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Urban Poverty: A Global View

Judy L. Baker

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

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ABSTRACT

This paper provides an overview on what has been learned about urban poverty over the past decade with a focus on what is new and what the implications are for the World Bank going forward in an increasingly urbanized world. Coverage includes current information on the scope of urban poverty, identification of the key issues for the urban poor, a summary of regional characteristics of urban poverty, what has been learned from programs and policies aimed at the urban poor, and finally, the paper identifies priorities for urban poverty reduction within the context of an overall urban strategy.

URBAN POVERTY: A GLOBAL VIEW

I. INTRODUCTION

Population estimates indicate that at a certain point in 2007, the world's urban population will equal the world's rural population for the first time in history. The growth in the urban population will continue to rise, projected to reach almost 5 billion in 2030. Much of this urbanization is predicted to take place in the developing world, with Asia and Africa having the largest urban populations.

The urban growth is attributed to both natural population growth, and rural to urban migration. Urbanization contributes to sustained economic growth which is critical to poverty reduction. The economies of scale and agglomeration in cities attract investors and entrepreneurs which is good for overall economic growth. Cities also provide opportunities for many, particularly the poor who are attracted by greater job prospects, the availability of services, and for some, an escape from constraining social and cultural traditions in rural villages. Yet city life can also present conditions of overcrowded living, congestion, unemployment, lack of social and community networks, stark inequalities, and crippling social problems such as crime and violence. Many of those who migrate will benefit from the opportunities in urban areas, while others, often those with low skill levels, may be left behind and find themselves struggling with the day to day challenges of city life.

Many of the problems of urban poverty are rooted in a complexity of resource and capacity constraints, inadequate Government policies at both the central and local level, and a lack of planning for urban growth and management. Given the high growth projections for most cities in developing countries, the challenges of urban poverty and more broadly of city management will only worsen in many places if not addressed more aggressively.

Currently an estimated one third of all urban residents are poor, which represents one quarter of the world's total poor (Ravallion, Chen, and Sangraula, 2007). Many of these are in small cities and towns where the incidence of poverty tends to be higher than in big cities.[1] While these proportions have not changed dramatically in the last ten years, with continued urbanization, the numbers of the urban poor are predicted to rise and poverty will increasingly be an urban phenomenon.

The general knowledge and understanding of poverty has increased enormously over the past decade through poverty assessments, city level studies, academic research and other analytical work. Many studies of poverty are carried out at the national level. The poverty assessments typically include a rich analysis of poverty at country level, but say little about the dynamics of urban poverty. In those where information has been disaggregated, typically the breakdown is for urban and rural or at the state level. This level of disaggregation, however, does not tell much about what is happening within cities or details on the issues for the urban poor which are necessary foundations for policy formulation.

A small, but growing number of studies aimed at understanding the characteristics of urban poverty have been carried out at the regional level for Latin America and the Caribbean, Europe and Central Asia, and East Asia and the Pacific, as well as at the country or city level in Bangladesh, Brazil, Colombia, Ethiopia, Ghana, Nigeria, Yemen, and elsewhere, including a micro-level longitudinal study of slum dwellers in Rio de Janeiro surveyed in 1969 and

[1] Evidence from LAC: Baker and Lall (2003).

then again in 2001. Small area estimation data are increasingly available for poverty mapping and disaggregated analysis, and has also contributed to strengthening our knowledge base on the characteristics and estimation of urban poverty.

Finally, at the global level there have been a number of recent reports addressing issues of urban poverty to coincide with the shift in demographic trends towards urban.[2] All of these have contributed greatly to what we know about the characteristics and to a more limited extent, the dynamics of urban poverty, from which we can draw. There are still, however, major knowledge gaps on a number of key issues related to urban poverty, as well as on understanding the impacts of program and policy interventions on the urban poor.

This paper attempts to provide an overview on what we have learned about urban poverty over the past decade based on an extensive literature search, with an aim to focus on what is new, and what the implications are for the World Bank. The paper also identifies some specific gaps in our knowledge base. Section II presents information on the scope of urban poverty, Section III on the key issues for the urban poor, Section IV on regional characteristics of urban poverty, Section V on what we have learned from programs and policies aimed at the urban poor, and finally, Section VI presents priorities for urban poverty reduction within the context of an overall urban strategy.

