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# Rethinking Policy on Urban Poverty

*“Running the poor out of town” through evictions or discriminatory practices is not the answer. Helping the urban poor to integrate into the fabric of urban society is the only long-lasting and sustainable solution to the growing urbanization of poverty.<sup>1</sup>*

## Wrong Way Streets and New Avenues<sup>2</sup>

To meet the needs of burgeoning urban populations, stimulate both urban and rural development and achieve the Millennium Development Goals (MDGs), planners and policymakers should reconsider their bias against urban growth. It is ineffective and often counter-productive. Moreover, it stands in the way of initiatives to reduce poverty.

There is clear evidence that urbanization can play a positive role in social and economic development. Historically, the statistical association between urbanization and economic growth has been strong.<sup>3</sup> Today, cities generally have greater potential than rural areas for reducing poverty. Cities are the main site of economic growth in most countries and account for a disproportionately high share of national economic production:<sup>4</sup> “Countries that are highly urbanized tend to have higher incomes, more stable economies, stronger institutions and are better able to withstand the volatility of the global economy.”<sup>5</sup>

Proximity and concentration give cities the advantage in the production of goods and services by reducing costs, supporting innovation and fostering synergies among different economic sectors. But proximity and concentration also have the potential to improve people’s lives directly and at lower cost than rural areas: For instance, cities can provide much cheaper access to basic infrastructure and services to their entire populations. As a result, urban poverty rates are, overall, lower than those in rural areas; the transfer of population from rural to urban areas actually helps to reduce national poverty rates (see Box 13).

People intuitively perceive the advantages of urban life. This explains why millions flock to the cities every year. Yet many planners and policymakers in rapidly urbanizing nations want to prevent urban growth.<sup>6</sup> Such attitudes are not founded on evidence: They also have negative consequences for poverty reduction. The right to the city, proposed by a Task Force in the United Nations Millennium Project,<sup>7</sup> remains elusive in the face of policymakers’ prejudice against expanding it.<sup>8</sup>

◀ *Though he is unable to send them all to school, a man reads the newspaper to his children on the pavement outside his hut in Kolkata, India.*

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## 13 THE ROLE OF URBANIZATION IN POVERTY REDUCTION<sup>1</sup>

It is commonly assumed that rural-to-urban migration merely redistributes poverty from the countryside to the cities. Yet, social mobility commonly accompanies migration, and poverty rates have been declining in both the rural and urban areas of many countries. A study at UNFPA attempted to look at urbanization's role in these changes. It broke down the improvements in national poverty rates into three components: the decline of rural poverty, the decline of urban poverty and the rising proportion of the population living in urban areas, where poverty rates are lower.

This procedure, applied in 25 countries, covering different regions and periods, provides a rough indication of urbanization's possible importance in the overall process of poverty reduction. According to this approach, the urbanization effect until the 1990s seems to have been fairly unimportant. Since then, however, the transfer of population from rural to urban areas would have accounted for about 10 per cent of national poverty reduction, on average.

In Bolivia, urbanization accounted for 28.3 per cent of the 1.2 per cent reduction in the national poverty level during the 1999-2005 period; 17.0 per cent of Brazil's

5.1 per cent poverty reduction between 1999 and 2004 was similarly due to urbanization. In Nicaragua, urban and rural poverty levels hardly changed at all between 1998 and 2001; yet the *national* poverty level fell over half a percentage point as the result of urbanization.

Although this descriptive exercise does not provide conclusive evidence as to whether urbanization has an independent role in promoting poverty reduction, it does suggest that, given the right conditions, it can be a dynamic component of the national poverty reduction process, rather than being a mere escape valve for rural poverty.

The reluctance of policymakers to accept urbanization has been a barrier against the flow of advances promoted by urban social movements. In recent years, local Organizations of the Urban Poor (OUPs) and non-governmental organizations (NGOs) have made remarkable headway in collective efforts to improve housing, infrastructure and services, greatly alleviating and reducing urban poverty.<sup>9</sup> Their efforts are being increasingly recognized: The 2006 Habitat Conference was, in many ways, a celebration of their success.

