

Responding to Urban Growth and Poverty



ADB and the Cities Alliance

Box 1: Key Terms and Definitions

Key Term	Definition
Human poverty	The lack of essential human capabilities, notably literacy and nutrition.
Income poverty	The lack of sufficient income to meet minimum consumption needs.
Absolute poverty	The degree of poverty below which the minimal requirements for survival are not being met. This is a fixed measure in terms of a minimum calorie requirement plus essential nonfood components. While absolute poverty is often used interchangeably with extreme poverty, the meaning of the latter may vary, depending on local interpretations or calculations.
Relative poverty	Normally defined in relation to some ratio of the absolute poverty line or, as in developed countries, as a proportion of average income per capita. As a relative measure, it can differ across countries or over time.
Human Development Index	United Nations Development Programme (UNDP) composite of three factors: (i) life expectancy at birth; (ii) adult literacy, and (iii) income per capita (adjusted for purchasing power parity).
Human Poverty Index	UNDP measure of deprivation in basic human development. The variables used to determine the index are (i) the percentage of people expected to die before age 40; (ii) the percentage of adults who are illiterate; and (iii) overall economic provisioning, in terms of the percentage of people without access to health services and safe water, and the percentage of underweight children below 5 years.
Gender Empowerment Measure	UNDP assessment of the level of gender inequality in key areas of economic and political participation and decision making.

Source: World Summit on Social Development 1995.

Urban Strategy and Poverty Reduction

ADB's Development Goal

Poverty is an unacceptable human condition.

ADB's overarching goal is the reduction and eventual elimination of poverty throughout the Asia-Pacific region.¹ Other ADB strategic development objectives, such as economic growth, human development, good governance, sound environmental management, and a better status for women, is being pursued in ways that contribute most effectively to poverty reduction. This fundamental shift affects every aspect of ADB operations.

Defining Poverty

Definitions of what constitutes poverty continue to evolve. Through a series of United Nations (UN) conferences, principally the World Summit on Social Development in 1995, the international community agreed on a common set of definitions and targets for reducing poverty (see Box 1). In 1996, the Organisation for Economic Co-operation and Development (OECD) endorsed seven targets as Strategy 21 goals (see Box 2). These are international and not regional goals. ADB supported the Fifth Asian and Pacific Ministerial Conference in 1997, which resulted in a comprehensive set of targets outlined in the Manila Declaration² for the ESCAP³ region (see Box 2). Targets listed in Box 2 represent only a portion of the strategies and objectives agreed upon.

¹ For further details of ADB's Poverty Reduction Strategy go to adb.org/Documents/Policies/Poverty_Reduction.

² Manila Declaration on "Accelerated Implementation of the Agenda for Action on Social Development in the ESCAP region."

³ Economic and Social Commission for Asia and the Pacific.

Box 2: Poverty Reduction Goals

Strategy 21 Goals	Target Year	ESCAP ¹ Goals	Target Year
For economic well-being			
■ Reduce by half the proportion of people in extreme poverty.	2015	■ Reduce absolute poverty to half the 1990 level.	2000
		■ Eradicate absolute poverty.	2010
For social development			
■ Achieve universal primary education.	2015	■ Ensure at least 80% completion of primary and secondary education.	2000
■ Eliminate gender disparities in primary and secondary education.	2005	■ Achieve universal access to basic education.	2010
■ Reduce by two thirds the mortality rates for infants and children under 5 and by three fourths the mortality rates for mothers.	2015	■ Equalize participation rates for girls and boys in primary and secondary education.	2005
■ Provide access to reproductive health services for all females of appropriate age.	2015	■ Reduce under-5 mortality rates to 45 or less per 1,000 live births and infant mortality to 34 or less.	2015
		■ Reduce maternal mortality by three fourths.	2015
		■ Halve 1990 rates of malnutrition.	2000
For environmental sustainability and regeneration			
■ Implement national strategies for sustainable development.	2005	■ Formulate plans for poverty-focused environmental protection and conservation, including plans for land and marine management supportive of local and indigenous communities.	As soon as possible
■ Reverse the current loss of environmental resource globally and nationally.	2015		
		■ Introduce measures to enforce sound management of toxic wastes.	

¹ Economic and Social Commission for Asia and the Pacific. Source: OECD 1996.

In addition to considerations of income, employment, and wages, ADB's definition of poverty includes the lack of access to basic education, health care, water and sanitation, and secure tenure, and exclusion from relevant decision making.

In practice, the most broadly used standard for defining and measuring poverty is the adequate consumption of food and other essentials. This yardstick will vary between countries, depending on income, cost of living, and cultural values.

