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**URBAN POVERTY AND THE WORKING POOR**

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**FACING THE CHALLENGES OF URBANIZATION AND URBAN POVERTY  
IN ASIA AND THE PACIFIC**

*Note by the secretariat*

**SUMMARY**

Poverty has often been seen as a purely rural problem. In the coming years and decades, urban poverty will become a major challenge for policymakers in the Asian and Pacific region. As the urban population of the region is growing, so is urban poverty. Poverty reduction tools and approaches that have been developed for rural poverty reduction will not work in urban areas, because urban poverty is different in nature from rural poverty. To address urban poverty effectively, policymakers at the national and local levels need a good understanding of the nature of urban poverty as well as accurate data that present its dynamics, trends and conditions. The present document provides a broad overview of the characteristics and, if available, the extent of urban poverty, using the three dimension of poverty: lack of income, lack of access and lack of power. It introduces policies and programmes to address urban poverty, but also shows that the available data on urban poverty in the region are not detailed enough to enable the development of effective and sustainable urban poverty reduction policies. It prioritizes three aspects of urban poverty that could form the basis for future work by the secretariat.

The Committee is requested to advise the secretariat on directions for further work to enhance the understanding of urban poverty and to identify effective approaches to urban poverty reduction.

\* The present document was submitted late in order to allow for the inclusion of the most recent data on the Millennium Development Goals.

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## INTRODUCTION

### A. Poverty

1. In *Development as Freedom*, Sen<sup>1</sup> defines poverty as the deprivation of basic capabilities that provide a person with the freedom to choose the life he or she has reason to value. These capabilities include good health, education, social networks, command over economic resources, and influence on decision-making that affects one's life. Income is important because money allows a person to develop his or her capabilities, but it is only a means to live a valuable life. From this perspective, poverty is a condition with many interdependent and closely related dimensions which can be summarized in three broad categories:

(a) Lack of regular income and employment, productive assets (such as land and housing), access to social safety nets;

(b) Lack of access to services such as education, health care, information, credit, water supply and sanitation;

(c) Lack of political power, participation, dignity and respect.

2. Poverty is found everywhere, but it has traditionally been seen as a typically rural problem. The rural poor lack adequate income and land to cultivate; they are removed from such services as education and health care and their voices are rarely heard. Compared with the rural poor, the urban poor are seen as people who are much better off: they are generally employed and they earn an income that is higher than that of the rural poor; they live near basic infrastructure and services, and their sheer numbers and closeness to the centres of power enable them to influence local political decision-making. At first glance, they appear to have everything the rural poor lack.<sup>2</sup>

3. However, urban poverty requires the urgent attention of policymakers. There is evidence that it is becoming an urban rather than a rural problem. Unless urban poverty is addressed, continued urbanization will result in increases in urban poverty and inequality. This may have profound consequences for the city as a whole, as growing inequalities can strain its ability to prosper. It will affect relations between the different economic groups and may lead to rising levels of insecurity, which in turn could lead to conflict.

4. Urban poverty reduction requires different kinds of approaches, because it is different from rural poverty in many respects: the urban poor are affected by the highly monetized nature of urban living, which forces them to spend far more on accommodation, food, transport and other services than the rural poor; unlike rural poverty, urban poverty is characterized by the regulatory exclusion of

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<sup>1</sup> Amartya Sen, *Development as Freedom* (New York, Alfred A. Knopf, 1999), p. 87.

<sup>2</sup> The document calls for interventions to reduce urban poverty, but this should not be seen as disregard for the seriousness and magnitude of rural poverty and for the need for rural poverty reduction. Paying increased attention to urban poverty reduction should not occur at the expense of rural poverty reduction. In many respects, rural and urban poverty need to be treated as connected issues, given the close and intensifying links between urban and rural areas through the constant movement of people, goods, capital, remittances, ideas and information.

the poor from the benefits of urban development. Moreover, the nature of urban communities is distinct and urban poverty is not easily addressed by the community-based approaches developed for rural poverty reduction. The design of effective urban poverty reduction policies requires a good understanding of the causes, conditions and dynamics of urban poverty as well as accurate data that present its trends and conditions.

## B. Urbanization

5. While the Asian and Pacific region may be dominated by its large cities, it is in fact still one of the least urbanized in the world: only Africa is less urbanized. According to United Nations projections, urbanization of the region will, however, continue and a majority of the region's population will live in urban areas by 2025. Some subregions will urbanize faster than others. In the Pacific subregion, over 70 per cent of the population already lives in urban areas. East and South-East Asia are expected to reach the 50 per cent level before 2015, while in South-Central Asia this level is not expected to be reached by 2030.<sup>3</sup>

6. Urbanization and economic development are closely linked, because economic development occurs primarily in urban areas. Urbanization is a largely inevitable and irreversible process that requires good management to have optimal and inclusive outcomes. In Asia and the Pacific (as elsewhere), the economically most advanced countries (Japan, the Republic of Korea) are also the most urbanized. The lowest levels of populations living in urban areas, but the highest urban population growth rates, are found in least developed countries.<sup>4</sup>

**Table 1. Urbanization, rural and urban population growth rate of selected least developed countries in Asia**

Country	Average annual rate of change of the population (2005-2010)		Urbanization (percentage in 2005)
	Urban	Rural	
Timor-Leste	7.05	4.85	26.5
Afghanistan	5.13	3.04	22.9
Bhutan	5.05	1.82	11.1
Cambodia	4.87	1.19	19.7
Nepal	4.84	1.34	15.8
Lao People's Democratic Republic	4.02	1.66	20.6
Maldives	3.99	1.71	29.6
Asia	2.45	0.19	39.8

Source: United Nations, *World Urbanization Prospects: The 2005 Revision* (ESA/WP/200).