II. THE SCOPE OF URBAN POVERTY

Measuring urban poverty is not an easy task. There are numerous debates around the topic of poverty measurement related to the use of money metric approaches given the multi-dimensional nature of poverty, where to set poverty lines, and how to account for the higher cost of living in urban areas in national level poverty estimates.[3] There are also debates on the definition of 'urban' which affects estimates of urban poverty.[4]

While addressing these debates is beyond the scope of this paper, recent analysis on poverty measures has gone well beyond any previous work and takes us much closer to a well-founded approximation of the nature and scope of urban poverty. Ravallion, Chen and Sangraula (2007) analyze data for approximately 90 low- and middle-income countries, accounting for 95 percent of the population in developing countries, with observations over time for about 80 percent of them. This research applies country-specific adjusted poverty lines to account for cost of living differentials, providing new estimates that can more accurately estimate poverty for 4 approximate time periods (circa 1993, 1996, 1999 and 2002).[5] On average the urban poverty lines are about 30 percent higher than the rural lines though this differs from region to region. Estimates are calculated using two poverty lines, the "$1 a day" and "$2 a day" (which are actually $1.08/day and $2.15/day) using 1993 PPP.[6]

[2] For example, see UN HABITAT (2006), UNFPA (2007); and Tannerfeldt, and Ljung (2006).

[3] See Ravallion (2003), Bhalla (2002), Deaton (2001), Reddy and Pogge (2003) and Sala-i-Matin (2002).

[4] An 'urban area' is typically defined by country statistics offices as a non-agricultural production base and a minimum population size (often 5000). There are substantial differences in practice across countries (UN Statistics Division).

[5] Data on the urban-rural cost of living differentials are drawn from the World Bank country-specific Poverty Assessments.

[6] The $1/day line is based on the median of the lowest 10 poverty lines in the original compilation of (largely rural) poverty lines used for World Bank (1990). A $2/day line is more typical of poverty lines used in middle income countries.

The authors note shortcomings in the analysis due to differing definitions of urban, as well as differing definitions of poverty at the country level, though this would be true of any such effort due to the lack of cross-country standardization in data and definitions.[7]

Based on this analysis, approximately 750 million people living in urban areas in developing countries were below the poverty line of $2/day in 2002, and 290 million using the $1/day line. This represents approximately one third of all urban residents ($2/day) or 13 percent ($1/day), and one quarter of the total poor in developing countries. For the same time period, 2002, almost half of the world's urban poor were in South Asia (46 percent) and another third in Sub-Saharan Africa (SSA) (34 percent) for $1/day line. Using the $2/day line, these proportions were 40 percent for Africa and 22 percent for South Asia (SAS).

The incidence of urban poverty, or the share of poor as a proportion of the urban population, is highest for South Asia and Sub Saharan Africa. Urban poverty incidence was notably lower in East Asia and the Pacific (EAP), Eastern Europe and Central Asia (ECA) and Middle East and North Africa (MENA) than the other regions reflecting initial conditions. Latin America and the Caribbean (LAC) and ECA have the greatest proportion of urban poor relative to the total poor, as a result of the high urbanization rates in these regions. Overall, MENA has the lowest incidence and share of urban poverty.

Table 1. Urban Poverty Estimates, 2002, using $1.08/day and $2.15/day lines (in 1993 PPP)

Region	Number of urban poor (in millions) "$1/day"	Number of urban poor (in millions) "$2/day"	Headcount Index (%) "$1/day"	Headcount Index (%) '$2/day'	Urban Share of the Poor $1.08/day	Urban Share of the Poor $2.15/day	Urban Share of the population
EAP	16	126	2.2	17.7	6.7	15.1	38.8
China	4	53	0.8	10.7	2.2	9.5	37.7
ECA	2	32	0.8	10.7	33.4	49.9	63.5
LAC	38	111	9.5	27.5	59.0	65.6	76.2
MNA	1	20	0.7	12.4	19.9	29.3	55.8
SAS	135	297	34.6	76.2	24.9	25.2	27.8
India	116	236	39.3	80.1	26.0	26.0	28.1
SSA	99	168	40.4	68.5	30.2	31.1	35.2
Total	291	752	13.2	34.0	24.6	26.4	42.3

Source: Ravallion, Chen and Sangraula (2007).
Note: The headcount index represents the proportion of the urban population below the poverty line. The urban share of the poor represents the proportion of the urban poor of the total poor.