Just as the nature of poverty is diverse, so too are its causes and victims. The primary responsibility for finding solutions to poverty rests with the individual countries themselves, but success depends on the unified efforts of governments, civil society, and often the international community.

ADB's Poverty Reduction Strategy
ADB's approach to poverty reduction is based on the premise that any responsive strategy must be sufficiently comprehensive to address the many causes of poverty. For this reason the strategy is structured around a socially inclusive development process that combines sustainable economic growth and social

development with sound macroeconomic management and good governance.

However, to attain socially inclusive development, there is a need for a better understanding, of both the environmental implications of pro-poor policies and the impact of environmental policies on the poor. These include "brown" issues such as air and water pollution in cities where the poor live in the worst-affected areas, and "green" issues of deforestation, depletion of natural resources, and land degradation.

Key elements of the strategic framework are described below.

Sustainable Economic Growth

Sustainable economic growth is fundamental in the fight against poverty. Economic growth can reduce poverty by generating employment and increasing incomes, especially when linked to more labor-intensive activities. Policies and programs that support economic growth are powerful pro-poor measures, since they not only have direct employment and income benefits, but can also increase the resources available for other pro-poor initiatives. Key



policy initiatives to promote sustained economic growth include those that (i) seek to create a conducive environment for private sector investment in all aspects of development, thus reducing the pressure on limited public sector (human and financial) resources; (ii) promote local enterprise and self-employment, especially for women and other groups outside the formal sector; (iii) support infrastructure and social services development, as a source of increased job opportunities as well as the creation of a healthy, more productive workforce; (iv) remove market distortions such as credit subsidies and import/export restrictions; and (v) encourage improved regional/subregional economic cooperation.

Environmental Management

Environmental considerations are key elements in sustainable economic growth. Pressures of population and poverty often compound the threat of deforestation and the exploitation of resources. Many rural poor live in ecologically fragile areas that require sensitive resource management in the face of increasing degradation. At the same time the urban

poor are exposed to disease and illness resulting from overcrowding and degraded living conditions. Effective poverty reduction strategies therefore need to be accompanied by measures that enhance the productivity and quality of the environment and natural resources.

Social Development

Economic growth can effectively reduce poverty only when accompanied by a comprehensive program of social development. In order to be most effective, a poverty reduction strategy should include (i) human capital development, (ii) a population policy, (iii) removal of gender discrimination, (iv) social capital development, and (v) social protection.

Good Governance

Good governance is critical to poverty reduction as it (i) directly supports participatory pro-poor policies, (ii) facilitates sound macroeconomic and public expenditure management, (iii) ensures accountability and the transparent use of public funds, (iv) encourages the growth of the private sector, (v) promotes effective delivery of public services, and (vi) helps to establish a rule of law.

ADB's Involvement in the Cities Alliance

ADB is participating in the Cities Alliance (CA) to promote, facilitate, and support improved urban management; strengthen the impact of urban poverty interventions; and enhance networking and cooperation among selected rapidly urbanizing cities. More specifically, a regional technical assistance (RETA) is designed to (i) strengthen the process by which a practical, implementable **City Development Strategy (CDS)**, incorporating priorities for action, is prepared for each participating city; and (ii) support slum eradication, urban upgrading, and urban regeneration at both city and nationwide levels, by identifying and formulating high-priority investments in a **City Without Slums (CWS) Program**.

These two objectives are clearly interrelated, and when set in the context of the CA, indicate that issues of slum eradication, urban upgrading, and regeneration—all the elements that make up an

⁴ ADB, 2002. *Promoting Urban Poverty Reduction through Participation in the Cities Alliance*. Manila.

approach to poverty reduction and form the basis for formulating a CWS program—will logically be identified as investment priorities under the CDS.

The implications of this are twofold:

- That consideration be given to the commitment and capacity of local governments to participate in the CA, together with the likelihood that poverty reduction is high on the public investment agenda. This has to be anticipated using the broadest possible definition of poverty to include not only income but also quality of life, security of tenure, and employment.
- That initial preparatory stages of CWS Program formulation should be undertaken as an integral part of the preparatory/analytical stages for the CDS. It can be anticipated that as a result of this process, poverty reduction will be identified as a key problem area, and the CWS program will be prepared as part of the broader (CDS) strategic response.

City Development Strategies

Increasingly, national economic growth is being determined by what happens in urban areas. Globalization is strengthening competition among cities as private investment seeks to maximize returns within highly competitive markets. Decentralization has meant additional power and resources to cities and their populations, but many urban areas are not well managed and their economies remain uncompetitive. Throughout the world, two scenarios are emerging: one of cities characterized by increasing poverty, social exclusion, and decline amid pockets of splendor and wealth; the other of more inclusive cities characterized by equitable and sustainable growth, with small but decreasing pockets of poverty.

