

## Nagarloko Vol. XLI No. 1 January - March 2009

### Dynamics of Recent Urbanisation Trends: Implications on Poor in Developing World

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#### INTRODUCTION

THE WORLD population is becoming predominantly urban and while the population of industrialized countries is largely urban, urbanization processes are still acute in developing countries. While the world's urban population grew very rapidly from 220 million to 2.8 billion over the 20th Century, more than 40 per cent of the population of developing countries presently lives in cities. Thus, by 2020 it will rise to 52 per cent. In Latin America and the Caribbean region 75 per cent of the population consists of city dwellers, in contrast, one-third of the population of Africa and Asia live in urban areas. It is projected that, by 2015, 153 of the world's 358 cities with more than one million inhabitants will be in Asia. Of the 27 'mega cities' with more than 10 million inhabitants, 15 will be in Asia and the developing world may see an unprecedented scale of urban growth particularly in Africa and Asia which will be doubled between 2000 and 2030. Thus, by 2030 the towns and cities of the developing world will account for 81 per cent of urban humanity. On the other hand, according to FAO, currently one third of city dwellers live in slums and in many cities of sub-Saharan Africa they account for three quarters of all urban residents. Thus, there is a huge increase in urban population which would be an unprecedented challenge to make sure that they would have enough food. Even in India there has been exponential increase in the urban population as a result of high rate of migration to larger cities in recent decades. According to UN, more than 3.3 billion people have been living in cities since 2008 and at least a billion of the world's urbanites live in slums.

There are indications of forthcoming urban agglomerations of mega cities with 20 or even 30 million inhabitants most of which will be in the developing countries. The present decade's average annual population increase in developing countries' cities is estimated at 64 million, or 175,000 persons per day. In other words currently, three-quarters of global population growth occurs in the urban areas of developing countries. This phenomenon is characterised by the rural-urban shifts in a higher absolute population growth, at much lower income levels, with much less institutional and financial capacity, and with considerably fewer opportunities to expand into new frontiers, foreign or domestic. These aspects indicate that the urbanization process is

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accompanied by significant increases in the scale of poverty of urban populations. Thus, while urban poverty exists and growing in all cities of the world today, it disproportionately affects women and children; fuels ethnic and racial tensions; and sometimes it throws the majority of urban dwellers to a downward spiral of marginalization, social and economic exclusion and unhealthy living environments; such aspects also contribute directly or indirectly to an increase in social unrest, urban violence and also fuels aspirations to seek economic opportunity outside national borders. Thus, the 'urbanization of poverty' has become as one of the most challenging problems facing the world today.

The problems of urbanization may be magnified in mega cities, particularly if urbanization is rapid. Providing jobs, housing, sanitation, transport facilities, education, and health care is a complex task for rich countries and harder still for the developing nations now experiencing the sharpest rise in the number of mega cities. There are also a number of economic, social, and political factors that underpin urbanization, particularly migration to cities, which include, for individual migrants, the search for employment (or higher-paying employment), a better quality of life in terms of health and education, and a greater diversity of entertainment and lifestyle options. Many view that the move from the countryside to cities is a natural result of modernization and industrialization of societies and point out many upsides of urban life, which range from increased average income to improved health. But, others who consider urbanization not as a natural process view as the result of a bias toward cities in government policies and investment, a bias that presses people to migrate from the countryside in search of jobs. On the contrary, the negative evaluation is bolstered by evidence of the downsides of urbanization, such as heightened crime and the growth of slums. Thus, given current and projected global trends in urbanization, understanding and resolving these challenges, the keys to create effective programmes and policies for economic development in the decades ahead requires a new policy agenda. Obviously, the following most pressing issues that need to be addressed in poor centres in the developing world are worth considering.

First, people are coming to cities for the economic opportunity or in some cases, because of conflict in the rest of country. They are coming to places where the services are formulated. People are living in poor conditions, often on the periphery of cities with virtually no services available to them. They try to save money to send home for their families, so they're looking for the cheapest place to live. They're not going to invest in a place where they're only renting a room. It's a vicious circle: they are not prepared to invest because they don't have security of tenure; governments are not prepared to provide services because they don't have a mandate to do so, because these are illegal settlements.

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**Secondly**, the priority issues for the urban poor are water and sanitation, because people moving to cities tend to set up in slum areas that are not linked to any sort of services. And because people don't have right to be where they are, they are in very vulnerable positions. Governments can and sometimes do move them for political reasons, which can have hugely devastating effects.

**Thirdly**, a major issue in urban areas is that there are many people involved in trash-picking as an economic activity. They comb through the local dump to find things they can sell, recycle, or use themselves. This work is extremely hazardous and often poor children are involved in it. One of the other big issues in urban areas where people work is the issue of dramatically increasing gender-based violence.

**Finally**, and, obviously, urban areas and the HIV/AIDS crisis don't mix very well. We see urban slums everywhere in the world as the places where HIV/AIDS is incubating. We can trace its progress from these urban slums as it ripples out into the rural areas.

In many developing nations, the issue of unsustainable 'mega-city' or the 'primate city' is critical—primarily for two key reasons—inadequate technology to make the city function efficiently and poor and unreliable data employed in many aspects of planning. So, one should begin to focus on these twin problems, in addition to promote the emergence of several medium-sized cities. Also new and existing cities must be deliberately planned, and relevant planning laws and regulations must be strictly enforced for the benefit of all—but therein lies perhaps a greater critical challenge, the political will. Essentially, therefore proper response to the challenges thrown up by the process of urbanization in developing world would benefit greatly from the political leadership, with the support of the relevant professional groups and the citizenry as well.