Trends of Urban Poverty

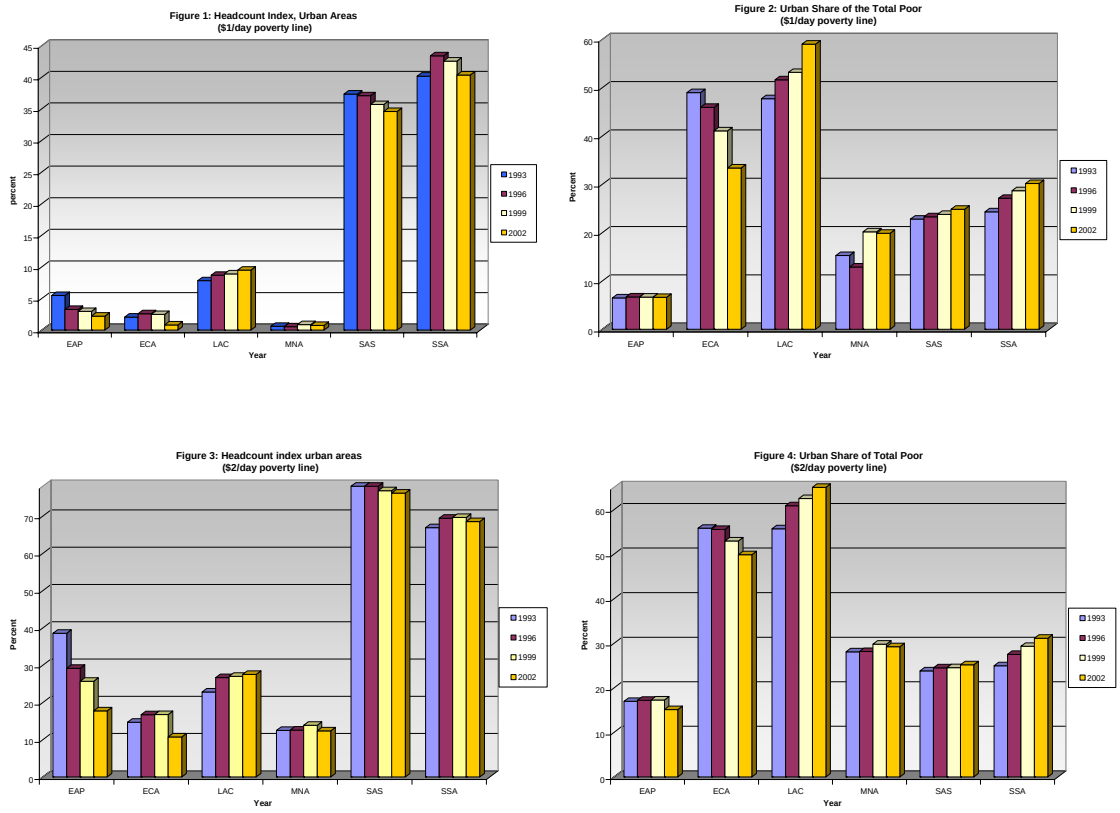
During the period of 1993-2002, the incidence of urban poverty has not changed much globally using the $1/day line, and has shown a decline for the $2/day line following the trends of overall declines in poverty. Overall, the urbanization process has played an important role in poverty reduction by providing new opportunities for migrants and through the second-round impact on those who stay in rural areas. The pace in urban poverty reduction has been slower than the reductions in rural poverty reduction, reflecting an overall urbanization of poverty. Of the total decline in the poverty rate for the $2/day line (8.7 percent), 4.8 percent is attributed to rural poverty reduction, 2.3 percent to urban, and 1.6 percent to the population shift effect (Ravallion, et.al., 2007).

[7] The differences in country specific definitions in poverty are addressed by using PPP exchange rates and survey-based distributions.

Regional trends show a drop in urban poverty rates (headcount index) relative to the national rate for EAP and ECA, and to a lesser extent in SAS, and a slight increase in LAC and MENA for both the $1/day and $2/day lines (Figure 1). SSA shows no clear trend. In terms of the share of the total poor living in urban areas, there has been a rise in all regions with the exception of ECA where the urban share of the poor is falling, suggested to be attributed to policies targeting urban areas relative to rural (World Bank, 2005). This is also noted for China (Ravallion and Chen, 2007).

Future projections indicate increases in urban poverty, but globally the majority of the poor will still be found rural areas for some decades to come (shift to an urban majority estimated at approximately 2040 for the $1 per day line, and 2080 for the $2 per day line).

Figures 1-4. Trends in Urban Poverty by Region, 1993-2002



Source: Ravallion, Chen and Sangraula, 2007

III. KEY ISSUES FOR THE URBAN POOR

Though the urban poor are quite diverse across regions, countries and even within cities, they tend to face a number of common deprivations which affect their day to day life. The main issues raised in the literature include: i) limited access to income and employment, ii) inadequate and insecure living conditions, iii) poor infrastructure and services; iv) vulnerability to risks such as natural disasters, environmental hazards and health risks particularly associated with living in slums, v) spatial issues which inhibit mobility and

transport; and vi) inequality closely linked to problems of exclusion. These issues are described below.

Income and Employment

At the core of the poverty, both rural and urban, is limited access to income and employment opportunities. While the urban economy provides opportunities for many and is the basis for growth and job creation, not all those living in cities benefit from these opportunities. The urban poor face challenges of low skills, low wages, unemployment and under-employment, a lack of social insurance and unsatisfactory working conditions. In some countries, the spatial location of slums, inadequate infrastructure, and negative stigma are also constraints to employment. The heavy reliance on the cash economy means that the urban poor are particularly vulnerable to shocks.

The majority of the urban poor work in the informal sector. Available estimates suggest that the size of informality ranges from 30 to 70 percent of GDP in developing countries. While the informal sector provides employment for many that cannot enter the formal labor market and supplies goods and services typically not offered by the formal sector, it is also characterized by relatively poor working conditions, lack of social insurance, operating outside the legal system, and is more vulnerable to economic fluctuations, which particularly affects the poor who have relatively little savings.

