



City Cluster Development: Triggering Inclusive Economic Growth

What is city cluster development?

City cluster development (CCD) is an urban-led development approach that enhances the ability of cities to promote economic growth in an extended urban region. The primary methodology of CCD is to assess the competitiveness of the city's ability to increase the value of its enterprises, and to enhance its ability to nurture the progress of its local economic dynamism for the prosperity of its residents. An extended urban region is defined by spatial spheres of economic influence, not administrative jurisdictions. CCD takes advantage of economies of scale in extended urban regions, thus increasing the intensity of economic activity.

What are the forms of city clusters?

There are four types of city clusters:

- **urban corridors**, in which urban settlements take a linear form;
- **megacity-dominated clusters**, in which expansion of a dominant megacity engulfs surrounding areas;
- **subnational regional clusters**, in which no single city dominates development in the city region; and
- **transborder clusters**, in which adjacent urban settlements are located in different countries, but form a contiguous sphere of economic influence.

However, towns functioning as a market center for their rural peripheral areas are also included as city clusters based on their economic linkages between urban and rural areas.

Why is CCD important?

Asia is urbanizing rapidly. By 2030, more than 55% of Asia's population will reside in urban areas. Thus, a development approach, which can take into account both rural and urban economic activities in a regional economic context, is needed.

What are the steps to induce inclusive economic growth through CCD?

CCD can provide new insights into the changing economic structure and spatial pattern of business activities and investment in selected CCD economies by

- identifying the comparative advantages of resources in agglomerated urban regions;
- identifying factors contributing to the competitiveness of sectors, industries, or clusters;
- building up partnerships for development opportunities in key industries and players;
- prioritizing the infrastructure investment needed to improve the business environment; and
- strategizing development of targeted sectors, thus generating employment opportunities.

How can CCD optimize the benefits of inclusive development?

CCD calls for a unified multisector approach to reach common development goals among local government bodies and stakeholders in both urban and rural areas in an extended urban region. It can improve the financial viability and credit rating of local government bodies of the city region by forging area-wide fiscal measures, tapping into the economic value of land, and encouraging private sector participation. CCD requires cooperative and coordinated actions among local government bodies within the city cluster.

What are the factors enhancing the growth potential of CCD?

The table provides a strategic framework for policy makers in enhancing the growth potential of CCD with respect to institutional, demographic, and structural factors.



Strategic Framework for Enhancing the Growth Potential of CCD

FACTORS	BARRIERS	MITIGATION MEASURES	STRATEGIES
1. Institutional, legal, and governance mechanisms	<ul style="list-style-type: none"> ▪ Autonomous local units may resist CCD ▪ Antiurban mind-set ▪ Governmental fragmentation 	<ul style="list-style-type: none"> ▪ More information to local government officials about the merits of CCD w/Local government reforms 	<ul style="list-style-type: none"> ▪ Use region-wide planning to usher in region-wide governance ▪ Nurture strong leaders as a catalyst for CCD
2. Demographics, resources, and spatial aspects for integrating rural and urban economies	<ul style="list-style-type: none"> ▪ Population size to form an agglomerated pattern of city regions ▪ Conventional perception on rural–urban dichotomy deters inclusive CCD 	<ul style="list-style-type: none"> ▪ Strengthen economic links between rural and urban areas ▪ Improve the flow of goods and services in both directions ▪ Strengthen unified city cluster-wide efforts to reduce poverty through political will 	<ul style="list-style-type: none"> ▪ Encourage compact settlement patterns within an 80-kilometer radius ▪ Do not dichotomize urban and rural sectors; include both in area-wide development ▪ Promote agro-processing businesses and enterprises
3. Development planning issues	<ul style="list-style-type: none"> ▪ Planners use mainly physical planning detached from economic planning that cannot be implemented ▪ Zoning codes and standards too focused on local issues 	<ul style="list-style-type: none"> ▪ Support data-gathering and dissemination activities ▪ Train planners to strengthen comprehensive plans in city clusters in connection with economic and fiscal planning. 	<ul style="list-style-type: none"> ▪ Adopt an area-wide approach suitable for ushering in governance reforms ▪ Formulate and adopt comprehensive city cluster plans reflecting a longer-term perspective
4. Land resources and land tenure	<ul style="list-style-type: none"> ▪ Private ownership of land makes it difficult to leverage land for CCD financing ▪ People’s resistance to “land grabbing” for project use ▪ Failure to repeal legislation on land issues will delay CCD programs 	<ul style="list-style-type: none"> ▪ Capture tax revenue from increased value of land resulting from provision of infrastructure ▪ Implement tax reforms to capture economic value of land and land tenure ▪ Use land readjustment 	<ul style="list-style-type: none"> ▪ Use land readjustment mechanisms to unlock the economic value of land and increase property values ▪ Revise tax laws to facilitate use of land as a development financing resource
5. Economic growth potential and trade functions	<ul style="list-style-type: none"> ▪ Low level of economic productivity ▪ Lack of industrial–commercial activities 	<ul style="list-style-type: none"> ▪ Tap intellectual capital and resources from academic research institutions ▪ Formulate and implement city cluster local economic development strategies 	<ul style="list-style-type: none"> ▪ Concentrate infrastructure investments in one area to attract more enterprises ▪ Attract foreign and domestic investors by offering tax incentives
6. Taxation, fiscal issues	<ul style="list-style-type: none"> ▪ Low revenue-generating capacity on the part of local government bodies and low credit ratings ▪ Dependence on fund transfers and grants-in-aid 	<ul style="list-style-type: none"> ▪ Institute area-wide tax reforms ▪ Train local officials in revenue-raising techniques, budgeting, and fiscal accountability 	<ul style="list-style-type: none"> ▪ Improve tax collection ▪ Invite PSP investments ▪ Consolidate city clusters to achieve higher credit ratings
7. Infrastructure and informational connectivity	<ul style="list-style-type: none"> ▪ Poor urban infrastructure and services ▪ Lack of coordination in the provision of infrastructure 	<ul style="list-style-type: none"> ▪ Tap central and provincial or state governments to provide more infrastructure 	<ul style="list-style-type: none"> ▪ Encourage PSP for infrastructure investments; ▪ Set up SEZs and industrial parks
8. Private sector participation	<ul style="list-style-type: none"> ▪ Low level of PSP interest ▪ Lack of mechanisms for PSP ▪ Lack of transparency and accountability ▪ Widespread rent-seeking 	<ul style="list-style-type: none"> ▪ Facilitate PSP by streamlining procedures ▪ Tap into banks and other financial institutions for investments 	<ul style="list-style-type: none"> ▪ Provide mechanisms for more PSP in financing urban infrastructure and services

CCD = city cluster development, PSP = private sector participation, SEZ = special economic zone.