## BENEFITS OF URBANISATION

Urbanization results in increase in the urban share of total population and no country in the industrial age has ever achieved significant economic growth without urbanization. The Neo-classical economists view urban centres as the drivers of regional and national economic growth. Concentration of population and economic activity in space is regarded crucial for leveraging certain external economies that provide a base for improvement in productive efficiency, technological innovations and access to global markets? (Kundu, 2006). Many studies in urban economics suggests that urbanisation positively impacts on economic growth. Cities played a key role in the development of national economies of the developed world during their days of rapid urban growth. India's National Commission on Urbanisation Report (1988) stressed the role of cities as engines of economic growth, reservoirs of capital and

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skill, centres of knowledge and innovation, sources of formal and informal sector employment, generators of public financial resources for development, and hopes of millions of rural migrants.

Acceleration of urbanisation generally takes place in pace with corresponding acceleration of economic growth and it is influenced by factors such as: (i) economies of scale in production, particularly manufacturing; (ii) existence of information externalities; (iii) technology development, particularly in building and transportation; and (iv) substitution of capital for land, made possible by technology. According to Jacobs (1984), economic life develops via innovation and expands by import substitution and the critical role of "import-replacement" in the growth of cities is due to five great forces: enlarged city markets, increased numbers and kinds of jobs, increased transplants of city work into non-urban locations, new uses of technology and growth of city capital". Cities form and grow to exploit the advantages of agglomeration economies made possible by the clustering of many activities leading to scale and networking effects. As economies of scale in production begin to take hold, larger size plants become necessary. This contributes to the need for larger number of suppliers and denser settlements of customers. The services needed by the growing agglomeration of people give rise to an even greater number of people living together (Mohan, 2006).

Cities are reservoirs of public financial resources such as income tax, corporation tax, service tax, customs duty, excise tax; value added tax, stamp duty on registration, entertainment tax, professional tax and motor vehicles tax. They are also the places which facilitate the collection of user charges for the public services provided. Urbanization is likely to lead to an increase in the buoyancy of key financial resources of Central and state governments, presumably due to the close relationship between urbanisation and economic growth. Further, much of the growth in the urban economy is the result of economic activities that are being concentrated in and around large cities and it is determined by the location and organization of various economic activities on urban land. Besides these, the economic development of any city is critically dependent upon the availability of major inputs for the production of economic goods and services as well as on the quality of infrastructure. In fact many of the cities in developing economies are facing problems in terms of shortage and deterioration of urban infrastructure, increasing population and migration, warranting the need for investment in urban infrastructure, besides advocating measures to alleviate poverty, slums etc.

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The urbanization in developing countries is beneficial from the view point of several factors which are discussed below:

## Benefits Accruing to Individuals

Among the most important is the income differential, in which urban incomes tend to be higher than those in rural areas. In China, for example, average household income in cities is almost three times greater than in rural households. Other factors that improve quality of life may also be more prevalent in cities than in the country. For example, government programmes can be applied more efficiently in urban areas by realizing economies of scale in delivering transportation, communication, water supply, sanitation, and waste management services. Education systems may be more effective in cities insofar as educated people who can teach in schools and universities are in greater supply. In developing countries, educational enrollment is generally higher in cities than in rural areas, with even urban slums outperforming rural regions. Similarly, female literacy rates are on an average 35 per cent higher among urban populations than among rural populations. Larger pools of urban health care workers and greater specialization in medical activities can lead to higher returns on health care investment and will result in urban residents enjoying generally better health than their rural cousins.

## Positive Outcomes at the National level

The urbanization has positive outcomes at the national level. Urbanization is a natural part of the transition from low-productivity agriculture to higher-productivity industry and services. Cities attract businesses and jobs, and the concentration of industries and services in turn encourages productivity growth. And there are other routes to enhanced productivity. For example, with increased opportunities for division of labour (because of higher population density and the variety of jobs provided by industry), intra industry specialization in specific activities occurs more likely. Urban firms can learn from others working in the same industry and from their suppliers, and are also closer to their markets and thus better able to respond to changing demand. Relatively cheaper transport combines with this proximity to customers and suppliers to reduce trade costs. And, by aggregating many educated and creative people in one place, cities incubate the new ideas and technologies that accelerate economic progress. In addition, the fact that urban living encourages reduced fertility could support enjoyment of a society-wide "demographic dividend" as the generation born before fertility declines can do more paid work and save more, thanks to fewer child dependents to support during its prime productive years.

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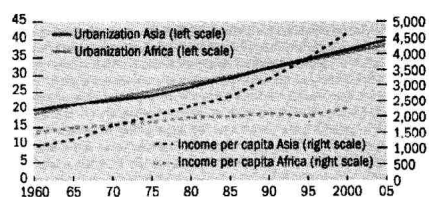
## Contribution to Rural Development

The problem of few big urban centres, i.e. there are only one or two big cities in some of the Local Development Council (LDCs) and everybody is moving to the same city. If there was a range of smaller cities that could absorb people, it would be a positive development. People think their only economic opportunities are in these big cities. There needs to be bigger focus on rural, non-farming enterprises—industries where people see the benefit of staying in rural areas or small towns in rural areas. Though, micro enterprise is incredibly important at the household level, but what you really need is medium to large enterprises. We need to think about businesses that will soak up hundreds of people. The urbanization contributes to rural development. However, the issue of what does urbanization mean for rural areas in the developing world has to be examined. For instance, people who migrate to cities often send remittances to their families based in rural areas. Their migration reduces the size of the labour pool available to work in rural areas, so wages there may increase. There is some evidence that urbanization is associated more strongly with poverty reduction in rural than in urban areas, but this is partly because poor rural migrants moving to urban areas increase the proportion of poor people living in cities.