Unemployment is typically higher for the urban poor, as is underemployment. For example in Dhaka, Bangladesh unemployment rates for the poorest male workers are about 10 percent, twice that of the wealthiest (5 percent). For women, about 25 percent of the poor are unemployed compared to 12 percent of the non-poor (World Bank, 2007a). Youth unemployment is a major problem in many cities, and increasingly linked to growing social problems and can create urban unrest. Average youth unemployment rates were highest in the Middle East and North Africa Region (25.6 percent) and Sub-Saharan Africa (21 percent), and lowest in East Asia (7 percent) for 2003 (ILO, 2004).

The issue of child labor is also a characteristic of urban poverty in many countries, and highest in Sub-Saharan Africa. Although there is relatively little data on this, the latest ILO estimates for several African countries show that more than 26 percent of children aged 5-14 were economically active in 2004. While child labor typically had been a rural phenomenon with children working overwhelmingly with their families, it also exists in cities with children in the service sector, construction and manufacturing. Children working in cities and towns are much more likely to be working outside the protective environment of the family. Girls are typically the most vulnerable, often sent to work in the informal economy and as domestic workers. High levels of child labor translate into very low levels of school enrollment which then affects children's opportunities later in life.

Living Conditions and Security of Tenure

The living conditions of the urban poor can be dismal. Poor urban residents face many of the same challenges in daily life as the rural poor, with the added burden of overcrowded and often unsanitary living conditions. They tend to spend a higher proportion of total consumption on housing than the rural poor, a result of the higher land values in cites.

Many, though not all of the urban poor, live in slums. The estimates are at around one third of the urban population in developing countries — nearly one billion people living in slums (UN-HABITAT, 2006). In Africa, the proportion of urban residents living in slums is

astounding at 72 percent. The slum estimates are calculated based on the definition agreed upon at the Expert Group Meeting (2002), UN-HABITAT, which is 'a group of individuals living under the same roof in an urban area with at least one of the following four basic shelter deprivations: lack of access to improved water supply; lack of access to improved sanitation; overcrowding (three or more persons per room); and dwellings made of non-durable material. If a home has one or all four of these conditions, they would be classified as a slum household. Access to secure tenure is seen to be a fifth indicator, but this type of data is difficult to obtain and is thus not included. While there are some major deficiencies with this approach to measuring slums such as the lack of a spatial dimension, and inability to capture improvements of individual deficiencies over time, these estimates provide a basis for understanding the scope of shelter deprivation in urban areas globally.[8]

Beyond the debate on the measurement of slums, a general characterization of slums can be described as informal settlements with poor quality housing, limited access to services, and often on insecure land. Yet there are substantial differences mainly around the size of slum, location, and age. The location of slums is either in the center of a city near to employment opportunities, or in the peri-urban area where residents are more isolated. Older settlements tend to have more services and better quality housing as the population becomes better off.

The poor often end up on insecure public or private land as it is their only option. This is a result of poorly functioning land and housing markets, and the lack of planning for urban development and growth. Insecurity of tenure puts the urban poor at constant risk of eviction, hampers them from building up assets and accessing credit, inhibits using one's home for income generating activities and does not allow for investments in service provision. NGOs, Government agencies and donors in Dhaka cite the lack of secure tenure as a major constraint to investing in infrastructure and services in slum areas (World Bank, 2007a).

Understanding the scope and characteristics of slums has become a priority in the urban sector as the development community works towards the Millennium Development Goals, in particular, Goal 7, target 11, which calls for the improvement of the lives of at least 100 million slum dwellers.[9] The UN projects that few countries are on track for reaching the goals through a rapid, sustained decline in slum growth rates. Countries that are farthest from reaching the slum target goals are mainly in sub-Saharan Africa where urbanization, much due to migration, is happening at a rapid pace and local governments do not have sufficient capacity to accommodate new residents (UN-HABITAT, 2006).

[8] See Buckley, Lynch, and Nohn, 2007, "The Millennium Development Goal for Cities: Are Slums Really Increasing?" mimeo, for a discussion.

[9] This target actually represents a relatively small proportion of existing slum dwellers, approximately 10 percent.

Table 2. Regional Characteristics of Slums, 2001

Region	Estimate of slum dwellers, 2001 (in millions)	Slum dwellers as proportion of urban population (%)	Slum Annual Growth Rate (1990-2001)	Remarks and regional trends
SSA	166.2	71.9	4.53	Highest prevalence of slums in the world and fastest growth.
MENA	21.3	28.2	-0.15	Achieved a reduction in both the number and proportion of slum dwellers between 1990 and 2005 due to a relatively small number of slums in general, and country policies aimed at reducing the number of slum dwellers.
LAC	127.5	31.9	1.28	Despite progress resulting from progressive slum upgrading policies there are a considerably large share of slum dwellers.
SAS	253.1	59.0	2.20	Most of the slum dwellers in South Asia reside in India: 63% (almost 170 million), accounting for 17% of the world's slum population.
South-East Asia	56.8	28.0	1.34	Policies introduced before 1990s have had a strong impact on the number of slums (e.g., Thailand).
East Asia	193.8	36.4	2.28	This mostly includes China, where slum dwellers account for 20 percent of the World's slum dwellers.
ECA	45.2	6.0	0.72	Housing quality (services, location and maintenance) is deteriorating
World	912.9	31.2	2.22	

Source: UN-HABITAT, 2006.

