

Foreword

When the Asian Development Bank (ADB) was established in the 1960s, only 20% of Asia's population lived in cities. After four decades, this share has doubled, more cities and towns have agglomerated, and the figure has risen quickly. Urbanization will increase from 38% in 2003 to 55% by 2030. Urbanizing Asia in the new millennium takes different patterns from the conventional urban development theories projected. There is growing recognition that the urban–rural dichotomy deeply ingrained in planning systems is inadequate for dealing with Asia's urbanization patterns. Considering that urban centers are hubs for economic growth and service centers for surrounding areas, and that almost all infrastructure lies within or is linked, sustainable urban development and environment management of urban regions will become a major challenge in years to come. Urbanizing Asia in the 21st century requires a fresh look at urban development. ADB has a role to play in this area.

To increase effectiveness in pursuing inclusive growth under ADB's Long-Term Strategic Framework 2020, the urban community of practice in ADB views that urban development activities should also include more rigorous knowledge sharing with developing member countries by disseminating good practices and innovative development tools and approaches. In this regard, the urban community of practice of ADB initiates the *Urban Development Series* to spearhead knowledge contribution toward the challenging urbanization contexts of Asia and the Pacific. This book is the first of such a series.

We hope this series will encourage discussion on the sustainable development of Asian cities, and help develop forward-looking urban policies and practices to manage the challenges ahead.

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Abbreviations

ADB	Asian Development Bank
CCD	city cluster development
CNY	yuan
GDP	gross domestic product
LGB	local government body
IT	information technology
NGO	nongovernment organization
OBA	output-based aid
PRC	People's Republic of China
PPP	private sector participation
Rs	Indian rupees
SEZ	special economic zone
SRSD	sector review and strategy development

NOTE

In this report, "\$" refers to US dollars.

Executive Summary

The Asian Development Bank's (ADB's) recent adoption of a new long-term strategy (Strategy 2020) to reduce poverty in developing member countries through inclusive development and growth-promoting activities provides an excellent opportunity for achieving sustainable economic and social development through city cluster development (CCD). Cluster-based development has become an increasingly attractive topic during the last decade in the field of business competitiveness and among economic development professionals. CCD is an urban-led approach that enhances the developmental potential of cities and towns within an urban region by strategically linking their development fields through efficient provision of urban infrastructure and services and innovative financing techniques. Since ADB was launched in 1966, Asia has urbanized rapidly, and it is projected to become 55% urban by 2030. Asia already has more than half of the world's megacities, and city clusters made up of small and medium-sized cities are growing at a faster rate in Asia than elsewhere. The approach can be strategically used to spark overall economic growth with the use of modalities such as

- prioritized investments in urban infrastructure and services by governments and the private sector;
- long term comprehensive development planning that encompasses whole urban regions;
- innovative financing schemes, including public–private partnerships, domestic and foreign investments, new revenue sources through taxation reforms, levying of user charges, and new credit schemes;
- unlocking the value of land as an instrument of development and capturing increases in the value of land and property because of the improved infrastructure provision;
- establishing clustered economic development zones, high-tech enclaves, and industrial parks as integral parts of CCD schemes; and
- adopting innovative forms of urban region governance.

This flagship study traces the theoretical antecedents of CCD and analyzes its emergence in Asia. It proposes a framework for assessing the use of CCD as an urban-led strategy for economic and social development. It suggests various approaches that ADB can use to encourage CCD among its developing member countries. It also outlines a CCD approach for the development of selected urban regions in India.

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