.¹⁰

As part of the development of the Investment Promotion Zone (IPZ) project called the 'Eastern Economic Corridor', undertaken by the Ministry of Industry, the three provinces Rayong, Chon Buri and Chachoengsao will witness ambitious investments in infrastructure and 'smart' technology sectors, estimated to reach US\$43 billion in the first five years. Projects include the construction of railways, ports, 'innovation hubs', new cities, hospitals, 'world class power, water and waste treatment', 'smart factories' and digital infrastructure, some of which are already in process. The zone will offer personal and cooperate income tax incentives.¹¹

Vietnam:

Unlike the Philippines and Thailand, Vietnam's Smart City projects do not operate under a central political program, but in a very localized political framework with the city level government in control, coordinated by the various cities' 'Peoples' Committees'. The implementing body is perceived as the various departments, which are the city-level branches of the government ministries.

There is not a rigid political framework recipe that fits every project, but each department is involved to the degree it makes sense – i.e. Department of Transportation is in charge of the Smart City projects that involve transportation, etc.

As was the case with Thailand, research is limited by issues of transparency, language barriers and lacking digital infrastructure. Several media notes, however, that Vietnam has reached out for European experiences and Danish expertise, specifically, for its Smart City projects.¹²

Currently, at least three Smart City projects are on-going: Ho Chi Minh Smart City, Da Nang Smart City and Hanoi Smart City.

¹⁰ <http://www.depa.or.th/en/node/1412/about-us-0>

¹¹ Ministry of Industry Report: "Eastern Economic Corridor Development project – Driving Forward..."

¹² <http://english.vov.vn/society/hanoi-hopes-to-learn-denmarks-experience-in-urban-development-358896.vov>
<http://en.nhandan.com.vn/scitech/sci-tech/item/5314002-vietnam-seeks-eu-smart-city-know-how.html>

Official information on budgets and timelines are rarely accessible. Media, however, note of a US\$4 billion dollar investment agreement signed between Japan’s Sumitomo Cooperation and Hanoi’s People’s Committee for the development of Hanoi Smart City, showcasing the volume of these projects.

Urban Development Market Overview

Urban Development	Philippines	Thailand	Vietnam
Political Framework	‘Build, Build, Build’	‘Thailand 4.0’	-
Public Budget	US\$150 billion	US\$43 billion	-
Key Projects	Clark Freeport Zone New Manila Bay Manila Flood Project Luzon Spatial Dev. Framework	Thailand East Economic Corridor Digital Park Thailand Smart City projects in Phuket, Chiang Mai, <u>Khon Kaen</u> and Bangkok	Hanoi Smart City Ho Chi Minh Smart City Da Nang Smart City
Coordinating Body	Project dependent (in flux)*	Ministry of Digital Economy and Society	Local Government Units
Level of Transparency	High	Low	Very low

* See footnote 6

Perspectives

Projections show that the current speed and level of urbanisation is here to stay and consequently so is the Urban Development Market. However, the time for engaging with the Asian Urban Development market is now.

Firstly, these initial projects described above represent a break with years of policy inactivity and an understanding of the urgency of the situation. As such, these projects attempt to lay the groundwork for most future development in the area. In this regard, it is feasible to think that future projects may, more often than not, be of a ‘maintenance’ character and thus carry much lower budgets.

Secondly, doing business in Asia is based much more on relationship building than in the West, and those companies that manage to establish themselves in this initial face will achieve a competitive advantage in terms of social relations that will benefit them for years to come.

Thirdly, a pivotal part of Smart City projects includes the use of IT and ICT, the latest sub-sector of which is the Internet of Things (IoT), expected to reach a global market of nearly US\$47.8 billion in 2021¹³. Adding ambitious Smart City IoT-solutions to your company portfolio could be what strengthens your position in this new, promising market.

¹³ <https://www.bccresearch.com/market-research/information-technology/sensors-internet-of-things-markets-reports-ift130a.html>