The rapid transformation within the developing world as its population moves from the rural areas to urban centers means that government must respond to the challenge of urban growth. National and local governments need to be better equipped to manage the transition from central control to a decentralized and market-based provision of services. For cities, the result will be demand-driven urban development with service providers being directly accountable to their consumers, and local governments to their constituents. One outcome of this increased accountability is for people living and working in urban areas to devise strategic development initiatives to meet their perceived “urban

challenge.” The CDS initiative is an example of this effort.

A CDS is an action plan for equitable growth in a city, developed and sustained through public participation to improve the quality of life for all citizens. The goals include a collective city vision and an action plan to improve governance and management, increasing investments to expand employment and services, and systematic and sustained programs to reduce poverty. Although a city is expected to drive the process, local ownership is essential. In reality a CDS is a corporate plan for the city.

A CDS focuses on the process of change, highlights urban dynamics and opportunities, and adopts a flexible strategy for responding to economic realities within a competitive environment. It also helps to build stakeholder capacity to manage a city more efficiently and to encourage and attract businesses in national and global markets. It does this by encouraging stakeholder participation and empowerment. Thinking about the future within a CDS framework often changes the way that a city is managed and planned.

A CDS focuses on a city as the unit of analysis, much as a corporate plan focuses on a company. A CDS assists a city in improving its contribution to national development. It helps a city to make the most of its strengths and opportunities, determine its future in relation to its vision, and improve its competitive position. A CDS focuses on the “big picture” that sets the overall direction for the growth of a city on the basis of the views of individuals and stakeholders.

A CDS is defined by the process under which its outputs (products) are formulated and implemented. Past efforts to produce similar, integrated approaches have often failed because of the lack of coordination between implementing agencies, thus leading to conflict and wasted resources. Furthermore, past approaches to planning, such as city master plans, have been technical and often unresponsive to citizens’ views and aspirations. A CDS, as a dynamic process, is very different from the more static master planning of the past, in recognition of the fact that cities are now better able to respond to opportunities for growth. Decentralization is enabling cities to have more opportunities for action, and increased demand for representation is opening the planning and political process to greater participation and accountability. A CDS is able to respond to these changing circumstances.

Box 3: Strategic Planning and CDS

Strategy is the rule for making decisions. A *strategic plan* is a statement about the future within which we expect to live and work in pursuit of our vision. A strategic plan indicates how to influence the future, and the goals and strategies employed to achieve the vision.

A *corporate plan* relates to the planning of an organization. The plan clarifies what is expected, who is responsible for implementation, and what resources are needed to achieve the goals. The plan restates the vision of the strategic plan—where one expects to be in, say, 5 years. But it also defines the mission—what the organization should do to achieve the vision. Under each goal, a corporate plan will identify performance indicators, measures, and targets.

Business plans provide the detailed planning outcomes and assumptions for specific areas or business units (such as water and sewerage, roads and drainage, community services, or housing). They relate to asset management and cover issues relating to capital and recurrent expenditures, revenues, and debt.

A *city development strategy* combines strategic and corporate planning for a unit, that is, a city. It represents the statement of rules for making decisions on the development of a city and outlines what is expected, who is responsible for implementation, and what resources are needed to achieve the goals.

However, a CDS is not a substitute for integrated master plans, land use plans, investment plans, or institutional development plans. These are key complements of a CDS. A CDS is a strategic visioning exercise that helps identify goals and directions for a city, and helps guide policy decisions and resource allocation (see Box 3). With agreement on a larger vision, often to secure a competitive position, cities can plan for land use, transport, and other sectoral needs with a clearer view of priorities and the timing of investments.

In summary, the CDS is a participatory process involving key stakeholders that arrives at their collective vision of the city's future. The objectives and targets that measure the accomplishment of the vision should reflect what people want.

Kutchra housing in a fishing village in Pallikandi West, Calicut, a priority project under the CWS Program



Cities Without Slums Programs

Background

The CWS Action Plan was developed in July 1999 and launched by Nelson Mandela at the inaugural meeting of the CA in December 1999.

The CWS initiative has been endorsed internationally at the highest political levels. It is based on a challenging vision with specific targets to improve living conditions among the urban poor, the most vulnerable and marginalized of those living in towns and cities throughout the world. The UN strongly supports the program and has asked all member nations to endorse and act on it. The CWS initiative was subsequently endorsed by heads of state attending the UN Millennium Summit in September 2000, and was reflected in the UN Millennium Declaration with the following goal:

By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers, as proposed in the CWS initiative.