7. It is often assumed that the terms "urban" and "urbanization" refer to large cities, but each country defines "urban" in its own way, and most countries consider settlements with 5,000 to 10,000 inhabitants to be urban. As a result, a majority of the urban residents live in small cities and towns.

<sup>3</sup> United Nations, *World Urbanization Prospects: The 2005 Revision* (ESA/WP/200).

<sup>4</sup> Ibid.

The total population of Asia living in urban areas in 2000 was 1,367 million, but only 10.4 per cent of them lived in mega-cities with 10 million or more inhabitants. Half of the urban population of Asia lived in towns with fewer than 500,000 inhabitants.<sup>5</sup> This shows how important it is to give attention not only to the mega-cities but also to small cities and towns.

**Table 2. Population distribution in Asia, by area of residence, 2000**

	Population		
	Millions	Percentage of urban	Percentage of total
Urban			
>10 million	142	10.4	3.9
5 – 10 million	91	6.7	2.5
1 – 5 million	307	22.5	8.3
0.5 – 1 million	149	10.9	4.0
<0.5 million	678	49.6	18.4
Total urban	1 367	100.0	37.1
Total rural	2 313		62.9
Total	3 680		100.0

Source: United Nations, *World Urbanization Prospects: The 2003 Revision* (Sales publication, No. E.04.XIII.6).

8. It is often said that rural-urban migration is the result of a misconception by the rural poor that life is better in urban areas. It is assumed that, once in the city, these “misguided” rural poor realize that urban poverty is just as hard as rural poverty and that they would have been better off not having migrated. In this view, the most efficient way to reduce urban poverty is to help (or force) the urban poor to return to the rural areas and to promote rural development in order to reduce rural poverty. Further, this view holds that efforts to improve the conditions of the urban poor only encourage more rural poor to migrate to the urban areas.

9. Much of the rural-urban migration is certainly the result of the perception by rural migrants that cities provide more and better opportunities for upward social and economic mobility than rural areas. The migrants are, of course, right: cities generate the employment necessary to reduce poverty and services such as education and health care are concentrated in urban centres and tend to be of a better quality than those in rural areas. The urban poor may be at the bottom of the economic ladder, but there is at least a ladder for them to start climbing in towns and cities. While it may take longer than they had originally anticipated to achieve a level of prosperity that they lacked in their rural homes, moving is often also about longer-term gains. Urban areas provide opportunities for their children through better education and job prospects.

10. Further, it is important to realize that urbanization is not just the result of rural-urban migration. Migration is one of three factors that contribute to urban population growth: the other two

<sup>5</sup> United Nations, *World Urbanization Prospects: The 2003 Revision* (Sales publication, No. E.04.XIII.6).

are natural population growth and the reclassification of rural into urban areas owing to development.<sup>6</sup> The United Nations estimates that rural-urban migration and reclassification account globally for 40-50 per cent of the urban population growth in less developed regions.<sup>7</sup> Large sections of the urban population and of the urban poor were born in urban areas and are at the most second- or third-generation migrants. They regard themselves as legitimate urban dwellers and view their urban homes as their permanent residence. They do not see a return to the countryside as a realistic option for them.

## I. URBAN POVERTY

### A. Income poverty

11. Around 641 million people in the region are living on less than one dollar a day.<sup>8</sup> It is difficult to determine exactly how many of them live in the rural areas, but estimates range from 65 to 80 per cent. If that is the case, the urban poor number around 130-210 million on the basis of this indicator alone. Ravallion and others<sup>9</sup> estimate that rural poverty in Asia is declining significantly, while urban poverty has been increasing, from 136 million people in 1993 to 142 million in 2002.

12. The magnitude of poverty cannot be compared in terms of income only, and even less in terms of a \$1 a day poverty line. There are significant differences between rural poverty and urban poverty.<sup>10</sup> A lack of arable land and non-farm employment, unavailability of services within a reasonable distance, traditional norms and values that form barriers to access available services and a lack of political power to claim access to services are common for rural areas, for remote regions within countries and for social and ethnic minorities. Urban poverty is not so much a lack of employment, because almost all urban poor are “working poor”. Their income is higher than that of the rural poor. The problem is not an absence of basic services, because such services are highly concentrated in urban areas.

13. Despite having a higher income, the urban poor cannot live a decent life, because the higher income is taken away by a number of additional (often urban-specific) costs:

- (a) A high cost of living, because of the highly monetized access to goods and services;
- (b) The exclusion from public services because of the extra-legal status of the house or its occupants;
- (c) The higher cost of a service provided by the private sector for lack of public sector provision;

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<sup>6</sup> There is an underlying assumption that “urban equals developed”.

<sup>7</sup> United Nations, *Urban Agglomerations 2005* (New York, 2006).

<sup>8</sup> ESCAP, *The Millennium Development Goals: Progress in Asia and the Pacific 2007* (United Nations, 2007), p. 4.