## Sharper Income Growth

The urbanization tends to go hand-in-hand with higher income which is evident in the following chart .1.

CHART.1. URBANISATION AND INCOME GROWTH TRENDS IN DEVELOPING WORLD



SOURCE: World Bank, World Development Indicators (2007); and Penn World Tables version 6.2

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It is clear that the urbanization has a major effect on income per capita, and countries or regions that urbanize more rapidly exhibit concomitantly sharper income growth. However, while urbanization in Africa over the past 45 years has been accompanied by sluggish economic growth, in Asia, urbanization has occurred to a nearly identical extent that economic growth has been rapid. This comparison does not rule out a link between urbanization and economic growth. Incomes in Africa may have grown even more slowly without urbanization, for example but it does suggest that factors other than urbanization are more important determinants of income growth. In addition to this, a recent World Bank study (Ravallion, Chen, and Sangraula, 2007) provides evidence that is consistent with the view that urbanization leads to a reduction in poverty by promoting economic growth. The analysis takes novel and appropriate account of rural-urban cost-of-living differences and provides compelling evidence that urbanization promotes a decline of absolute poverty rates in both rural and urban areas.

## RECENT URBANISATION TRENDS

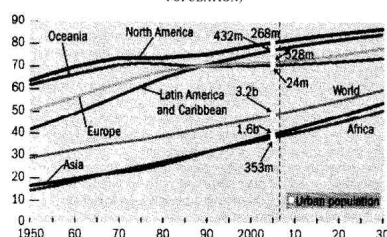
The recent years marked a dramatic milestone in the growth of world's urban population which has outstripped its rural population, albeit with big regional variations. This phenomenon is mostly seen in urbanized regions in the developing world, like, in Latin America and the Caribbean, with 77 per cent of the population, or 432 million people, living in cities. On the other, though Asia has the largest urban population some 1.6 billion although only 40 per cent of its population is urbanized. Until the mid-20th Century, the mostly developed regions of North America and Europe hosted the majority share of the world's urban population. Since then, urban growth has shifted to developing regions. Hence, if this trend continues, then, by 2030, Asia, Africa, and Latin America and the Caribbean are expected to account for more than 80 per cent of the world's urban population (Chart-1)

### Urbanization: Regional Comparisons

The overall growth rate for the world population is one per cent, while the growth rate for urban areas is nearly double, or 1.8 per cent: with this rate the world's urban population will double in 38 years. Growth will be even more rapid in the urban areas of less developed regions, averaging 2.3 per cent per year, with a doubling time of 30 years. The urbanisation process in developed countries has stabilised with about 75 per cent of the population living in urban areas. Latin America and the Caribbean were 50 per cent urbanized by 1960 but are now in the region of 75 per cent. Though Africa is predominantly rural, with only 37.3 per cent living in urban areas in 1999, with a growth rate of 4.87 per cent, Africa is the continent with the fastest rate of urbanisation. In 1999, 36.2 per cent of the Asian population was

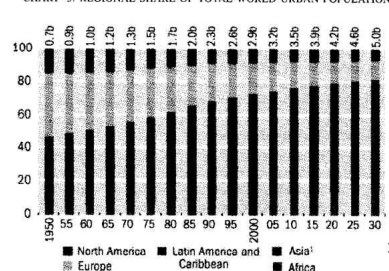
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CHART-2: URBAN POPULATION GROWTH TRENDS (AS A % OF TOTAL POPULATION)



SOURCE: United Nations, Dept. of Economic and Social Affairs, Population Division, World Population Prospects, 2007

CHART-3: REGIONAL SHARE OF TOTAL WORLD URBAN POPULATION (%)



SOURCE: United Nations, Dept. of Economic and Social Affairs, Population Division, World Population Prospects, (2007)

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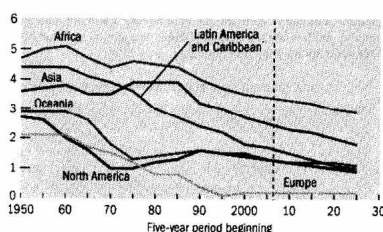
urbanised and the urban growth rate is in the region of 3.77 per cent.

Table 1. Urban Population Growth Trends in Low and Middle income countries (%)

Countries	Urban population 1980	Urban population- 2005	Percentage point change, 1980-2005
Botswana	16.5	57.4	40.9
Cape Verde	23.5	57.3	33.8
Angola	24.3	53.3	29.0
Gabon	54.7	83.6	28.9
Oman	44.3	71.5	27.2
Indonesia	22.1	48.1	26.0
The Gambia	28.4	53.9	25.5
Malaysia	42.0	67.3	25.3
Philippines	37.5	62.7	25.2
Sao Tome and Principe	33.5	58.0	24.6

SOURCE: United Nations, Dept. of Economic and Social Affairs, Population Division, World Urbanisation Prospects, (2006)

CHART 4: ANNUAL GROWTH RATE OF URBAN POPULATION (PERCENT)



SOURCE: United Nations, Department of Economics and Social Affairs, Population Division, World Population Prospects, (2007)

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Overall, the world is no longer experiencing the rapid urban growth rates that were commonplace in the mid-20th Century. In fact, the rate of urban growth has been declining over the past 50 years. Still, urbanization continues at a rapid pace in Africa and Asia which is also the most populous regions of the world which is clear in the above Chart. 4.