Progress toward the goal will be monitored mainly in terms of the proportion of people with access to secure tenure and improved sanitation. The underlying rationale for the focus on slum settlements is that the vast majority of poor urban households live in slum settlements. Subsequent investigations in each of the five participating cities in the RETA have shown this to be the case.

What is a CWS Program?

The main purpose of the CWS initiative is slum eradication through a process of upgrading. Slum upgrading clearly addresses the legal and environmental accomplishments set out as CWS Program accomplishment indicators (land tenure and sanitation), but it is far more wide-ranging. In addition to physical improvements, it includes interventions to bring about better social, economic, environmental, and governance conditions within poor urban communities.

The CWS Program therefore potentially involves a wide range of interrelated interventions, including the following:

- Regularizing security of tenure;
- Installing or improving basic infrastructure, such as water supply, sanitation, garbage collection, access and circulation roads, stormwater drainage and flood control, electricity supply, security lighting, and public telephones;
- Removing or mitigating environmental hazards;
- Providing incentives for community management and maintenance;
- Constructing or rehabilitating community facilities, including health centers, children's nurseries, and public open space;
- Improving houses;
- Relocating residents dislocated by the upgrading process, with appropriate compensation and assistance (although every attempt is made to minimize resettlement);
- Improving access to health care, education, and social support programs to address issues such as security, violence, and substance and drug abuse;
- Enhancing income-earning opportunities through skills training and microcredit support for small and medium enterprises and livelihood development;
- Building social capital and the institutional framework to sustain and further develop improvements; and
- Providing training and incentives for greater self-reliance and empowerment, and improved management and organization of communities.

Like the CDS process, with which it is so closely interlinked, the CWS Program depends for its success on the participation of, and consensus building among, all relevant stakeholders including, in addition to government agencies at all levels, community groups, private sector interests, NGOs, and other concerned groups.

Urban Growth and Poverty in the Region



Urban Growth in Asia

Urban Population Growth

In 1999, the population of the world reached 6 billion people, about 47% of these living in urban areas. By 2020, it is estimated that 57% of the world's population will be living in urban areas.

The urbanization trend started in the developed world and was largely a result of increased industrialization. At present about three quarters of the population in developed countries is urban. In developing countries, the percentage of the total population living in urban areas rose from around 30% in 1985 to 40% in 2000. More than 1.5 billion people in developing countries currently live in urban areas. By 2020, it is estimated that more than half the population of developing countries will be urban.

In Asia about 38% of the population is now urban. This will increase to more than 50% by 2015, and there will be a doubling of urban population before 2025.

The rapid growth of the urban population is due both to natural increase and to the influx of migrants from rural areas. In many less-developed countries, where there is limited population control, natural growth is a key factor. However, some of the most dramatic increases in urban population are in countries like the People's Republic of China (PRC) where there is strict family planning. Rural-urban transition is also a key factor. The movement of workers from rural areas to the towns and cities of the PRC is one of the most extraordinary patterns of migration in history.

Formation of Megacities

Not only is the world's population becoming urban, it is increasingly concentrated in larger towns and cities. At the beginning of the last century there were only 11 cities in the world with populations of more than 1 million. By 2015, the UN predicts, there will be about 360 such cities. More than 150

of these will be in Asia. By 2030 there will be more than 500 cities in the world with populations of more than 1 million; more than half of these cities will be in Asia.

Within this general pattern of urban growth there is a growing number of megacities. Megacities are defined by the UN as cities with populations of more than 10 million. They are formed not only by natural population growth and immigration but also as a result of the physical and administrative merger of rapidly growing urban settlements into larger metropolitan agglomerations.

The number of megacities is increasing throughout the world. According to the UN, in 1985 there were only 12 such cities, and only 5 of these were in Asia. By 2015, there will be 27 megacities, of which 18 will be in Asia.

In theory, the larger concentrations of population in megacities should benefit from economies of scale and be easier to manage and service than more dispersed populations. This might be true if there were adequate resources and capabilities to plan and manage such cities. However, this is not generally the case, and in most of the resource-strapped economies of the developing world, the rapid growth of megacities has proved difficult to manage. The present rate of urban growth is well beyond anything ever experienced before, and urban managers and systems in the developing world have simply been overwhelmed.

Not surprisingly, therefore, a recent survey of Asian cities showed that only three megacities were ranked among the 10 most livable cities in Asia.⁵ In contrast, seven of the top-ranked cities were medium-sized, with populations of 1–3 million people. The lesson probably has less to do with absolute city size as with the rate of urban growth and the experience and resources available to urban managers.