Infrastructure and Services

The infrastructure needs that go along with urbanization can be enormous in terms of investments in housing, water and sanitation, transportation, power, and telecommunications. Many cities have not been able to keep up, and face daunting challenges for the future projected increases in urbanization. Providing universal coverage for water and sanitation services alone in the cities of developing countries is estimated to cost nearly 5 per cent of those countries' GDP (Foster, Gomez-Lobo, and Halpern, 2000).

The problems of accessing infrastructure and services are particularly acute for the urban poor. While access is typically higher in urban areas than rural, it can still be extremely low for the urban poor, of inadequate quality, and unaffordable. Access rates within slums in many cases are comparable or lower to access in rural areas.

Quality is a major issue, but more difficult to measure. Services may be available only for a few hours a day. The poor often rely on alternative sources of supply that may be of lower quality and are offered through self-provision or informal service providers (e.g., water vendors), or communal service options (public taps and toilets).

Affordability of services is also a main issue for many, with poor households in some countries paying more than the non-poor as they have to rely on expensive delivery

systems due to the lack of availability of public services and unwillingness of private providers to serve low income neighborhoods. Average water prices charged by private vendors compared to the formal network were found to be 1.5 times higher for piped network operators, 4.5 times higher for point sources, and up to 12 times higher for mobile distributors in a study based on data from 47 countries and 93 locations (Karuiki and Schwartz, 2005).

Utilities account for a substantial share of poor families' income or expenditure. In Argentina, on average households in the poorest quintiles spend 16 percent of total expenditures on utilities. This share is only 11 percent for the richest quintiles (Foster, CEER, and UADE, 2003). In addition to the consumption costs of services, connection costs are high and can provide a heavy burden on the poor particularly if they are expected up front. The connection costs can include connection charges and complementary investments that a household must make such as plumbing and wiring. In Guatemala, for example the connection charge for electricity is $146 which is equivalent to about one month's income at the extreme poverty line for a household of five people (Komives, Foster, Halpern, and Wodon, 2005). Financing schemes which spread the costs over time are an important alternative for the poor.

Given the high rates that the urban poor pay for services, it is not surprising that there is considerable evidence demonstrating that the poor are willing to pay substantial amounts for services. For example, in Panama, a willingness to pay study shows that the poor are willing to pay $0.46 per cubic meter of water, more than double the tariff of $0.21 per cubic meter (Foster, Gomez-Lobo and Halpern, 2000).

Risks

Living in cities, particularly in high density slum settlements, can also mean exposure to a number of disaster, health, and environmental risks which particularly affect the poor.

The urban poor are typically at the highest risk in the event of natural disasters due to the location of low income settlements. These settlements are often in sites vulnerable to floods and landslides, infrastructure is weak or lacking, and housing is substandard and prone to fire damage or collapse. There are numerous examples of earthquakes, landslides, and floods that have caused major destruction to the urban poor. Recovering from disasters is also particularly difficult for the poor as they do not have resources or adequate safety nets, and public policies often prioritize rebuilding in other parts of the city (Fay, Ghesquiere, and Solo, 2003).

There are several factors related to urban living, particularly in slums, that can result in negative health outcomes. The high concentration of slum populations, inadequate water and sanitation facilities, poor drainage and solid waste management, and indoor pollution contribute to acute respiratory diseases, diarrheal disease and a wide array of other infectious diseases (e.g., tuberculosis, hepatitis, dengue fever, pneumonia, cholera and malaria) (Montgomery and Hewett, 2004). Poor quality housing conditions also contribute to poor health outcomes and increase vulnerability (Cattaneo, Galiani, Gertler, Martinez, and Titiunik, 2007). HIV/AIDS prevalence rates are very high in urban areas exceeding 50 percent in some African cities. In those cities where incidence data on morbidity and mortality for these diseases is disaggregated for slum populations, it is often higher for those living in slums than that of rural dwellers despite the better access to health care in urban areas. For example, in Nairobi, diarrhea prevalence was 33 percent in slum areas, as compared to under 20 percent in any other area in Kenya.