<sup>9</sup> Martin Ravallion, Shaohua Chen and Prem Sangraula, *New Evidence on the Urbanization of Global Poverty*, World Bank Policy Research Working Paper 4199, April 2007.

<sup>10</sup> Ellen Wratten, “Conceptualizing urban poverty”, *Environment and Urbanization*, vol.7, No.1, April 1995, pp.11-38.



(d) The high opportunity cost of waiting for a (possibly free) service by a public provider;

(e) The high and recurrent cost of bribes, other informal payments and harassment by law enforcers owing to their extra-legal living and working conditions;

(f) The high health cost of living in an unhealthy environment with inadequate water supply, sanitation, drainage and solid waste collection;

(g) The costs of threats and consequences of eviction and of natural hazards such as floods and landslides.

As a result, the urban poor have less money to spend on basic necessities, their source of income is insecure and their health is affected by poor living and working conditions. In Sen's words, they are as much deprived of many capabilities to live the life they have reason to value as the rural poor.

### **B. Urban hunger**

14. Urban hunger is a largely invisible problem, but the number of hungry city dwellers appears to be climbing along with the total urban population.<sup>11</sup> Data tend to show malnutrition as more prevalent in rural than in urban areas, but it is an emerging problem in many countries.<sup>12,13</sup> Recent findings<sup>14</sup> indicate that in some countries food insecurity<sup>15</sup> is more serious among the urban poor than among the rural poor. In India, underweight children constitute 61 per cent of the poorest one fifth of the rural population and 66 per cent of the poorest one fifth of the urban population.

15. As with poverty in general, hunger is different in urban areas and in rural areas. Urban food security depends on issues related to access and utilization rather than availability. Given prices and income, the ability of a poor urban household to buy food may be less than that of a poor rural household, because the urban poor must buy most of their food. In many cases, the urban poor pay up to 30 per cent more for their food than the rural poor, and spend 60 per cent or more of their total expenditure on food. Transport costs and post-harvest losses are the main causes of the higher cost of food in urban areas.<sup>16</sup>

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<sup>11</sup> Food and Agriculture Organization of the United Nations, *The State of Food Insecurity in the World 2004* (Rome, 2004).

<sup>12</sup> United Nations Human Settlements Programme, *State of the World's Cities 2006/7* (London, Earthscan Publications Ltd., 2006).

<sup>13</sup> Lisa C. Smith, Marie T. Ruel and Aida Ndiaye, *Why is Child Malnutrition Lower in Urban than Rural Areas? Evidence from 36 Developing Countries*, Food Consumption and Nutrition Division Discussion Paper No. 176 (International Food Policy Research Institute, Washington DC, 2004).

<sup>14</sup> ESCAP, *The Millennium Development Goals: Progress in Asia and the Pacific 2007* (United Nations, 2007).

<sup>15</sup> The World Food Summit, held in Rome in November 1996, defined food security, as access by all people at all times to enough food for an active and healthy life. Food security involves three components: availability, access and utilization. Availability refers to the total amount of food in supply per person; access refers to the economic ability of individuals to purchase food; utilization refers to the body's ability to absorb necessary nutrients (See the World Food Summit Plan of Action (WFS 96/REP)).

<sup>16</sup> United Nations Millennium Project, background paper of the Task Force 2 on Hunger, "Halving global hunger" (New York, 2003), p. 25.

16. The urban poor often suffer health problems as a result of unhealthy living conditions and this prevents the proper utilization of food, in particular the absorption of the necessary nutrients. Diarrhea caused by the lack of adequate sanitation and poor-quality water is a clear example of a health condition that prevents the proper utilization of food.<sup>17</sup> Data indicate a higher incidence of diarrhea among urban children than among rural children less than 5 years of age.<sup>18</sup>

17. Because of their lifestyle, urban dwellers often face time constraints and tend to consume more processed and prepared foods. In urban areas, women often work outside the home and have less time to spend caring for their children and more problems. They end breastfeeding two to three months earlier than rural women, thereby depriving their children of the needed nutrients and reducing immunity.<sup>19</sup> Acute and infection-related malnutrition is more prevalent in urban areas (resulting in wasting), compared with the more chronic and food insecurity-related type of malnutrition in rural areas (resulting in stunting).<sup>20</sup> Although the typical urban diet has higher levels of some micronutrients and animal proteins than the rural one, it also has higher intakes of saturated and total fat and sugar and lower intakes of fibre.

### **C. Economic growth and employment**

18. Over the past several decades, many countries in the region have experienced rapid economic growth, which has lifted hundreds of million of people out of absolute income poverty. Most of the growth has taken place in non-farm sectors, in urban areas. In recent years, the region's gross domestic product (GDP) has grown by 6.2 per cent annually. At the same time, the labour force has grown by 1.6 per cent annually, while formal sector employment in the region has grown by only 1.4 per cent annually.<sup>21</sup> Because GDP growth is generating less employment, impact on poverty reduction is diminished.

19. While increasing in the past few years, urban unemployment remains at very low levels, particularly in countries with a high incidence of poverty. The reason is that urban poor women and men are almost never unemployed: they are employed, but they have low-productivity jobs and consequently a low income. ILO estimates that 900 million workers in Asia cannot lift their families above the poverty line of \$2 a day.<sup>22</sup>

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<sup>17</sup> James L. Garrett, "Achieving urban food and nutrition security in the developing world: overviews", 2020 vision, Focus 3, Brief 1 (International Food Policy Research Institute (Washington DC, 2000)).