Urban Poverty in Asia

In the 1970s, more than half of the population of the Asia-Pacific region was poor, average life expectancy was 48 years, and only 40% of the adult population was literate. Today, the percentage of poor people has decreased to nearly one third of the population, life expectancy has increased to 65 years, and 70% of adults are literate. Despite an increase in total population to around 3 billion in 2000, the number of poor people⁶ in Asia has fallen from slightly more than 1 billion to about 900 million. Asia's poor represent about 70% of the world's poor.

Nearly one in three Asians is poor. Although the proportion of people below the poverty line is declining, trends in poverty reduction have worsened. South Asia now has more than half a billion poor people. Approximately 450 million of these are in India, 225 million in the PRC, and 55 million in Southeast Asia. Until recently, trends in poverty reduction throughout the Asia-Pacific region had been positive. However, the Asian financial crisis of 1997 stalled progress and the number of poor people, especially in Southeast Asia, has increased.

Although the large cities of Asia are growing rapidly, and it is forecast that more than 80% of Asia's economic growth will be in its urban areas, the reality is that after more than three decades of rapid economic growth one of the defining characteristics of Asia's cities is poverty: almost 25% of Asia's urban population is poor.

Urban Growth and Poverty In India

Population

In spite of a declining population growth rate, which dropped from 24% over the decade 1981–1991 to just over 21% in 1991–2001, India is now the second most populous country in the world after the PRC. In the last decade India's population grew by more than 180 million (more than the population of Brazil), and by March 2001, its population had officially reached 1 billion. If current trends continue, estimates are that India's population will overtake that of the PRC by 2025.

Urban Growth

In 2001, India's urban population was estimated at 307 million, more than 30% of its total population. This represents a hundredfold increase over the past century, almost a threefold increase over the last 30 years, and a 40% increase over the last decade. Urban population growth over the past 4 decades has ranged between 36% and 46%. Between 1991 and 2001 it was 41%.

Levels of urbanization vary widely. Maharashtra (38.7%), Gujarat (34.4%), and Tamil Nadu (34.2%) are the most urbanized states; Delhi (92.7%) and Chandigarh (93.6%) are the most

⁵ *Asiaweek*. 2000. Asia's Most Livable Cities Survey, December.

⁶ Poor people defined in 2000 as those living on less than \$1 per day.

urbanized cities (union territories), and Dadra and Nagar Haveli (8.5%) are the least urbanized.

In 1991, about two thirds of India's urban population lived in 300 cities with populations of more than 100,000, and about one third of the urban population in cities with populations of more than 1 million. The number of such cities rose from 5 in 1951 to 23 in 2001. By 2015, it is estimated that more than 34 cities will have populations above 1.5 million, and there will be four megacities (Mumbai, Kolkata, Delhi, and Chennai) with populations in excess of 10 million, the largest being Mumbai, which it is estimated will have a staggering population of 27 million.

Urban areas are increasingly the centers of economic growth. The contribution of urban areas to national economic development over the last 50 years has more than doubled and in 2001 was 60%. In the period 1981–1991, growth in formal employment in urban areas was 38%, as against 16% in rural areas.

In spite of the rapid rise of economic activity in urban areas, massive urban population growth has resulted in the general deterioration of social and environmental conditions in most towns and cities. The demand for essential urban infrastructure and services has far outstripped supply, and market distortions have resulted in rapidly spiraling land and housing prices. These conditions have left the urban poor with little choice but to seek informal housing solutions, with the result that slums and squatter settlements in most urban areas have mushroomed.

Present estimates are that about one third of all urban residents live below the poverty line. About 15% of these have no access to safe drinking water and more than half no adequate sanitation. These problems are compounded by poor drainage and the lack of garbage collection, education, and health facilities and services. The lack of education facilities has contributed to the continuing high rate of illiteracy, which in 1997 was 52% nationwide. Increasing levels of traffic congestion and pollution add to the list of serious urban environmental problems and the deteriorating quality of life endured by urban residents, especially the poor.

Rapid population growth, poverty, and low investment in housing have also created a serious shelter problem in urban areas. The majority of the urban poor living in slums lack access to housing finance from the formal sector. There is an urgent need to expand the capacity of financing institutions to respond to the need for housing finance for poor

families, especially by developing new approaches to the financing of low-cost housing.

Urban Poverty

Despite some progress, poverty remains widespread throughout India. Although the proportion of the population living below the poverty line declined from 50% in the 1970s to about 36% by 1995, in absolute terms the number of India's poor doubled from 164 million in 1951 to 320 million by 1993–1994. Present estimates are that 40% of the rural population and 33% of the urban population live below the poverty line.