Children are at particular risk of health problems in poor urban areas. In LAC, infant mortality is about the same among the rural and urban poor (Fay, 2005). Many countries also face problems of malnutrition and stunting among the urban poor where rates are the same if not higher than the rural poor. Indoor air pollution and acute respiratory infections contribute to child mortality in slums, accounting for 18 percent of deaths among children under five (UN-HABITAT, 2006). HIV/AIDS, largely an urban phenomenon, particularly affects women and young girls, who compromise the majority among the sick. An estimated 12 million children in Sub-Saharan Africa have lost parents to AIDS.

Environmental problems affect the urban poor disproportionately because of poor quality and overcrowded housing and the inadequacies in the provision of water, sanitation, drainage, health care and garbage collection. The urban poor also often live in environmentally unsafe areas, such as polluted sites near solid waste dumps, open drains and sewers, and near industrial sites as these are the only lands available.

Though the impacts of climate change on the urban poor have not been fully studied, this is emerging as an area of increasing concern as they may further exacerbate the risks of negative environmental effects for the urban poor through sea level rise, warming temperatures, uncertain effects on ecosystems, and increased variability and volatility in weather patterns.

Location, Mobility and Transport

The spatial location pattern of low income settlements varies considerably from city to city, though a general trend is clear — a majority of the urban poor live on lands that are undesirable to others. This is a result of urban sprawl, land and housing constraints, inefficient land markets, and poor public transport systems. While some live in poorer quality low income settlements within the city to be located near to job opportunities and markets, many others choose to live in peri-urban areas on affordable sites, where access to labor markets is much more difficult. The location and transport patterns of the urban poor illustrate a complex tradeoff among residential location, travel distance and travel mode (World Bank, 2002).

In cities where the poor live remotely in order to inhabit affordable space, they incur high travel costs and long travel times. For some in Latin American cities such as Lima, and Rio de Janeiro, the poor live some 30 or 40 kilometers out of the employment centers resulting in an average commuting time of 3 hours per day for the poorest group in Rio (World Bank, 2002a). In Montevideo, residents living in slums outside the city cite the lack of access to public transport as a major constraint to accessing jobs (World Bank, 2001). Living in a peripheral urban location, particularly without adequate access to transport services, can mean exclusion from a range of urban facilities, services, and jobs, exacerbating problems of social exclusion which are discussed further below. There are also 'neighborhood effects' based on social composition which can affect individual behavior and peer group effects (where individual behaviors and opportunities can be influenced by others). In many areas, the issue of neighborhood stigma, which can negatively affect peoples' access to jobs and increases other types of discrimination, is also a major constraint for the poor.[10] The stigma of living in a favela was attributed to unemployment and inequality by slum dwellers in a study of Rio de Janeiro (Perlman, 2004).

[10] This has been best documented in Latin America.

In other cities, particularly Asia and Sub-Saharan Africa, the settlement patterns are more heterogeneous with the poor and non-poor living within a short proximity. In such cases, the poor tend to have shorter commutes and often rely on walking as a main source of transport. In Mumbai close to two-thirds of the poor walk to work. A substantial number also rely on public transport, though fares can be very high. Poor households in which the main earner commutes by bus spend 19 percent of their income on transport (Baker, Basu, Cropper, Lall and Takeuchi, 2005).

Inequality

Inequality in access to services, housing, land, education, health care, and employment opportunities can have socio-economic, environmental and political repercussions. In cities, income inequality is particularly stark where modern cosmopolitan zones can be found within a short distance from slums. In many countries, the gini coefficient within urban areas is substantially higher than in rural areas where standards of living are more homogeneous. Inequality also appears to increase with city size, though this has not been tested widely. The highly visible disparities in wealth, services and opportunities, can create frustration, tension and a sense of exclusion for the poor.

The dimensions of exclusion as defined in the literature are grouped into three categories: i) economic exclusion to equitable access in economic/financial, social, human and natural resource assets; ii) exclusion from access to basic services, and; iii) social exclusion restricting people from participating on fair terms in local and national social life (World Bank, 2006). For the urban poor, exclusion is extremely evident in day to day life ranging from educational inequality across schools to spatial barriers in access to jobs.

While there is no direct causal relationship between inequality, exclusion, and crime and violence, there appears to be a link. Crime and violence are cited to occur more frequently in settings where there is an unequal distribution of scare resources or power coupled with weak institutional controls – highly characteristic of cities (UN-HABITAT, 2006). There is evidence that crime and violence do tend to be higher in cities. Within cities in Latin America and the Caribbean, disparities in violence levels are based on neighborhood income levels, with the higher income areas suffering from property-related violent crime, while severe violence is concentrated in the lower income areas, particularly in poor neighborhoods on the periphery of cities. Cities where inequalities and exclusion are strongly evident also appear to be vulnerable to insecurity. Such examples include protests in slums in South Africa (2005), and gang warfare in Los Angeles, Nairobi, and Rio de Janeiro.