<sup>18</sup> United Nations Human Settlements Programme, *State of the World's Cities 2006/7* (London, Earthscan Publications Ltd., 2006).

<sup>19</sup> See note 17 above.

<sup>20</sup> Lawrence Haddad, Marie T. Ruel and James L. Garrett, *Are Urban Poverty and Undernutrition Growing? Some Newly Assembled Evidence*, Food Consumption and Nutrition Division Discussion Paper No. 63 (International Food Policy Research Institute, Washington DC, 1999).

<sup>21</sup> International Labour Organization, *Labour and Social Trends in Asia and the Pacific 2006: Progress towards Decent Work* (ILO Regional Office for Asia and the Pacific, Bangkok, 2006).

<sup>22</sup> International Labour Organization, *Labour and Social Trends in Asia and the Pacific 2006: Progress towards Decent Work* (ILO Regional Office for Asia and the Pacific, Bangkok, 2006).

20. According to ILO,<sup>23</sup> 65 per cent of all workers outside agriculture in the region are working in the informal sector,<sup>24</sup> and the importance of informal employment seems to be rising. In Indonesia, urban informal employment is almost 50 per cent of the total urban employment. In Pakistan, two out of three urban workers are informally employed. In China, informal employment in the urban economy is estimated to have risen from 57 million (26 per cent of the total) in 1998, to 99 million (38 per cent of the total) in 2003.<sup>25</sup> Without the urban informal sector, income poverty in urban areas would be even more severe. The informal sector plays a critical role in many urban economies, producing an estimated 47 per cent of non-agriculture GDP in India, 37 per cent in Indonesia and 33 per cent in the Philippines.<sup>26</sup>

21. Because informal enterprises do not follow regulations, they avoid taxes, minimum wages and social security regulations. They employ workers over long hours and utilize the labour of relatives and friends. This reduces labour costs and consequently the costs of goods and services, and makes life more affordable for the urban middle class and the poor. Because the formal and informal sectors of the economy are often closely linked, the informal sector also supports the formal sector with low-cost inputs.

#### **D. Urban informal sector**

22. The growth of the urban informal sector is not simply the result of a lack of job opportunities in the formal sector. Working in the informal sector is often a deliberate and rational choice, particularly for low-income entrepreneurs, because the regulatory framework sets too many requirements for a small-scale, start-up enterprise. The potential advantages of operating in the formal sector (access to services, legal protection) too often do not match the costs. Moreover, formal enterprises may not meet the demands of poor customers adequately. The goods and services they supply tend to be too expensive or sold in quantities unsuitable for the poor, who want to make small purchases on a daily or almost daily basis and need flexible payment arrangements.

23. Many of the customers live in informal settlements, under the threat of eviction and with poor law enforcement. Informal enterprises can operate in this environment because of their low entry costs, proximity to the customers and reliance on informal enforcement mechanisms. The entrepreneurs often live in the same area and operate on a small scale with minimum investments in fixed capital to minimize their risks. Their knowledge of their customers allows them to tailor services to their needs, including working hours and payment schedules. Community or peer pressure enforces informal contracts and someone with a sound reputation in the community can serve as collateral for loans.

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<sup>23</sup> International Labour Organization, *Women and Men in the Informal Economy: A Statistical Picture* (Geneva, 2002).

<sup>24</sup> Those working for informal enterprises (including the self-employed) and those working under informal arrangements for formally registered companies.

<sup>25</sup> Organisation for Economic Cooperation and Development, *Economic Survey of China 2005* (Paris, 2005).

<sup>26</sup> See note 22 above.

24. Although not all informal sector workers are poor and some enjoy better working conditions than formal employees, poverty in urban areas is usually concomitant with the informal sector. In India, the poverty rate of households whose members earned their income from the informal sector was 25.7 per cent, as opposed to 7.1 per cent for those households earning an income in the formal economy.<sup>27</sup> Besides the low wages, informal workers have no legal security and are more prone to abuse by their employers. Informal entrepreneurs face difficulties in increasing their operations and their productivity, because without legal status they often have to rely on personal contacts with their customers or suppliers.

### E. Informal settlements

25. The informal sector also makes an important contribution to the physical growth of urban areas. In most cities and towns of Asia and the Pacific, the purchase of urban land, in particular that near sources of income, tends to be beyond the means of the urban poor and even the urban middle class. Because neither the public sector nor the private sector can produce adequate and sufficient low-income housing, the urban poor (as well as many others) are forced to turn to the informal sector for their accommodation. It is being said that the informal sector houses more people than the public and private sectors combined. Most urban poor rely on the informal sector to acquire land (without title) to build their house, or buy or rent a house in an informal settlement or slum.<sup>28</sup>

26. Access to income and employment opportunities is critical for the urban poor. This often forces them to live in areas that are unsuitable for habitation, where environmental conditions threaten their health and where they face the constant threat of eviction. Informal settlements are situated on land along railway tracks, riverbanks, swamps, flood-prone areas, landfill sites or places with heavy air pollution. Housing along railway lines or on riverbanks poses serious risks for children.