Geographically, the poor are mainly concentrated in the eastern and central parts of the country, with the highest incidence in Bihar, Orissa, and Madhya Pradesh. Poverty is characterized by substantial variations between and within states, and by urban-rural disparities that are widening over time. Urban poverty in Bihar and Assam was between 2 and 6 times that in Punjab. While urban poverty is highly concentrated in a few states, including Andhra Pradesh, Madhya Pradesh, and Rajasthan, the incidence of urban poverty is generally higher in larger cities and metropolitan areas, such as Kolkata and Mumbai.

Government Pro-Poor Initiatives

In recent years, the Government has made efforts to reduce poverty, mainly through self-employment initiatives, rural public works, food subsidies and nutrition programs, and increased spending for basic education and primary health care. Programs addressing income poverty have been developed that seek to create individual assets for the urban poor by financing fixed or working capital, providing training, and generating wage employment. However, these programs often suffer from poor targeting and leakage of resources, and in many cases have proved inefficient and ineffective in addressing the needs of the poor.

Official estimates of the financial and human resources needed to address the rapidly deteriorating situation in urban areas go well beyond the budgetary resources and institutional capacity of central, state, and local governments. As a result, there is a growing recognition of the need to induce full-scale private sector involvement in urban development. However, this will not take place until the policy and regulatory climate to stimulate private sector interest and guarantee adequate returns on investments is in place. Tax reforms and a review of

user charges are among some of the measures now being investigated, along with various modes of public-private joint ventures, alternative land management approaches, and revenue-raising initiatives such as municipal bonds.

Increasingly, the definition of poverty is being expanded to cover governance, empowerment, and the ability of the poor to participate in decision making. The 73rd and 74th amendments to the Constitution support increasing devolution of authority and responsibility from the states to the rural and urban local authorities, as well as the mainstreaming of the poor and disadvantaged into the development process. However, in doing so, recognition is also given to the need for institutional strengthening and capacity building at the local level. Building a fair and equitable governance system and development process has thus become a crucial issue of poverty reduction, in addition to the mere provision of physical facilities or social services.

Under the National Housing Policy (1994), the Government aims to increase the access of poor households to housing and other basic services, integrate poverty reduction and employment opportunities with improved housing, and mobilize additional financial resources by establishing linkages between the formal sector, NGOs, and community-based financing institutions. At the same time, the role of government has been changing from one of

provider to one of facilitator, and the Government is promoting increased private sector participation, including foreign investment in the housing sector.

Most infrastructure and service providers in India have traditionally been public sector. The Ninth Five-Year Plan (1997–2002) recognizes the need to boost the level of private sector participation and adopt a more commercial approach to the provision of public services, as part of a move toward better service provision and improved levels of urban financial management. Social development is also recognized as a high priority, and about 21% of public sector expenditure is earmarked for education, literacy, health, and nutrition programs.

Urban Growth and Poverty in the Philippines

Population

The Philippines has one of the highest urbanization rates in the developing world. Between 1960 and 1995, the country's urban population growth averaged more than 5% per year and increased from just 8 million to 34 million.

By 2000, the population of the Philippines had risen to around 78 million, more than half of whom lived in urban areas. With an annual average urban population growth rate of more than 3%, urban areas are expanding by more than 1 million people



every year. Estimates are that by 2010, the urban population will be 60% of the total, and by 2050, 127 million, or more than 80% of all Filipinos.

Urban Growth

Approximately 54% of the country's urban population today lives in the "extended" Metro Manila region, with 28% in Metro Manila and 26% in the Central Luzon and Southern Tagalog regions. The population of Cavite and Rizal provinces, both adjacent to Metro Manila, is growing at 5% annually. This concentration of the urban population is expected to continue, even as high urban growth continues in other emerging metropolitan regions.

High urban population growth has resulted in an increase in urban population densities. In 1995, Metro Manila had an average density of 14,865 persons per square kilometer (km²); by 2000, this had risen to 15,617. Navotas is the most densely populated local government area in Metro Manila, with 88,617 persons per km².

In 2002, the National Economic and Development Authority (NEDA) emphasized that the rate of urban population growth is one of the most important factors affecting economic development, employment creation, and the coverage and quality of social services. All of these are essential components of any pro-poor initiative. Rapidly increasing concentrations of urban population represent large markets that are likely to attract new investments. The continued population growth and expansion of Metro Manila, which has already the largest concentration of consumers in Southeast

Asia, has the potential to attract considerable investment. However, if the deteriorating environmental and social conditions that now characterize Metro Manila are not quickly and effectively dealt with, they will act as a disincentive to potential investors.

Urban Poverty

Between 1980 and 1990, the Philippines achieved a steady improvement in the social indicators relating to life expectancy, adult literacy, rates of immunization, access to safe drinking water, child malnutrition, and infant mortality. As a result, the country's rating in the Human Development Index (HDI) rose to 77th place among 174 countries.