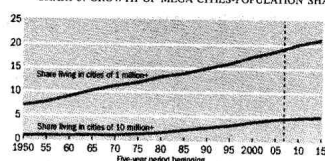
## DISTINCT ROUTES AND DYNAMICS OF URBANISATION

The urbanization occurs via three distinct routes in most of the countries:

The most visible growth is generated by migration from rural to urban areas witnessed China's recent urbanization, which has been driven largely by such migration. Second, urban populations may grow through "natural increase" that is, the growth of the existing urban population and the UN estimates that this accounts for 60 per cent of urban growth. Third, urbanization can occur with the reclassification of rural areas as urban as a result of population growth.

The urbanization process has been uneven; some cities attract more migrants than others although 84 per cent of the world's urban population lives in small and intermediate-sized cities, the remainder lives in large cities or in "mega cities" (more than 10 million inhabitants). Although the number of mega cities has increased significantly over the past 30 years, slightly less than five per cent of the world's population resides in such cities (see Chart 4). Still more impressive is the predicted growth over the next decade of a category known as "meta cities" agglomerations with more than 20 million inhabitants. The Tokyo metropolitan area already has more than 35 million inhabitants, and it is likely to be joined in this category by Mumbai, São Paulo, and Mexico City by 2015 (see Table.2).

CHART 5: GROWTH OF MEGA CITIES-POPULATION SHARES



SOURCE: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanisation Prospects, (2006) .

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TABLE 2. EMERGENCE OF URBAN AGGLOMERATIONS

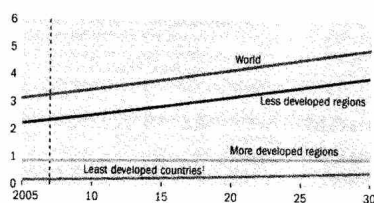
City	Population (2005, millions)	1975	2005	2015
Tokyo, Japan	35.2	14.1	14.1	14.1
Mexico City, Mexico	19.4	11	11	14.1
New York, United States	18.7	11	11	11
Sao Paulo, Brazil	18.3	11	11	14.1
Mumbai, India	18.2	11	11	14.1
Delhi, India	15.0	11	11	11
Shanghai, China	14.5	11	11	11
Kolkata, India	14.3	11	11	11
Jakarta, Indonesia	13.2	11	11	11
Buenos Aires, Argentina	12.6	11	11	11
Dhaka, Bangladesh	12.4	11	11	11
Los Angeles, United States	12.3	11	11	11
Karachi, Pakistan	11.6	11	11	11
Rio de Janeiro, Brazil	11.5	11	11	11
Osaka-Kobe, Japan	11.3	11	11	11
Cairo, Egypt	11.1	11	11	11
Lagos, Nigeria	10.9	11	11	11
Beijing, China	10.7	11	11	11
Manila, Philippines	10.7	11	11	11
Moscow, Russia	10.7	11	11	11

SOURCE: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, (2006).

If the trend of recent decades continues, most of the growth in urban areas will occur in developing countries. In more developed regions, the number of people living in urban areas will rise only slightly in the next 25 years, while the less developed regions will experience a particularly sharp rate of increase in this number (Chart -6). Most future growth in urban areas will occur in developing countries.

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CHART 6. UNEQUAL URBAN POPULATION GROWTH (BILLIONS)



SOURCE: United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects, (2007).

## IMPLICATIONS ON THE URBAN POOR

The rapid urbanization process has both benefits as well harmful effects. The phenomena of developing world becoming more urban have the unwelcome precursor to new poverty problems, such as urban slums blossoming in congested cities. Yet, it also serves as a force for poverty reduction, as economies shift gradually out of agriculture to more remunerative activities, such as better-paid jobs in other sectors. However, still it is not clear whether the urbanization results in increase in poverty or benefits the poor in the growing cities of the developing world. The World Bank evidences aims to shed new light on the extent to which poverty, which is becoming an urban phenomenon in the developing world and on the role urbanization has played in reducing poverty overall. These evidences are about 90 countries representing more than 90 per cent of the population in the developing world (Ravallion, Chen, and Sangraula, 2007). Similarly, its findings also show that 75 per cent of the developing world's poor still live in rural areas, although there are some marked regional differences. But the share of the poor living in urban areas is rising and more rapidly than the population as a whole.

Urbanization is generally a positive factor in overall poverty reduction. In principle urban population growth can help reduce overall poverty in two ways. First, urbanization can come with higher mean income, which reduces poverty even if the distribution of incomes relative to the mean does not change. Second, it might entail improved distribution even if there is little or no economic growth. The evidence suggests that the first factor has been far

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stronger than the second; in other words, urbanization and poverty reduction are linked mainly through economic growth. A number of economic forces appear to underlie the link between urbanization and poverty reduction. On the one hand, urban economic growth often provides new opportunities for those migrating out of rural areas, some of whom escape poverty in the process. On the other, there can be important indirect effects of urbanization on the living standards of those who remain in rural areas. Positive effects stem from the fact that those moving to urban areas often send remittances back to the rural areas and (importantly) that fewer people are left in rural areas to compete for available jobs. There can be negative effects too, particularly in the cases where large out-migrations lead to long-term deterioration in the physical and human infrastructure of rural communities.