**Table 3. Total, urban and estimated slum population in Asia and the Pacific, 2001**

Subregion	Total population	Urban population		Estimated slum population	
	Millions	Millions	Percentage of total	Millions	Percentage of urban
East	1 364	533	39.1	193.8	36.4
South-Central	1 507	452	30.0	262.4	58.8
South-East	530	203	30.3	56.8	28.0
Oceania	8	2	26.7	0.5	24.1
Total Asia	3 409	1 191	34.9	513.5	43.1

Source: Adapted from United Nations Human Settlements Programme, *The Challenge of Slums: Global Report on Human Settlements* (London, Earthscan Publications Ltd., 2003).

<sup>27</sup> G.C. Manna, "On the linkage between employment in the informal sector and poverty: the Indian experience", paper presented at the Ninth Meeting of the Expert Group on Informal Sector Statistics, New Delhi, May 2006.

<sup>28</sup> The United Nations Human Settlements Programme defines "slum" as an area that combines, to various extents, the following characteristics: inadequate access to safe water; inadequate access to sanitation and other infrastructure; poor structural quality of housing; overcrowding; and insecure residential status (UN-Habitat, *The Challenge of Slums: Global Report on Human Settlements 2003* (London, Earthscan Publications Ltd., 2003), p. 12.

27. The Pacific island cities present a special case of informal settlement development.<sup>29</sup> As urban land is saturated, most development takes place outside the formal city and beyond the regulatory reach of the authorities. The urban poor develop their housing on customary land that is governed by traditional authorities and in some countries administered by Governments as rural locales. An estimated 80-90 per cent of all new housing in Pacific island cities is informal. While customary land provides affordable and essential land for housing for migrants and the poor, improvement of informal settlements is problematic. In one case, the use of customary land for planned urban development and competition among ethnic groups over peri-urban land and housing resulted in a nationwide conflict.<sup>30</sup>

28. Poverty leads to poor-quality housing, but poor-quality housing also acts upon poverty. The quality of the house and its environment directly affects the health of the occupants as well as the educational achievements of their children. Women and girls are often responsible for the cleaning of the house, and a poorly constructed house increases their workload and reduces the time available for more productive activities. Because many of the poor use their house also as a shop or workshop, an eating place or rental accommodation, the quality of the house directly affects their income. A good house, if owned, can also be used as collateral for a loan. Homeownership, even in an informal settlement, gives respect and dignity.

29. While it is more affordable, informal housing does not come free. As cities grow, even land unsuitable for development becomes a scarcity and middlemen control access to land in informal settlements. As house prices in informal settlements rise, more and more of the urban poor have to rent low-quality accommodation.

#### **F. Lack of access to services**

30. Most authorities refuse to install infrastructure in informal settlements, which are therefore rarely connected to municipal services, such as water and electricity supply, drainage and sewerage, transport and solid waste collection. If a service is available, the quality may differ substantially from that in wealthier parts of the city. A typical case is water supply. There may be one or more public water taps within a short distance from the house, but in many poor neighbourhoods water is supplied only a few hours per day (sometimes in the middle of the night). Women and children have to queue for hours at the site of the public tap. If water pressure is not maintained, there is a high risk of waste and sewage entering the network and contaminating the water supply.

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<sup>29</sup> Donavon Storey, "Urbanization in the Pacific: case studies of Kiribati, Vanuatu and Fiji", State, Society and Governance in Melanesia Project, targeted research paper for the Overseas Aid Programme of the Government of Australia (2006).

<sup>30</sup> Donovan Storey, "The peri-urban Pacific: from exclusive to inclusive cities", *Asia Pacific Viewpoint*, vol. 43, No. 3, pp. 259-279.

**Table 4. Improved drinking water coverage among urban population by Asian subregion, 2003**

Subregion	Urban population (thousands)	Access to safe water source (percentage)	Population lacking safe water (thousands)	Access to improved sanitation (percentage)	Population lacking improved sanitation (thousands)
East	564 871	92.5	42 365	69.4	172 756
South	448 738	94.3	25 428	67.0	148 084
South-East	228 636	91.0	20 577	80.0	45 727
Total	1 242 245	92.9	88 370	71.5	366 567

*Source:* United Nations Human Settlement Programme, *State of the World's Cities 2006/7* (London, Earthscan Publications Ltd., 2006).

31. If the public sector refuses to provide basic services in informal settlements, the residents have to rely on the (often informal) private sector. As a result, they tend to pay many times more for a service than people in the formal city, and this increases their poverty. In addition, there is the high health cost of living in an unhealthy environment with inadequate water supply, sanitation, drainage and solid waste collection, high levels of air pollution, and the threat of eviction and natural hazards such as floods and landslides.

32. Measuring access to safe drinking water and sanitation in urban areas, however, is not simple.<sup>31</sup> The most commonly used definition of access to safe drinking water is that water should be affordable and available in sufficient quantity and accessible without excessive effort and time. However, having a water point within 200 metres of a dwelling in a rural settlement is quite different from having a public tap within 200 metres of a dwelling in an urban settlement with 5,000 people using it. Moreover, people are often using more than one water source and it is difficult to ascertain the quality, accessibility, reliability and cost of each. It is therefore quite likely that the actual access to safe drinking water in urban areas is much less than the statistics seem to indicate.<sup>32</sup>

33. Moreover, data often hide the sometimes immense disparities between the urban rich and the urban poor, and the similarities between urban and rural poverty. An example is access to water and sanitation. Aggregated data show that urban populations tend to have more access to water and sanitation than rural populations, but disaggregated data paint a different picture. In Cambodia, 17 per cent of the poorest one fifth of the urban population against 23 per cent of the poorest one fifth of the rural population has access to improved water. In Indonesia, 19 per cent of the poorest one fifth of the urban population against 23 per cent of the poorest one fifth of the rural population has access to

<sup>31</sup> United Nations Human Settlements Programme, *State of the World's Cities 2006/7* (London, Earthscan Publications Ltd., 2006), p. 76.