There are indications that the incidence of poverty throughout the Philippines continued to decrease throughout the 1990s, although it is still considered high. The World Bank⁷ reported that in 1999 the incidence of poverty throughout the country was 26.3%; however, there are some indications that it may now be higher, especially after the Asian economic crisis. A National Statistics Office (NSO) survey⁸ measuring poverty incidence in terms of food and nutrition, access to health services, electricity, water, sanitation, shelter, education, and employment showed that there had been only minimal improvement in the lives of Filipinos in 1999. More than 50% of all respondents had not experienced any improvement over the preceding 12 months, and the majority did not expect to be better off in the short term.

Self-assessment and perceptions of the incidence of poverty show that the minimum acceptable income threshold below which households regard themselves as poor is higher than official estimates. About 60% of all households regard themselves as poor.⁹ This level has risen considerably over the past 15 years, indicating that self-rated poverty is related not only to absolute poverty but also to rising expectations.

By 2000, the urban population of the Philippines had increased to 7.5 million households. The NSO Family Income and Expenditure Survey (FIES) of 2000 indicated that more than 20% (about 1.53 million of all urban households) had incomes below the poverty threshold of \$314.39 per capita per year. An estimated 3.5 million urban households

Basic infrastructure in informal areas is insufficient



⁷ World Bank. 2000. *Philippines Poverty Assessment*, May.

⁸ National Statistics Office. 2000. *Annual Poverty Indicators Survey*, September.

⁹ Social Weather Station Survey, Manila, 1999.

had incomes below the 5th decile, or \$632.58 per capita per year.

Although income alone does not define poverty, the reality is that a high percentage of income-poor urban households live as informal settlers in slums or squatter areas. The environmental conditions in most of these informal and illegal settlements are characterized by poor-quality housing, overcrowding, inadequate access to basic services, insecure tenure, and increased public health risks. Lack of tenure can delay connection to municipal infrastructure services, leading in turn to suppressed property values, underutilized capital assets, poor living conditions, and a high incidence of sickness. Improving access to affordable shelter and formal land tenure would significantly improve living conditions in informal settlements and contribute to the goal of poverty eradication.

Government Pro-Poor Initiatives

The Philippine Government and ADB have agreed that an effective strategy to reduce poverty in the country must be able to address the following leading causes of poverty: (i) the slow creation of employment opportunities on account of the anemic record of growth; (ii) inequality in the distribution of wealth and access to resources; (iii) the inadequate provision of basic social services; and (iv) the lack of effective political participation by the citizenry, which encourages stopgap measures rather than fundamental policy reforms with long-term poverty-reducing impact.¹⁰

The Medium-Term Philippine Development Plan (MTPDP) (2001–2004), which envisions the elimination of absolute poverty within the decade, has been used as the basis for the country's commitment to poverty reduction. The State of the Nation Address of the President spelled out this goal in very concrete terms—jobs, education, shelter, and food on every table. To attain this goal, the Government will endeavor to (i) provide the enabling environment for poverty reduction through macro-economic, political, and institutional reforms, including advancing the peace process; and (ii) undertake redistributive reform through core programs that will equalize access to economic resources and political and social opportunities.

Government pro-poor plans and projects are mostly coordinated by the National Anti-Poverty Commission (NAPC) and the Presidential Commission for the Urban Poor (PCUP). NAPC is responsible for coordinating agencies in addressing

the needs and providing programs and projects with the 14 sectors of society including the urban poor, the disabled, formal/informal labor, indigenous people, youth, senior citizens, women, and children. The commission acts as secretariat and monitors the implementation of various programs and projects in coordination with agencies like the Housing and Urban Development Coordinating Council (HUDCC) and its shelter agencies, the Cooperatives Development Authority (CDA), the Local Water Utilities Administration (LWUA), the Department of Social Welfare and Development (DSWD), and the Department of the Interior and Local Government (DILG). The Comprehensive and Integrated Delivery of Social Services (CIDSS) and the Kapit-Bisig Laban sa Kahirapan (Linking Arms Against Poverty) are two of the more popular poverty reduction programs being implemented by DSWD at present.

The PCUP, on the other hand, is a coordinating body linking the various agencies of the Government that have regular pro-poor programs and projects. Some of the agencies that it works with, depending on the identified need of the urban poor community, are the Department of Social Services and Development (DSDD), the Department of Health (DOH), HUDCC and its shelter agencies, and the Department of Justice (DOJ). The PCUP is mandated to coordinate all demolition activities affecting the urban poor, and acts as the HUDCC secretariat in antisquatting activities.