The positive indirect effects, through higher rural living standards, appear to be more important than has generally been thought. Indeed, the evidence suggests that urbanization has done more to reduce rural "one dollar a day" poverty than to reduce urban poverty. Rural poverty measures tend to fall more rapidly in countries with higher rates of urbanization. Urbanization appears to be having a compositional effect on the urban population, in that the new urban residents tend to be poorer than the previous urban population. Naturally, this slows the pace of urban poverty reduction, even though poverty is falling in rural areas and for the population as a whole.

## On Urban Poverty

The World Bank's household surveys and other sources have shed new light on the extent to which poverty is becoming an urban phenomenon in the developing world and on the role urbanization has played in reducing poverty overall. The World Bank bases its poverty measures for the developing world as a whole and its main regions on two international poverty lines, of about one dollar and two dollar a day (or, more precisely, \$32.74 and \$65.48 a month) at 1993 purchasing power parity. The one dollar a day line is a deliberately conservative definition of poverty in the sense it is anchored to the poverty lines typical of low-income countries. Richer countries naturally tend to have higher poverty lines. The two dollar a day line is more typical of middle-income countries. The international poverty line is converted to local currencies using the Bank's purchasing power parity exchange rates for consumption in 1993 and then updated over time using the best available consumer price index for each country. The poverty lines, expressed in local currency amounts, are applied to the available nationally representative household survey data on household consumption or income per person to determine how many people in each country fall below the one dollar and two dollar lines.

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TABLE 3. THE CHANGING FACE OF POVERTY, 2002

		Number of poor (millions)			Percentage of developing world's population below each poverty line			Urban share of the poor (percent)
		Urban	Rural	Total	Urban	Rural	Total	
One dollar a day	1993	236	1,036	1,272	13.5	36.6	27.8	18.5
	2002	283	883	1,165	12.8	29.3	22.3	24.2
One dollar a day	1993	683	2,215	2,898	39.1	78.2	63.3	23.6
	2002	746	2,097	2,843	33.7	69.7	54.4	26.2

SOURCE: Ravallion, Chen, and Sangraula (2007)

The urban sector's share of the poor is rising over time. Among those living on no more than one dollar a day, the proportion found in urban areas rose from 19 per cent to 24 per cent between 1993 and 2002; over the same period, the urban share of the population as a whole rose from 38 per cent to 42 per cent. Nonetheless, it will be many decades before a majority of the developing world's poor live in urban areas (Table.3). The poor are urbanizing faster than the population as a whole. This reflects a lower-than-average pace of poverty reduction in urban areas. Between 1993 and 2002, 50 million more people joined the ranks of those living on less than one dollar a day in urban areas. However, the aggregate number of poor people fell by about 100 million, thanks to a decline of 150 million in the number of rural poor.

There are marked regional differences. The fastest urbanization of poverty occurred in Latin America, where the majority of the poor now live in urban areas (see Chart 7). By contrast, less than 10 per cent of East Asia's poor live in urban areas, largely because absolute poverty in China is overwhelmingly rural. There are also regional exceptions to the overall pattern of urban poverty; indeed, there are signs of a ruralization of poverty in China and in Eastern Europe and Central Asia. This new evidence implies that an extra 130 million people lived on less than one dollar a day in 2000. We also find a somewhat slower pace of overall poverty reduction over time than in past work. These differences stem from the higher cost of living and the slower pace of poverty reduction in urban areas.

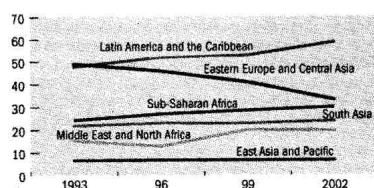
Almost 60 per cent of Latin America's poor reside in urban areas, far more than in other regions.

(Share of "one dollar a day" poor living in urban areas, per cent)

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CHART 7. BIG REGIONAL DIFFERENCES



SOURCE: Ravallion, Chen and Sangraula (2007)

## Growth of Urban Slums: Unparallel concentration of Urban Poverty

Poor people are, for the most part, consigned to socially segregated areas generically called "slums". The term "slum" is used to refer to many types of housing, including those that could be upgraded. Terms such as "slum", "shantytown", "informal settlement", "squatter housing" and "low-income community" are often used interchangeably. According to UN-Habitat, a "slum household" is a group of individuals living under the same roof in an urban area who lack one or more of the following: durable housing, sufficient living area, access to improved water, access to sanitation and secure tenure. Not all poor people live in slums, and not all people who live in areas defined as slums are poor. However, for simple analysis this study equates the urban poor with slum dwellers.

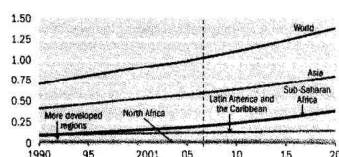
The basic features of slum life have not changed: *The difference today is one of scale.* Slum dwellers of the new millennium are no longer a few thousand in a few cities of a rapidly industrializing continent. They include one out of every three city dwellers, a billion people, a sixth of the world's population. Over 90 per cent of slum dwellers today are in the developing world. South Asia has the largest share, followed by Eastern Asia, sub-Saharan Africa and Latin America. China and India together have 37 per cent of the world's slums. In sub-Saharan Africa, urbanization has become virtually synonymous with slum growth; 72 per cent of the region's urban population lives under slum conditions, compared to 56 per cent in South Asia. The slum population of sub-Saharan Africa almost doubled in 15 years, reaching nearly 200 million in 2005.

The United Nations Millennium Declaration recognized the importance of addressing the situation of slum dwellers in reducing overall poverty and

advancing human development. Despite the strength of this commitment, monitoring progress on the situation of slum dwellers has been a challenge. Proactive policy interventions are needed now if nations are to meet the spirit of Target 11 of the Millennium Development Goals and ameliorate the lives of millions of the urban poor.