<sup>32</sup> Measurement of improved sanitation coverage in urban areas also has its shortcomings. See United Nations Human Settlements Programme, *State of the World's Cities 2006/7* (London, Earthscan Publications Ltd., 2006), p. 84.

sanitation.<sup>33</sup> Thus, the urban population is on average better off than the rural population, but the urban poor suffer on average as much or more from a lack of services than the rural poor.

### **G. Exclusion**

34. Public services may not be far away from any urban household and may actually be free of charge, but time has a much higher price in urban areas than in rural areas. People may be able to reach a health centre relatively easily but could spend the rest of the day or night waiting for their turn because a free service is often overloaded. Poor households cannot afford to have an income-earner spend a day waiting to be treated. They will go to a private service at a higher cost but with less time lost, or a traditional healer who may not be effective. In other words, urban non-income poverty is not so much a problem of availability of services or of traditional socio-cultural barriers to services but is often a form of exclusion owing to the prevailing regulatory frameworks.

35. The authorities tend to formulate plans, policies, laws, regulations and procedures with the urban middle class in mind, not the urban poor. People who live and work in the urban informal sector are often locked out of recognized legal protection and entitlements, and the economic benefits of the formal sector. A formal neighbourhood may be connected to the water supply network, but an adjacent squatter settlement cannot be connected, even if the households are able to pay the charges for the water it consumes. Because the household does not have a building permit for its house and house registration for its occupants, the authorities deny it access to water on legal grounds and force it to buy water from private vendors at a much higher cost.

36. Many rural migrants are not used to having all sorts of documents and registration and may therefore be denied access to services. In some countries, they may not have the same rights to (urban) services as urban residents. If they see their stay in the urban area as temporary, they will not transfer their civil registration from the rural to the urban area. This will make it impossible for them to influence the political decision-making that directly affects their life and livelihood in their place of residence. Where slum dwellers have the right to vote, slums and squatter settlements may be small in size and scattered within other types of residential areas and the votes will have little impact.

37. People whose residential address indicates that they live in a slum area may be treated badly or excluded from a service. Not having an address at all may generate serious problems when dealing with bureaucracies. A slum or squatter settlement may have the reputation of being an area of crime, drugs and prostitution, thereby stigmatizing its residents. In many cases, the poor have to pay bribes to teachers, doctors and nurses to be admitted or treated. This aggravates their poverty.

## **II. REDUCING URBAN POVERTY**

38. Over the past years, economic growth has lifted millions out of poverty, but poverty reduction merely through economic growth may become more difficult to achieve because it is not at all sure

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<sup>33</sup> ESCAP, *The Millennium Development Goals: Progress in Asia and the Pacific 2007* (United Nations, 2007).

that all the poor have the capability necessary to seize the new opportunities generated by further economic growth. Policy interventions are required to ensure that the economic growth is broad-based and that the benefits are passed on to the poor. What would help the poor is support to develop their economic activities, enhance their productivity and increase their income, rather than policies that obstruct them in developing their informal enterprises. Many of the urban poor are already housed and have access to basic urban infrastructure and services. What would help them most in this respect is support to enable them to improve their housing and gain access to basic infrastructure and services at a lower cost, rather than programmes that evict them from their housing and prevent them from gaining access to public services. Many of the urban poor try to influence the decision-making that directly affects their life and livelihood through systems of patronage and corruption. What would help them most in this case is the political willingness of policymakers and politicians to apply the principles of good urban governance.

#### **A. Enhancing productivity and employment**

39. Because much of the employment growth has occurred in the informal rather than the formal sector, measures to improve productivity among urban workers will have to include the informal sector. However, official attitudes about the urban informal sector all too often originate in the idea that the urban poor do not belong in the city, because the city is really for the Government and the élite only.<sup>34</sup> Therefore, a first step must be to recognize the contributions of the urban informal sector to the urban economy.

40. Both the public and the private sectors may have to draw some lessons from the growth of the informal sector and its ability to meet the needs of the urban poor. Only recently, some formal-sector companies have started to adapt their marketing strategies to serve the needs of low-income customers. Similarly, microfinance institutions are extending the role of the formal banking sector to small-scale informal enterprises. Access to credit, equity and insurance on terms and conditions adapted to the needs of the informal sector could help informal enterprises to develop and graduate.

41. In order to maximize employment, Governments need to revise labour market regulations, while keeping in mind that policies aimed at increasing employment may affect the security of existing workers or their capacity to benefit from productivity gains. Regulations must strike a balance and find a level of labour protection that is adequate for their economic structure and development objectives. Upgrading of infrastructure and services in areas where the urban poor live and work will increase their income-earning opportunities and their productivity. Finally, better education and improved access to education, in particular for girls, may give the urban poor better access to employment opportunities, as literacy and basic education are required for most urban income-earning opportunities.