Yet local communities have often had to overcome obstacles put up by local and national authorities, when a more supportive approach could have made a crucial difference. To help urbanization move in the right direction, policymakers need to revise the assumptions that underlie their anti-urban bias.<sup>10</sup> They should be able not only to move with the flow but also to direct it towards improving the urban habitat and reducing poverty. The present chapter illustrates this point with regard to an issue that is critical for urban poverty reduction—the shelter needs of the poor.

### Trying to Keep the Masses Out: A Failed Strategy

National governments have tried two strategies to restrict the rapid expansion of urban settlements for the poor:

a) ambitious schemes to retain people in rural areas or to colonize new agricultural zones; and b) regulating urban land use, backed up either by evictions or, more frequently, by denying essential services such as water and sanitation.<sup>11</sup>

In doing this, policymakers implicitly reason that slum dwellers should not have moved to the city in the first place, and that assisting slum dwellers contributes to over-urbanization. Consequently, they attempt to make cities less attractive for potential migrants.

Since most poor people in low-income nations still live in rural areas, it seems intuitively sensible to keep rural-urban migration down to a level consistent with the availability of urban jobs and services. In many cities around the world, the more lively debate in the corridors of power has been not over how best to assist the urban poor, but over how to prevent them from arriving, settling or remaining.

However, the arguments that portray excessive rural-urban migration as a cause of urban poverty are typically based on a number of misconceptions:

- *Rural-urban migrants are primarily responsible for urban poverty.* The main component of urban growth in most nations is not migration but natural increase (that is, more births than deaths), as noted in Chapter 1.

Migrants are generally *not* more concentrated among the poor.<sup>12</sup> In addition, many residents of poor settlements are not rural-urban migrants, but poor people displaced from other parts of the city.

- *Focusing on urban poverty can detract attention from rural development.* Treating “rural” and “urban” poverty as somehow separate and in competition with each other for resources is not only a conceptual mistake, but a remarkably short-sighted view of the problem. In fact, successful rural development generally stimulates and supports urban development, and vice versa.<sup>13</sup> In addition, successful rural development may actually generate more rural-urban migration. Conversely, urban growth is a powerful stimulus to food production, especially by small farmers. Access to flourishing urban markets contributes both to the reduction of rural poverty and to urban food security.
- *Population growth in cities is what causes slums.* It is true that city growth is often accompanied by the rapid expansion of unplanned and underserved neighbourhoods with high concentrations of poor people; but this is largely the result of lack of attention to the needs of the poor—a matter of vision and governance (see next section).
- *The poor are a drain on the urban economy.* On the contrary, the urban poor are essential to the economy of cities and to national development. Many certainly work in the informal sector. But the informal sector is not just a messy mix of marginalized activities, as it tends to be viewed; much of it is competitive and highly dynamic, well integrated into the urban economy and even into the global economy. The informal sector accounts for as much as two thirds of urban employment in many countries of sub-Saharan Africa and plays a crucial role in urban households’ responses to crisis. It is also a main source of employment and income for poor urban women.
- *Migrants would be better off remaining in rural areas.* When migrants move to urban centres, they are making rational choices. Even if urban working and living

conditions present many serious difficulties, they are perceived as preferable to the rural alternatives—otherwise migrants would not keep coming. Measures to curb migration can easily make both rural and urban poverty worse, not better.

- *Anti-migration policies can limit urban growth.* There is little evidence that restrictive planning regulations or poor conditions in urban areas have appreciably reduced rural-urban migration. By making conditions worse, they have made it more difficult for the urban poor to climb out of poverty and held back positive efforts to prepare for urban growth.

In short, mobility is a strategy that households and individuals adopt to improve their lives and to reduce risk and vulnerability. Additionally, in many regions, people are forced to leave rural areas: Population growth and environmental change have depleted the natural resource base and its capacity to support local residents. Moreover, insecurity due to civil strife also compels many rural people to flee to the cities or their environs.<sup>14</sup> Thus, for many, moving to the cities is not only rational but sometimes the only way to survive.

Despite many serious and continuing difficulties, urbanization clearly improves lives, in the aggregate. Migrants and the urban poor also contribute to urban and national economic growth. Policies should recognize mobility’s role in development and poverty reduction. The real issue is not that cities grow fast, but that they are unprepared to absorb urban growth.