The rapid trends in urbanization in developing countries have harmful outcomes, often pointed out to several factors, including its impact on the environment and quality of life. Because of the effects of traffic congestion, concentration of industry, and inadequate waste disposal systems, environmental contamination is generally higher in cities than in the countryside and often well in excess of the local environment's inherent capacity to assimilate waste which undercuts human health. Cities also make demands on land, water, and natural resources that are disproportionately high in relation to their land area and because of high income and consumption, their population size as well. Further, even though urbanization may increase incomes, it is also linked to increases in urban poverty, with the rate of growth of the world's urban poor exceeding the rate of growth of the world's urban population. And inequality within developing world cities is stark. Because quality urban housing is so costly, the urban poor often resort to living in slums, where water and sanitation facilities are inadequate and living conditions are miserable and often unhealthy. The UN estimates that the number of people living in slums passed one billion in 2007 and could reach 1.39 billion in 2020, although there are large variations among regions. Asia has by far the highest number of city dwellers living in slums; the problem is worst in South Asia, where half of the urban population is composed of slum dwellers. But in percentage terms, sub-Saharan Africa leads the pack: about 72 per cent of city dwellers in that region live in slums.

CHART 8: THE GROWTH OF SLUMS (SLUM POPULATION, BILLIONS)



SOURCE: UN-HABITAT, Global Urban Observatory database (2005).



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Malnutrition in slum areas is much higher than in non-slum urban areas. In Ethiopia, for example, UN-HABITAT reports that slums have child malnutrition rates of 47 per cent, while other urban areas have rates of 27 per cent. Child mortality is higher and primary education enrollment is lower in slums than in non-slum urban districts, and slum dwellers are more vulnerable to environmental disasters and pollution. These inequalities often lead to other, sometimes greater, social problems, such as crime and violent conflict. The growth in urban populations in developing countries is to large part a growth in the number of young people. The UN Population Fund predicts that, by 2030, 60 per cent of those living in urban areas will be under the age of 18. The proportion of young people is particularly high in slum areas, where employment opportunities are limited. This combination of youth and poverty can make for high crime rates. Some demographers have forecast that the increasing concentration of humanity in big cities will lead to major conflicts affecting both urban areas and entire countries.

## POLICY LESSONS FOR DEVELOPING WORLD

Given that the bulk of the developing world's poverty remains in rural areas, policies to promote agricultural and rural development will continue to play a crucial role (World Bank, 2007). But these also point out the potential importance of urban policies for rural poverty reduction. The pace of urbanization and the gains it brings to the poor depend in part on the actions of urban governments, such as providing services and legal protection, improving transportation, and strengthening land-use regulations and land titling. However, urban governments are typically answerable to their urban constituents alone. A city government, on its own, will probably devote too few resources to actions that yield spillover benefits to its rural hinterland. Yet many urban policies (in land-use and housing regulations and service provisioning) are likely to affect the pace of urbanization. The issue then arises as to whether these policies are socially optimal, taking account of urbanization's external gains to rural areas. Indeed, some incumbent urban residents may expect to become worse off from policies that attract rural migrants. It is thus not surprising that past urban policies have often ignored migrants' needs and even burdened them with extra costs (both pecuniary and non pecuniary).

The bottom line poor are gravitating to towns and cities, but more rapid poverty reduction will probably require a faster pace of urbanization, not a slower one—and development policy-makers will need to facilitate this process, not hinder it. Further, the Demographic indicators of the quality of life in health, education, and sanitation are higher in urban areas than rural areas. For example, female literacy rates are much higher among urban dwellers than rural dwellers, because urbanization tends to boost girls' access to

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education and promotes cultural acceptance of their right to education. But literacy levels are much higher for the urban rich than the urban poor. Health disadvantages experienced by the urban poor are most dramatic in slum areas, which lack piped water, sanitation facilities, garbage collection, and drainage. And urban outdoor air pollution is responsible for roughly three million deaths worldwide each year. One out of every three urban dwellers worldwide now lives in a slum and in sub-Saharan Africa this fraction more than doubles.

Today, a large number of people live in abject poverty and squalor; unprecedented economic growth has done little to reduce their number; and in many places, inequalities have sharply increased. The proportion of the growing urban population in developing countries that are 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, for instance, 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. 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. Therefore, while planning for future rapid expansion of shelter needs in towns and cities and, 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 Organisation of Urban Poor (OUPs), many of which are part of currently successful approaches.

Dealing with the rapid growth 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

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service delivery. One strategy would be to focus on providing *access to serviced land* for the growing millions. 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.

Providing poor people with minimally serviced land is not an easy solution: Given the veracity 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. 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.

Despite the attributed benefits of urbanization, the evidence supports the view that urbanization, especially when its pace is rapid, can impede development and exacerbate environmental problems. Whether or not urbanization plays a major role in economic development, it is clear that, if well managed, it can be a factor in promoting better health and education. And whether urbanization proves to be a boon or a bane may depend on an appropriate devolution of power among different constituencies, including national and regional governments, civil society, and legitimate claimants of private property rights. This does not seem to be happening, however. A recent UN survey in developing countries reveals that only 14 per cent of respondents were satisfied with the urban-rural mix and city-size distribution of their populations. Most of those who were unsatisfied bemoaned the increasing urbanization taking place in their countries. About 73 per cent of respondent governments had policies in place to slow down urbanization, whereas only three per cent had policies to accelerate the process.