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<sup>34</sup> See, for example, Donovan Storey, "The peri-urban Pacific: from exclusive to inclusive cities", *Asia Pacific Viewpoint*, vol. 43, No. 3, pp. 259-279.



## **B. Supporting the informal sector**

42. Informal enterprises typically operate on a small scale, with little capital and using family members as workers. To improve productivity and raise incomes, they require investments to expand capacity, increase capital, raise the skills of their workers and improve their production processes. In order to do this, even more than access to capital, they need an improvement in the investment climate in which they operate, especially secure property rights, contract enforcement or protection against crime and arbitrary expropriations. An improvement in these conditions will reduce the extra risks associated with operating in the informal sector substantially, and encourage investments.

43. Regulations and procedures may need to be developed that are specific for each sector and activity. The expansion of social collateral as a tool of microfinance institutions is an example of an intervention that has improved the investment climate in the informal sector, by facilitating contract enforcement. Another action would be the provision of security of land tenure for shops, workshops and service providers in informal settlements, as this will encourage the urban poor to invest in their businesses.

44. The challenge is to offer increased security to the informal sector without destroying it. Governments need to review their regulations and procedures so that they facilitate the operations and the graduation of the informal sector. Regulating the informal sector in a gradual and incremental way can have a positive effect on its productivity. It will also facilitate the enforcement of regulations in important areas such as labour and environmental standards. Currently, the informal sector has little incentive to adopt these standards, which can have a positive impact on the working and living conditions of the urban poor.

45. Despite its often extra-legal character, urban agriculture can contribute significantly to urban poverty reduction. Because of lower transport costs, food products from urban agriculture have lower prices. The produce contributes to improvements in the diet and the income of urban farmers, who are in many cases women. Urban agriculture can also have a positive impact on the urban environment, provided that the use of chemicals can be controlled. The challenge of urban agriculture is to support it for its contribution to urban poverty reduction and environmental protection, but to regulate it in order to limit its possible negative effects in densely populated areas.

46. Many of the poor can save small amounts of money, but they lack access to financial institutions to deposit it and draw interest because the savings are too small to interest formal banks. The establishment of savings and loan associations (or their reinforcement where they exist) is an effective tool for reducing the dependence on moneylenders. Savings and loan associations provide an opportunity to save and borrow at market rates for investments in business or housing and for emergencies. These associations also develop self-confidence and solidarity among the poor and thereby serve as an entry point for sustainable community-based development.

47. Public-sector safety nets are rare in the developing countries of Asia and the Pacific. Probably more than other income groups, the poor will therefore try to maintain their networks of relatives, friends and neighbours as they can serve as a safety net in times of emergency. The competitiveness and individualistic nature of urban societies tend to erode traditional values of solidarity and mutual aid. It is therefore important to promote and strengthen community-based social safety nets in the absence of public-sector safety nets.

### **C. Upgrading informal settlements**

48. As in the case of the informal economic sector, informal settlements are not so much the problem but a solution to a problem. They show the ability of the urban poor to look after their housing needs, to some extent. The urban poor would improve their housing conditions further if they had security of land tenure. This does not necessarily imply freehold titles but should at least provide assurance by the authorities that the settlement will be allowed to stay for a number of years so that investment in housing becomes worthwhile. Local governments should utilize the resourcefulness of the urban poor and create the conditions for them to build and improve their housing through settlement regularization and sites-and-services schemes.

49. Another important component of urban poverty reduction is the improvement of the living conditions of the urban poor in informal settlements through the upgrading of infrastructure and services, such as water supply, drainage, sanitation, roads, electricity and solid waste collection. Adequate access to basic services can have a considerable impact on the health of the urban poor and thereby on their productivity. Experiences from across the region show that community organizations can construct infrastructure and deliver services within their own settlements.

50. Community-based development has its limitations, because communities lack the resources and the technology to develop more complex facilities. These are not only too expensive and difficult to build, but also of less interest to the poor because they serve the public interest rather than the individual users. Partnerships with the Government are, therefore, essential in community-based development. External development remains the responsibility of the Government, but this requires that the Government recognize and build on the work done by the urban poor.

51. The poor are particularly affected by urban environmental degradation, because they often live in the worst affected areas. Although it is usually claimed that low income prevents the poor from receiving adequate waste collection and treatment services, many poor residents would in fact be willing and able to pay for these services if they were offered to them. If practical cost-recovery mechanisms were in place, many Governments would be able to make the necessary investments. Waste collection and treatment is in fact a growing business opportunity, and it is often poor citizens and informal enterprises that work on them. Local governments can build on the interest of the urban poor in waste recovery by integrating informal waste collection into formal systems. This would contribute to both poverty reduction and environmental improvement.

#### **D. Empowering the poor**

52. The urban poor must organize themselves to (a) improve their living conditions, (b) make their voice heard by the authorities and demand improvements they cannot accomplish without assistance, and (c) participate in decision-making that affects their lives. In some cities, community-based organizations now exist as part of the city's administrative structure. Community development not only aims at organizing inclusive community organizations, but also at developing committed leadership, because of the risk of capture by the élite of the benefits of development. Furthermore, there is a need for specific interest groups to organize themselves. Poor women, and particularly women heading households, have different needs and priorities than poor men. They often prefer to participate in all-women's organizations that cannot be easily dominated by men. Similar conditions apply to the disabled and other social minority groups.