Direct controls on rural-urban migration can also increase rural poverty by reducing transfers of money and goods to rural households from migrant relatives. In most low-income nations, remittances and earnings from urban-based non-farm activities constitute a growing proportion of income for rural households. Such interaction between rural and urban areas is likely to increase over time and should be supported.<sup>15</sup> Poor households that manage to diversify their income sources in different locations and economic sectors are generally less vulnerable to sudden shocks and may be able to move out of poverty.

Attempts to control rural-urban migration infringe individual rights and hold back overall development. They are difficult to enforce and usually ineffective. Not surprisingly, they have had a long history of failure, as Box 14 illustrates.

Finally, laissez-faire attitudes and wishful thinking about urban growth are equally detrimental. Presuming that further growth will not materialize because things are going badly is, to say the least, imprudent:

“... Urban growth and expansion is ubiquitous. Cities that experience population and economic growth inevitably experience urban expansion too. This in itself is an important finding, because it is quite common to hear of urban planners and decision makers speaking of their cities as exceptions to the rule, asserting that other cities will grow and expand and their city will not, simply because it is already bursting at the seams, and because they think that further growth is objectionable.”<sup>16</sup>

#### 14 THE FUTILITY OF TRYING TO PREVENT RURAL-URBAN MIGRATION

The history of attempts to control rural-urban migratory flows is couched in frustration. Most centrally planned economies attempted it, particularly by limiting migration to the capital city, with little or no effect.<sup>1</sup> Many post-colonial governments have inherited the draconian measures of colonial regimes to prevent urban growth. Efforts to redirect migration flows and to stanch urban concentration often reflect technocrats' lack of understanding of why migrants move. Explicit government policies systematically attempt to promote de-concentration. By contrast, their implicit and unintended policies, which generally conform to market forces, almost invariably strengthen concentration.<sup>2</sup>

This has led to the observation that: “... [S]ocieties that allow the free movement of people within their borders are likely to see a reduction of poverty in rural areas. Those that attempt to control migration, or limit or reverse movements to towns and cities, are likely to see little change or a deterioration in conditions. For example, internal movements of population were tightly controlled in both China and Viet Nam until the reforms from 1978 and 1986, respectively. Poverty in both these countries has dropped sharply over the subsequent decades.”<sup>3</sup>

### Addressing the Shelter Needs of the Poor

Once policymakers accept the inevitability of urban growth, they are in position to help meet the needs of the poor. One of the most critical areas is shelter. As UN-Habitat has made eminently clear over the years, the many difficulties faced by the urban poor are linked, to a greater or lesser extent, to the quality, location and security of housing.

Overcrowding, inadequate infrastructure and services, insecurity of tenure, risks from natural and human-made hazards, exclusion from the exercise of citizenship and distance from employment and income-earning opportunities are all linked together. *Shelter is at the core of urban poverty: Much can be done to improve the lives of people through better policies in this area.* Initiatives in this domain are particularly beneficial for poor women who are often burdened with triple responsibilities in child rearing, management of the household, and income earning.

A roof and an address in a habitable neighbourhood is a vital starting point for poor urban people, from which they can tap into what the city can offer them by way of jobs, income, infrastructure, services and amenities. Decent shelter provides people a home; security for their belongings; safety for their families; a place to strengthen their social relations and networks; a place for local trading and service provision; and a means to access basic services. It is the first step to a better life. For women, property and shelter are particularly significant in terms of poverty, HIV/AIDS, migration and violence.

If inadequate shelter is at the root of urban poverty, the persistent reluctance of policymakers to accept urban growth leaves the poor to fend for themselves in disorganized and merciless land and housing markets. Powerless, the poor are forced to live in uninhabitable or insecure areas, where even minimal services such as water and basic sanitation are unlikely to materialize.

With the boundless ingenuity and resourcefulness that humans demonstrate across the globe, millions of people in developing countries live in “self-help housing”. Large segments of the urban poor are able to obtain access to land and housing only through invading land being held by speculators or by settling in locales not highly valued by land markets, such as steep hillsides,



riverbanks subject to flooding, fragile ecosystems, water catchment areas or sites near industrial hazards.