Urban Growth and Poverty in Viet Nam

Population

In 2000, the urban population of Viet Nam had reached 20 million, almost 24% of the total population. The average population density was about 230 persons per km², one of the highest densities in the world for a country with a primarily agricultural economic base. In some areas, such as the Red River Delta, population densities were more than 1,000 people per km². The national annual population growth rate in Viet Nam is now around 1.5%, but the urban growth rate is in excess of 2.5%. Government estimates are that the urban population will have reached 46 million by 2020, about 45.0% of the total.

¹⁰ Republic of the Philippines–Asian Development Bank Poverty Partnership Agreement, 10 October 2001, page 2.



Urban Growth

Three cities—Ho Chi Minh City (6 million), Hanoi (3 million), and Haiphong (1.7 million)—account for 80% of the population living in the 12 cities with more than 150,000 people. Da Nang, one of the cities participating in the RETA, is the fourth-largest city in the country, with a population of 740,000.

Viet Nam's cities suffer the same problems experienced by many cities throughout the developing world. Rapid urban growth coupled with an inadequate government response has led to the proliferation of unhealthy, poorly serviced, infrastructure-deficient informal settlements. Land constraints mean that such settlements are often on public or marginal land. It is mostly the urban poor who are forced to settle in these areas, and who suffer most from the prevailing conditions.

Urban Poverty

The incidence of poverty in urban areas of Viet Nam is lower than in the country as a whole. In 2000, it was estimated that there were 265,000 poor urban

households, less than 10% of all poor households nationwide.¹¹ However, many other households are extremely vulnerable to unemployment, natural disasters, or the death or illness of a family member, which can easily drag them down below the poverty line.

Most of the urban poor are concentrated in the large urban areas, in particular in Ho Chi Minh City, which attracts many in-migrants who are disadvantaged but not always included in poverty statistics. A high percentage of the urban poor live in informal settlements with deteriorating environmental conditions and experience a poor quality of life. Apart from high densities, overcrowding, and substandard and poorly maintained housing, infrastructure, and social services, informal settlements are mostly unplanned and often encroach into natural

¹¹ See the "new" definition of poverty in the National Target Poverty Reduction Program, quoted in the fourth draft of the Comprehensive Poverty Reduction and Growth Strategy. "Poverty is a situation in which a proportion of population does not enjoy the satisfaction of human basic needs that have been recognized by the society depending on the level of economic and social development and local customs and practices."

waterways, and canals. Inadequate drainage means flooding is often a serious problem. Poor sanitation means many toilets discharge directly into drains and canals, creating highly polluted streams, environmental hazards, and chronic health problems.

Government Pro-Poor Initiatives

Rural poverty has been the main focus of Government action to date, and urban poverty reduction programs so far have been limited both in number and impact. One of the key problems that needs to be addressed is the high and increasing rate of immigration to larger urban areas. The process of industrialization and urbanization has increased the inflow of unregistered migrants from rural areas, who are unable to secure either permanent registration, stable employment or a reliable income. These migrants have limited access to social services.

Government generally views slums as an unsightly blight on a city. Its response, where resources are available, is to carry out slum clearance programs and resettle residents in high-rise buildings, often far from their original homes and place of work. Surveys reveal that many poor families who are allocated apartments soon move out since they cannot afford the monthly installments and utility charges. Many of these people return to form new slum settlements on other marginal urban land.

The Government's position of considering slum settlements as temporary settlements for resettlement has often made it difficult to carry out on-site upgrading programs other than on an emergency services basis. There appears to be a misconception about the meaning of settlement upgrading, which

is interpreted by some to mean removal and resettlement. Nevertheless, some tertiary urban infrastructure improvements are being undertaken at the local level. For example, alley improvement programs are carried out in most cities under the guidance of local district or ward officials. These programs involve concerned residents, who cooperate to implement improvement schemes. These schemes often comprise the provision of improved drainage, pavement surfacing, and alley widening, which involves the partial dismantling of adjacent structures. However, these urban upgrading schemes are limited in scope and involve legal occupants who do not qualify as urban poor.

There are a few examples of more comprehensive, multisectoral upgrading schemes that have been carried out on a pilot basis, but mainly with donor support. However, there is no official policy at present that covers multisectoral urban upgrading, and the fairly rigid structure of local city administrations makes it difficult to mainstream such programs and projects.

A recent study,¹² jointly funded by the World Bank and the Ministry of Construction (MOC), was undertaken to prepare policy recommendations to the Government in support of improved access by the urban poor to affordable shelter, infrastructure, and services. The study recommendations will have some impact on the official stance on slum upgrading.

¹² Viet Nam Urban Upgrading Project, *Policy Building for Upgrading Infrastructure and Housing for the Urban Poor*.