53. Participation in political processes that directly affect one's life must be inclusive. It must encompass inclusiveness in the process of decision-making as well as in the policy objectives. Recently, many organizations and Governments have adopted the rights-based approach to development as a tool to ensure this participation. While civil society organizations can demand such inclusion from the Government, it must also recognize the right of the poor and disadvantaged to be included. Participation implies recognition of the contributions by the urban poor (and the informal sector) to development and their right to share in the benefits of development, such as access to regular income and employment, and land, housing and basic services.

54. Poverty can in fact be defined as the non-fulfilment of human rights, provided it meets the two conditions: (a) the human rights involved must be those that correspond to the capabilities that are considered basic by a given society, and (b) inadequate command over economic resources must play a role in the causal chain leading to the non-fulfilment of human rights.<sup>35</sup> To this end, urban poverty is about people's exclusion from participating in decisions that affect their lives and inhibit their opportunities. Supporting people's right to participate is crucial to improving their social and economic livelihoods.

55. Participation requires access to information, and Governments need to take a proactive stand to ensure that the population, including the urban poor, has access to information. A lack of information about one's condition, rights and responsibilities is at the core of poverty, because it makes it difficult, if not impossible, to seek access, remedy and justice, even if services are available. An established set of procedures available to all can serve as channels for the urban poor to access information about policies, results from government studies, proposals and plans. It also creates opportunities for the Government to inform the public as to how it is meeting, or planning to meet, the specific needs of the poor.

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<sup>35</sup> Office of the United Nations High Commissioner for Human Rights, *Human Rights and Poverty Reduction: A Conceptual Framework* (HR/PUB/04/1), p. 10.

### **E. Good urban governance**

56. While macroeconomic policies have an impact on urban poverty, the problems faced by the urban poor are mostly local in nature. Lack of income, lack of access to services and lack of power are local issues; local efforts to reduce poverty can better match the specific needs and priorities of the poor. Thus, local government is a key actor in urban poverty reduction. Across Asia, central Governments are devolving authority to lower levels of government, but in many instances responsibilities for local problems are devolved without an accompanying devolution of power and resources to address these problems. Without a real devolution of authority, local governments will find it hard to be effective in urban management and urban poverty reduction.

57. Devolution of authority is necessary, but not sufficient, to reduce poverty. Good urban governance is also necessary, and it cannot be limited to urban local government but must apply to all urban stakeholders, including the communities of the urban poor. The poor are not a homogeneous group and community organizations must adhere to the principles of good governance: they must be inclusive, participatory, accountable and transparent. Some politically marginalized groups have internalized a sense of powerlessness and are convinced that they have no right to participate in decision-making or that participation will not make any difference to the outcome of the process. Any promotion of community participation must therefore be preceded by a realistic assessment of the community's dynamics and the motives and expectations of people and their leaders.

58. While an in-depth understanding of local poverty trends and conditions is critical for the design of effective policies and programmes, data are often unavailable. The poverty lines of \$1 and \$2 a day are commonly used to measure the number of poor in developing countries. While these poverty lines should be adjusted to the cost of living in the locality, this is not always done, for various reasons. If Sen's definition of poverty<sup>36</sup> is adopted, income poverty is only one aspect of the deprivation of capabilities; other aspects may be more difficult to measure, but are no less significant. Finally, aggregated data tend to indicate a greater prevalence of poverty and lack of access to services in rural areas, while some disaggregated data show that the conditions of the urban poor are in fact just as bad, or worse. There is a need to improve the definition and measurement of poverty and to present disaggregated data that can help to assess inequalities at subnational levels.

### **III. CONCLUSION**

59. The present document has shown that increasingly policymakers in the region will need to confront poverty in urban areas, and that urban poverty presents unique challenges that are quite different from those of poverty in rural settings. In order to tackle them it will be necessary to come to terms with the nature and scale of urban poverty. Thus, the first challenge that needs to be addressed is the lack of data on the conditions of the poor in urban areas. This is particularly relevant, since

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<sup>36</sup> See note 1 above.

several recent studies indicate that urban inequalities are increasing, particularly with respect to such basic needs as food, water and sanitation, and inequalities can result in serious strains in the society.

60. In addition, within the framework of the three dimensions of poverty mentioned earlier, the secretariat believes that specific issues will require special attention during the coming years:

(a) *Dimension: Lack of income.* Issues: Productivity and working conditions in the urban informal economic sector;

(b) *Dimension: Lack of access.* Issues: food security, water and sanitation and informal settlements;

(c) *Dimension: Lack of power.* Issues: participation, mainstreaming of human rights-based approach and good urban governance.

61. In this context, the secretariat proposes to do the following:

(a) Conduct research on the nature, scale and dynamics of urban poverty and the tools needed to measure it;

(b) Undertake technical cooperation to identify, analyse and the test innovative practices that are proved to have tackled poverty in urban areas effectively;

(c) Provide assistance to member States in the design and implementation of policies and programmes that tackle the complexities of urban poverty.

62. The Committee is invited to consider the priorities of the secretariat with regard to urban poverty. These priorities will guide the secretariat in its normative-analytical and advocacy work as well as in its technical cooperation (training, advisory services and pilot testing) with countries in the region. The Committee may also consider requesting the secretariat to develop the principles and approaches contained in the present document into a regional strategy for tackling urban poverty in Asia and the Pacific, and presenting it in the form of a draft resolution to the Commission for adoption.

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