Recent approaches aimed at the prevention of crime and violence have focused on improvements in the physical environment and has been applied in city planning, public transport systems, parks and recreational spaces, low-income housing, and downtown areas where people feel most vulnerable to violence and crime (Mtani, 2002)

IV. REGIONAL CHARACTERISTICS OF URBAN POVERTY

Beyond the general characteristics facing the urban poor globally, several regional characteristics stand out. The coverage across regions is not consistent as urban poverty has been relatively well studied in Latin America, but to a lesser extent in the other regions. For example in Africa and South Asia, very few studies of the urban poor are available. This highlights the need for more research on specific aspects of urban poverty which are discussed in the concluding section.

Sub-Saharan Africa. Africa is the most rapidly urbanizing region, with poverty in urban areas increasing. Using the $1/day line, about 40 percent of urban residents are poor and with the $2/day line, close to 70 percent are poor (Ravallion, et al, 2007). This urbanization is taking place in the context of particularly challenging circumstances that other regions have not historically faced such as pressures of global competition, limited outlets for external migration, and the detrimental effects of HIV/AIDS on families, safety nets, and local governments. Approximately 60 percent of all those living with HIV are in Sub-Saharan Africa. Globally, HIV prevalence is higher in cities than in rural areas, and disproportionately affects the urban poor (UNAIDS, 2004).

The region is also characterized as having the highest prevalence of slums and lowest access to safe drinking water and improved sanitation in the world. Access to piped water is only about 36 percent overall in urban areas, and for the poorest quintile, almost no one has access. Aside from South Africa, none of the countries have more than 1% of households in the bottom quintile of population with access to piped water (Banerjee, Wodon, Diallo, Pushak, Uddin, Tspimpo, Foster, 2007). Only about half of the population has access to improved sanitation. Lack of access to these basic services has detrimental effects on health and livelihood. Waterborne diseases are highly prevalent in Africa's cities, as is malaria; in 2003, it was estimated that approximately 200 million Africans lived in urban malaria-endemic areas.

South Asia. While the proportion of the urban population (28 percent) and of the total poor (25 percent) has remained relatively stable in South Asia as a whole, the region still has the highest number of urban poor in the world (135 million $1/day and 296 million $2/day, 2002). Five of the world's mega cities are located in South Asia and are home to large concentrations of urban poor. The cities of Mumbai (18.8 million), Delhi (16 million), Calcutta (14.5 million), Dhaka (13 million), and Karachi (12.2 million) have sprawling slums and major challenges of city management which make addressing urban poverty one of many difficult challenges.[11] India alone accounts for 17 percent of the world's slum dwellers (UN-HABITAT, 2006).

Some of these cities continue to grow at a rapid pace. Dhaka is expected to reach 20 million in 2020 making it the world's third largest city. While urbanization has generated much economic growth and opportunity for many, there are however, concerns that this growth has not generated much demand for unskilled labor, particularly affecting the poor some of whom are new rural to urban migrants. In India, an estimated 1 million workers move out of agriculture every year, yet the organized service sector generated only 76,000 new jobs annually over the past decade (Glinskaya and Narayan, 2007). Child labor is also of concern, "children, mainly girls, are trafficked for commercial sexual exploitation in urban centers such as Mumbai, Calcutta and New Delhi" (US Department of Labor, 2006).

East Asia and the Pacific. Urbanization has continued steadily in East Asia and the Pacific, with about 40 percent of the population now living in cities. This is still a relatively low level of urbanization compared to other regions though it is expected to increase substantially. The region has made significant progress in terms of economic growth and poverty reduction including in urban areas. Urban poverty rates are relatively low, though the Asian Financial Crisis hit urban residents particularly hard resulting in a significant increase in the informal employment which is still a characteristic of urban poverty a decade later. One third of the urban population in East Asia lives in slums though not all of these

[11] The City Mayor's Society website: http://www.citymayors.com/society/urban_poor.html

residents are poor (as in other regions). The majority of these slum dwellers are in China (UN-HABITAT, 2006).

Projections show urbanization will continue at a rapid pace with the majority of the region to be living in urban areas by 2030. In the same year, estimates indicate that over 60 percent of China's population will be living in cities and 80 percent in the Philippines. It is expected that most of the growth will happen on the fringes of cities. There are major implications for the growth of urban poverty.

Middle East and North Africa. MENA is a highly urbanized region with an average of 60 percent of the region's population living in urban areas. In countries such as Lebanon and Jordan, this proportion is as high as 80 and 90 percent respectively. The region has the second highest urban growth rate in the world resulting from high birth rates, rural to urban migration, and international labor inflow. Cities in MENA are also characterized by a rapid growth in the youth population. With the high birth rates, the child population is estimated to increase by about 30 percent by 2025 and even higher in Yemen, Saudi Arabia, Palestine and Oman (Lynkeus and Censis, 2004).

The substantial advances that the countries in the MENA region made in poverty reduction prior to the 1990s are reflected in overall low rates of urban poverty. Since the 1990s, however, poverty levels have been relative stable. The region's urban poor face particular challenges of a scarcity of water, in some cases, severe, and a high proportion of urban youth and related high levels of youth unemployment. Social inequality is also prevalent in the region and in some countries, when combined with problems of very high youth unemployment and political instability, is of major concern.