Such squatter settlements are often illegal but generally represent the only option open to poor people, migrant or native, in search of shelter. Illegality and insecurity of tenure often inhibit people from making substantial improvements to their homes or from banding together to upgrade their neighbourhood. Secure tenure would stimulate the local economy because it encourages people to invest in improving their homes.

Governments will generally not help areas where land rights are unclear, so these informal settlements are rarely provided with water, sanitation, transport, electricity or basic social services. The resulting pattern of occupation is frequently haphazard and asymmetrical.

When slum dwellers try to improve their conditions, or when local governments finally try to provide them with minimal services, the economic costs can become impracticable.<sup>17</sup> Just putting in a road or providing channels for water or sewage requires tearing down existing construction. Lack of planning, inadequate location, the lack of access roads and the sheer accumulation of miserable conditions make it more difficult to retrofit poor neighbourhoods with water, sanitation, electricity, access roads and waste management. Meanwhile, the mere expectation that the attempt will be made pushes up land prices, encourages speculation and increases insecurity.

Improving access to land and housing for the growing masses of urban poor calls for a more proactive attitude. There is greater recognition of people's rights to housing; but decision makers' largely negative stance towards urban growth still prevents them from dealing effectively with the shelter needs of the poor. In several countries, women face additional difficulties in exercising their rights to shelter because national laws prevent them from legally owning property.



▲ Social worker helps a young polio victim in Addis Ababa, Ethiopia.  
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## A Quantum Leap: Meeting a New Scenario for Shelter

*Governments should strengthen their capacities to respond to the pressures caused by rapid urbanization . . . . Particular attention should be paid to land management in order to ensure economical land use, protect fragile ecosystems and facilitate the access of the poor to land in both urban and rural areas.<sup>18</sup>*

How can national and international institutions help to create a liveable urban future for the masses of urban poor, as the International Conference on Population and Development (ICPD) recommended? Here it is necessary to distinguish between approaches aimed at meeting the needs of the urban poor *currently* living in cities and those aimed at relieving the pressures caused by large *future* growth.

Ongoing discussions focus primarily on the *current* situation of existing slums, their internal organization, their struggles to resist eviction and to improve urban services. The role of local organizations in the improvement of urban living conditions for the poor is being increasingly recognized. OUPs have been responsible for local empowerment, and for changes in the decision-making processes that will have a lasting impact on urban planning and governance.<sup>19</sup>

However, current shelter needs are, in the face of coming growth, merely the tip of the iceberg in many countries. It is expected that Africa and Asia alone will add 1.7 billion new urban dwellers between 2000 and 2030. Many of these new urban dwellers, whether migrants or natives, are poor (see Box 15).

Planning for *future* rapid expansion of shelter needs in towns and cities, while at the same time addressing the accumulated demand of the past, calls for a critical change in the approach of municipal and national governments. They will have to mobilize their technical and political resources for, rather than against, the land, housing and service requirements of the urban poor. They will also need to consult and utilize the experience and local knowledge of OUPs, many of which are part of currently successful approaches.

Dealing with the rapid doubling of the urban population in developing countries requires vision and a more

effective approach. To have a chance to improve their lives, the poor need access to affordable and serviced land on which to build their homes and reach other services. With that as the cornerstone, they can start to build the rest of their lives. Thus, a critical initiative for the medium and long term is to provide access to shelter through proactive policies with regard to land ownership, regulations, financing and service delivery.

One strategy would be to focus on providing *access to serviced land* for the growing millions. Hard realism must permeate this vision. Governments of rapidly urbanizing countries are simply unable to provide housing and desirable urban services for most of their current urban poor. They will hardly be able to cater to the needs of a rapidly growing number of additional urbanites. It is even more unrealistic to imagine that these new urbanites will be able to compete successfully in what are sure to be aggressive real estate markets.

Under these conditions, providing minimally serviced land goes to the heart of the matter. The object would be to offer poor people a piece of land accessible by wheeled transport (from buses to bicycles) with easily-made connections to, at least, water, sanitation, waste disposal and electricity.