Most policies to reduce urbanization attempt to limit or reverse movement from rural to urban areas, through rural employment schemes or the denial of services to migrants once they reach cities. However, the rapid increase in

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such migration shows that there is a strong demand for it: policy, at least in the short term, is unlikely to reduce this demand. Bringing migration to a halt may reduce would-be migrants' opportunities to create a better life, risks making them both poorer and more resentful, and violates their rights. It also limits the potential for rural areas to benefit from remittances. Given that most urban growth in developing countries comes about because of growth among existing urban populations, and not from rural-urban migration, the best bet may be programmes that empower women, such as reproductive health programmes in urban areas. Better education, gender-sensitive labour laws, and policies that expand employment opportunities for women are important for reducing fertility, because couples in which the woman has strong career prospects are more likely to desire a smaller family. Family planning and reproductive health services can make it easier for women to achieve this goal. These policies have benefits other than cutting fertility, of course they also tackle female poverty and improve maternal and child health, thereby improving urban living conditions.

It is likely to be more important to plan for and adapt to increasing urbanization, which has typically not been done enough, than to attempt to prevent it. The reality is that city planning is not a luxury; it is a necessity. Investment in infrastructure is vital if cities are to avoid health and environmental problems and make the most of the economic opportunities cities present. This will not be cheap. The Asian Development Bank estimates that, in Asia alone, trillions of dollars of investment will be needed to develop urban infrastructure to keep up with urbanization rates.

Planning for urbanization will also in many cases require more innovative technological and institutional solutions. Take transport problems, for example, for which cities have devised a number of innovative systems. Fees for using an automobile in congested areas in London and Singapore have helped reduce traffic congestion and pollution. Delhi has cut air pollution in half by enforcing auto rickshaws and buses to use natural gas. Bangkok has adopted similar policies. And the city of Curitiba in Brazil has pioneered a system, since copied by Quito and Bogotá, in which extra-large buses operate on popular routes along specially designated bus ways. This creates a system akin to an above-ground subway system at a fraction of the cost, and car traffic has plummeted in Curitiba despite population growth. Another example is the construction of "environmentally friendly" cities. In China, developers have started building a city near Shanghai that they tout as environmentally friendly they claim that it will, among other things, generate almost no carbon emissions. Although, when built, Dongtan will make little dent in China's growing urban and environmental problems, it may be a model for a new approach to greening cities. And, even on the level of individual buildings, it is essential to incorporate innovative designs to counteract urban sprawl. In Tokyo, for example, the

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Roppongi Hills real estate complex combines residential, commercial, and cultural facilities in one space and demonstrates an entrepreneurial role that the private sector can play in planning urban spaces.

Planners should also seek to improve the market for urban land. Many rapidly urbanizing cities in the developing world lack an integrated formal property system or have a system that is plagued with bureaucracy. In turn, the poor often "squat" on land without a formal title. Without legal ownership, the poor are unable to leverage their assets as collateral in exchange for capital to start a business, smooth consumption, or pay for emergency expenses. A leading Peruvian development economist, Hernando De Soto, has argued that formal land ownership through titling can be a catalyst for economic development. To encourage the titling of land, planners might consider liberalizing some elements of land-use regulation, for example, simplifying the process for land titling and registration, as the Asian Development Bank has suggested. Or governments might provide access for very low-income households to affordable land through credit or subsidies. While titling is not a panacea, its increased prevalence will create incentives for disseminating information needed for the creation of a well-functioning urban land market.

## CONCLUSION

The planned urban development process is inevitable to balance the imbalances in the growth of urban regions; which calls for not only for capacity building at the city level, also requires creation of an appropriate urban institution which may attend to the task of planning of city development. But the question of who should we count on to do the needed urban planning, needs to be decided. In this regard, for instance, UN-HABITAT has argued that it is vital to decentralize power, because, Central governments too often focus solely on the capital cities in which they are based, ignoring the urbanization process in smaller cities. On similar ground, Vernon Henderson (2002) has also noted that in the initial stages of urbanization, it may be economically efficient for industries to congregate in one urban area, because that encourages the creation of appropriate institutions, infrastructure, and a pool of skilled labour. However, at later stages, investment in intercity transport and telecommunications, decentralization of tax-raising power to regional authorities, and measures that aim to boost employment opportunities in other cities may help spread the burden of urbanization from the primary city and make the process more manageable. Of course, there is a need both for capacity building at the regional level to make such devolution productive and for appropriate checks and balances on Central and regional authorities. Some countries have developed regional governance mechanisms to tackle this problem. For instance, countries such as China, have built special economic zones, in part to disperse urban populations throughout the country. These zones have more liberal regulatory

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and tax environments than other areas, which help them to attract businesses and subsequently, migrants seeking employment.

The power to make decisions about urbanization, or at least to provide input into such decisions, must also reside at levels below regional authorities. If the implementation of infrastructure and other improvements is to be effective, communities on the ground, including slums, should be encouraged to participate. After all, municipalities and district authorities are closer to the needs of the urban population than Central governments. Local businesses also have useful local knowledge and will play a key role in job creation. But particularly in areas where the capacity to run government is likely to be weak, institution building may be necessary (and should be part of a development strategy) before decentralization to greater community control over resources becomes feasible.