This first lodging will often be a simple shack, made of whatever scraps are available. But it will probably improve: The history of informal settlements teaches us that, if poor people feel secure about their tenure, and have reasonable access to livelihoods and services, they will improve their own dwellings over time.

Investing in their own homes is a means for families to build up their most valuable asset—one that can be drawn on in emergencies. With the help of neighbours and the support of government and non-governmental organizations, they can improve basic services.

Providing poor people with minimally serviced land is not an easy solution: Given the voracity of the economic interests involved, the murkiness of titles in many developing cities, and the uncanny ability of informal land markets to turn a profit by exploiting the poor, dealing in land use is always fraught with difficulties. Not only the intended beneficiaries, but local and national governments generally have very limited resources.

## 15 HOW MANY OF THE NEW URBANITES ARE POOR?

The proportion of the growing urban population in developing countries that is poor or very poor varies greatly and cannot be easily measured. Nevertheless, even rough simulations suggest that this proportion is high.

The three components of urban growth are migration, natural increase and reclassification of rural areas as urban. Natural increase is universally higher among poor people, whether they are migrants or natives. The poverty levels of migrants are generally intermediate between those of urban and rural areas. People living in rural areas that are reclassified as urban can also be assumed to have poverty levels that are somewhere between rural and urban levels.

In the case of Brazil, it has been estimated that 69 per cent of migrants to urban areas and of rural people reclassified as urban (between 1999 and 2004) can be categorized as “poor”. In the same period, 48 per cent of urban natural increase can be attributable to poor people.<sup>1</sup> In this case, it can thus be safely assumed that poor people would, at a very conservative estimate, make up more than half of all new urbanites. Countries with higher levels of poverty would logically have even higher proportions of their new urbanites made up of poor people.

Moreover, governments generally have little appetite for the tough political decisions that the issue requires.

Although it is much less ambitious than the traditional but inevitably doomed approach of providing built-up and fully serviced housing, making minimally serviced land available still presents technical and political difficulties. It requires a radical change in approaches to urban land planning and a revolution in the mindset of politicians and planners.

### Regulating Urban Land Markets: Mission Impossible?

*There is no lack of land. The problem is dysfunctional land markets, misguided regulations and a lack of pro-active management policies.<sup>20</sup>*

The main *technical* difficulties involved in providing land for the urban poor concern: a) locating and acquiring enough buildable land; b) devising sustainable ways of financing its transfer to the poor; and c) regulating the functioning of land markets.

An alleged shortage of land has been a main obstacle to more effective housing policies for the poor. The need to safeguard environmental and agricultural land from chaotic urban expansion is a genuine concern. However, most cities still have buildable land in good locations, but it is owned or controlled by private interests or by state agencies with no interest in socially directed uses of the land. The real shortage is thus not of land, but of serviced land at affordable prices.

Meeting the land needs of the poor is easier in the context of well-regulated land and housing markets. Not only do effective markets make more land available to the poor, but they also favour economic growth.

Lack of good regulation actually increases poverty: Metre for metre, people in informal settlements pay more for land and services than people in wealthier residential areas.<sup>21</sup> Unregulated markets also make it difficult for governmental bodies to collect property taxes or reduce land speculation and to build up resources on this basis for socially oriented planning of land use (see Box 16).

Financing socially oriented housing has always been difficult, but there is no shortage of innovative proposals, once past the hurdle of anti-urban bias. Given regularized land markets, the support of local governments, NGOs

## 16 LAND FOR THE POOR IN THE FACE OF RAPID URBAN GROWTH<sup>1</sup>

The problem is not so much the shortage of land or the number of poor urbanites, but rather their restricted access to serviced land and housing because of distorted land markets.

Servicing already settled areas costs more than providing serviced land on unoccupied sites. Yet public authorities, pleading insufficient funds, seem to find smaller investments in *ex post facto* programmes more appealing than well-planned proactive policies. Much could be done to improve the situation, for instance, by enacting special legislation for the provision of adequately serviced land for low-income groups. Cities could finance urban development by taxing increases in land value resulting either from public investment in local urban infrastructure or services, or from the redefinition of land uses towards more profitable ones, such as changes from rural to urban or from residential to commercial uses.

The urban poor tend to be treated as if they were passive in the production and consumption of land, yet they have some capacity to pay for land, despite their low and unstable incomes. Indeed, the poor already pay very high prices for the housing they find through the informal market. This capacity to pay could be better mobilized through formal regulation and provision of plots of land.

Scarcity of land or financial resources is thus not the only obstacle to the implementation of sustainable policies. In a sense, poor people have to be protected from the abusive practices of developers who capitalize on services provided by the local communities or by the public sector. Political will, as well as managerial and technical capacities, are needed to identify, capture and properly invest available resources—including the resources of poor people themselves—into more equitable urban development.

and international funding agencies could be marshalled towards a more proactive approach.

International and multilateral agencies could make a difference. New rules for the United Nations system, promulgated by the Secretary-General in August 2006, will enable the UN to address this structural shortcoming and provide more effective support on affordable housing finance. That support will include pro-poor mortgage financing systems, now being tested in the field, as an alternative to conventional social housing policies.<sup>22</sup>

Particular attention will have to be given to the gender constraints that exist in formal credit channels precluding women from tapping into this market. Access to microfinance has proven to buttress women's empowerment and helps to reduce urban poverty.

### Advocacy, Votes and Action: The Need for Leadership

These initiatives call for a new awareness and an unprecedented level of political support at the local and national level. Most politicians are, at the best of times, unwilling to confront the power of the urban real estate market. The added complexity of attending to the land needs of the poor, as described above, is even less enticing. A critical initiative, without which most efforts will fail, is to regulate increments in land value. In other words, it is necessary to introduce fiscal measures that prevent speculators and developers from hiking up the price of land and services unreasonably as soon as socially motivated land allocation is proposed.

This is unlikely to be a popular approach for current urban power structures. Political reluctance is magnified by the time lag between proposed action and any possible political return: Expenditure of political capital and financial investment are required immediately, but the political advantage and economic benefits will be reaped far in the future.<sup>23</sup>

These complexities help explain why medium- and long-term land use planning has traditionally not been high among government or donor priorities. Nevertheless, the needs of the growing masses cannot simply be ignored. In particular, the legal, social and cultural barriers that women face in accessing land have to be explicitly considered. Not only political will and viable technical solutions, but coordinated policy support from donors and other actors are needed.

Generating political will begins with the recognition that poor people are often the majority in urban population growth. It also demands that leaders and policymakers accept the inevitability of urban growth, and treat the poor as true urban citizens who have a clear right to the city and to decent housing. The perception that the poor are not true urban citizens<sup>24</sup> undermines the sort of collective negotiations over land use, standards, public

services and environment that can effectively address the most critical urban challenges. It also undercuts whatever motivation politicians might have to deal with them.

Creating awareness among policymakers and planners, given the traditional aversion to urbanization and urban growth, will require solid, evidence-based advocacy. Multidisciplinary approaches and broad-based international support can help turn the tide by promoting clear, factual and convincing evidence of ongoing changes and the needs they generate.

Population specialists, in particular, can help to generate and promote key lessons through data, analyses and concrete examples, including: a) the inevitability and real advantages of urbanization and urban growth; b) the futility of anti-urban biases and policies; c) the increasing share of national poverty, disaggregated by gender, in urban areas; d) the effectiveness of proactive approaches to deal with the needs of poor men and women in cities; and e) the importance of involving the poor in decisions that affect their habitat.

### Adding a Dose of Realism

Finally, a large degree of pragmatism has to accompany initiatives such as the allocation of minimally serviced plots to poor people. Well-intentioned proposals will not put an end to the occasional savageries of the marketplace or the vagaries of the democratic system. The distribution of minimally serviced land can be, and has repeatedly been, used for less noble purposes than meeting the needs of the poor.

Controlling the abusive practices of developers and service providers who use socially motivated land repartition schemes to increase their own profits is a very real challenge. Subsidies can simply increase the price of land. The international record of land banking is admittedly poor. Successful pilot projects often flounder when brought up to scale.

Less important, people who are not poor will worm their way into any distribution scheme to make a profit. Some beneficiaries will move on as soon as their property acquires exchange or monetary value—though this is not necessarily negative, since it becomes a form of social mobility. Distribution of publicly owned or appropriated