Continued urbanization in developing countries is inevitable, as demonstrated perhaps best by the futile efforts of governments that have attempted to bring it to a halt. Failing to plan for the growth of urban populations will leave cities vulnerable to its negative effects, including environmental degradation, poor health, and extreme crowding. Active planning, on the other hand, may allow cities to benefit from burgeoning populations of ambitious young workers, with a positive impact on those already living in cities, on new migrants, and on rural communities. The participation of a diverse range of stakeholders is vital for sustainable city planning, and Central governments should not delay opening up the decision-making process to at least consultation with, if not direct action by, these stakeholders.

In summary, from the foregoing analysis it is worth to advocate three policy initiatives which need attention among the policy-makers to overcome the negative impacts of rapid urbanisation trends in the developing world.

First, preparing for an urban future requires, at a minimum, respecting the rights of the poor of the city. Many policy-makers continue to try to prevent urban growth by discouraging rural-urban migration, with tactics such as evicting squatters and denying them services. These attempts to prevent migration are futile, counter-productive and, above all, wrong, a violation of people's rights. If policy-makers find urban growth rates too high, they have effective options which also respect human rights. Advances in social development, such as promoting gender equity and equality, making education universally available and meeting reproductive health needs, are important for their own sake. But they will also enable women to avoid unwanted fertility and reduce the main factor in the growth of urban population—natural increase.

Secondly, cities need a longer-term and broader vision of the use of

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urban space to reduce poverty and promote sustainability. This includes an explicit concern with the land needs of the poor. For poor families, having an adequate piece of land—with access to water, sewage, power and transport—on which they can construct their homes and improve their lives is essential: Providing this requires a new and proactive approach. Planning for such spatial and infrastructure requirements, keeping in mind poor women's multiple roles and needs, will greatly improve the welfare of poor families. This kind of people-centred development knits together the social fabric and encourages economic growth that includes the poor. Similarly, protecting the environment and managing ecosystem services in future urban expansion requires purposeful management of space in advance of needs. The "urban footprint" stretches far beyond city boundaries. Cities influence, and are affected by, broader environmental considerations. Proactive policies for sustainability will also be important in view of climate change and the considerable proportion of urban concentrations at or near sea level.

Thirdly, population institutions and specialists can and should play a key role in supporting community organizations, social movements, governments and the international community in improving the nature and form of future urban expansion, and thus enhancing its power to reduce poverty and promote environmental sustainability. A concerted international effort at this critical time is crucial to clarify policy options and provide information and analyses that will support strategies to improve our urban future. 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. In this regard, the viewpoint recently expressed by World Bank President James Wolfensohn needs attention as well, who stated that: "Growth did not reduce poverty (in Latin America and the Caribbean), and had little impact on inequality. High inequality sustains poverty, as smaller shares of total income reach those at the bottom. Inequality weakens the impact of growth on fighting poverty." "High inequality sustains poverty, as smaller shares of total incomes reach those at the bottom. Inequality weakens the impact of growth on fighting poverty".

In many countries, real incomes have fallen, the costs of living have gone up and the number of poor households has grown, especially in cities. It is clear that future urbanization in developing countries will be accompanied by a shift in the concentration of poverty from rural to urban areas, a phenomenon which has been described as the 'urbanization of poverty'. Already, more than three-quarters of the poor in Latin America live in cities; other developing world regions are likely to follow the same path. Poverty should not be seen narrowly in terms of income in relation to costs of living.

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The ability to maintain a minimum standard of living also depends on access to basic services such as safe drinking water, sanitation and waste collection and disposal all of which have important effects on health. Millions of urban dwellers do not have access to these services. In view of this, it is clear that the effectiveness with which urban infrastructure and services, and human settlements in general, are managed has significant implications for poverty eradication. Urban poverty, including food insecurity and malnourishment, are not restricted to the developing world. Therefore, it is important to stress that economic growth does not guarantee their elimination. For the development of human settlements, the implication of the recent trends is that we must broaden our view of cities as simply engines of economic growth to include and emphasize a perspective that sees cities as agents of social change. Such a perspective entails first the articulation of appropriate new normative agendas.

Contrary to general belief, the bulk of urban population growth is likely to be in smaller cities and towns, whose capabilities for planning and implementation can be exceedingly weak. Yet the worldwide process of decentralizing governmental powers is heaping greater responsibility on them. As the population of smaller cities increases, their thin managerial and planning capacities come under mounting stress. New ways will have to be found to equip them to plan ahead for expansion, to use their resources sustainably and to deliver essential services. One of the key features of the dynamics of urbanisation is that poor people will make up a large part of future urban growth. This simple fact has generally been overlooked, at great cost. Most urban growth now stems from natural increase rather than migration. But wherever it comes from, the growth of urban areas includes huge number of poor people. Ignoring this basic reality will make it impossible either to plan for inevitable and massive city growth or to use urban dynamics to help relieve poverty.

Once policy-makers and civil society understand and accept the demographic and social composition of urban growth, some basic approaches and initiatives suggest themselves. There could have a huge impact on the fate of poor people and on the viability of the cities themselves. The urban and national governments, together with civil society and supported by international organizations, can take steps now that will make a huge difference for the social, economic and environmental living conditions of a majority of the world's population.

The national and international institutions can help to create a liveable urban future for the masses of urban poor. But 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. In this context, UN-Habitat's Third World Urban Forum, as

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well as its *State of the World's Cities 2006/7*, successfully focused world interest on the deteriorating social and environmental conditions of urban localities. The process of globalization has also drawn attention to the productive potential of cities and to the human cost. Yet the enormous scale and impact of future urbanization have not penetrated the public's mind. A pre-emptive approach is needed if urbanization in developing countries is to help solve social and other problems, rather than make them catastrophically worse.

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