Eastern Europe and Central Asia. The region is highly urbanized, with the Slavic and EU accession countries having the highest rates of urbanization. Rural to urban migration is no longer significant in the region, though urban to urban migration continues. Urban poverty is lower than many other regions, with some specific features. Urban poverty in ECA is attributed in large part to economic transition and decline of state run enterprises, and growing inadequacies in services. The majority of the urban poor are found in secondary cities, home to approximately 85 percent of the urban population. These secondary cities typically were formerly centers with large industrial units that provided employment (World Bank, 2006c). With the downsizing of many industries, there are now few job opportunities.

Two main issues for the urban poor are deteriorated housing and infrastructure. With the development of real estate markets and housing reforms in the transition countries, there has been an increasing spatial concentration of people along different socio-economic groups resulting in urban slums, typically in the outskirts of cities. These areas are typically not well-served by public transportation which contributes to problems of social exclusion and isolation.

Latin America and the Caribbean. LAC is highly urbanized with three quarters of the population living in cities. Approximately 60 percent of the poor in the Region, and half of the extreme poor live in urban areas. The urbanization of poverty is projected to continue in some areas, particularly in Central America, which is particularly vulnerable to natural disasters which disproportionately affect the urban poor.

Latin American cities tend to be highly segregated which contributes to problems of social exclusion and neighborhood effects that in turn can reduce access to jobs and educational achievements. Well known examples of this are Brazil's favelas. Problems of crime and

violence are also a major challenge in the Region, and particularly affect the urban poor. The poor tend to be the most likely to be seriously affected by crime and violence and be held responsible for the crime and violence committed.

V. POLICIES AND PROGRAMS FOR URBAN POVERTY REDUCTION: WHAT HAVE WE LEARNED?

There has been a shift in poverty reduction approaches since 2000 towards a focus on achieving the Millennium Development Goals set for 2020 led by a country driven approach. More than 50 low-income countries have prepared Poverty Reduction Strategies. The World Bank and other development agencies have aligned their activities to these national plans. Within this agenda, shared growth is widely recognized as the main driver of poverty reduction through policies that promote higher growth and an equitable distribution of its benefits across the population and specifically for the poor. This is entirely conducive to urban poverty reduction. Furthermore, much of this growth is sustained by urbanization.

Economic growth. Economic activity in urban areas, typically industrial and commercial, accounts for one half to four fifths of GDP in most countries. A study of 14 countries globally shows that those which did well in reducing poverty during the 1990s had sustained and rapid economic growth through policies promoting macroeconomic stability, defined property rights, a good investment climate, an attractive incentive framework, well-functioning factor markets, and broad access to infrastructure and education (World Bank, 2005b). Another study from Eastern Europe and the Former Soviet Union finds that during the 1998-2003 period countries that experienced sustained growth also experienced substantial declines in poverty, with urban poverty responding more strongly than rural poverty. The reductions in poverty were to differing degrees in different countries related to the differences in growth rates, as well as differences in initial conditions, and to changes in the distribution of income during the period. In countries where there were shifts in the distribution of income towards the poor (e.g., CIS), poverty declined more rapidly than might have been expected (World Bank, 2005c).

Vietnam is an example that stands out for its success in growth and poverty reduction, in both urban and rural areas. This is attributed to trade liberalization, export promotion in labor-intensive manufacturing, and substantial investments in infrastructure and education. Between 1992 and 2003, urban poverty in Vietnam was lowered by an impressive 11 percent per year (notwithstanding the reductions in rural poverty of 4.2 percent per year). The strong growth of the 1990s was accompanied by greater domestic demand for labor-intensive goods, and a rise in informality in the labor market with a many moving into informal industry and services to meet the demand for non-agricultural goods and services. The country invested heavily in infrastructure, prioritizing large infrastructure investments over rural infrastructure, targeted to regions with high numbers of poor people and high growth potential. The idea was to promote urban centers where capital and skills were more plentiful and to redistribute returns through public transfers to rural areas. The growth and poverty impact of this strategy has proven to be very successful (Besley and Cord, 2007).

Beyond promoting policies to foster economic growth, countries have approached the challenges of urban poverty in different ways. Typically, programs and policies are part of broader national poverty reductions strategies. A review of urban issues in poverty reduction strategies (PRS) was carried out looking at the process for ten countries (Baker and Reichardt, 2007). The review found that urban issues in general and those relating to the urban poor typically had not been well covered. In countries where there was a strong analytical base on issues of urbanization and urban poverty, there was better coverage of

these issues in the poverty dialogue. The analysis provided direct input to the PRS. The inclusion of urban stakeholders in the PRS formulation was also seen as crucial to better coverage of urban issues in the PRSPs. A final major finding was that the implementation of urban policy priorities and the PRS in general requires strong political commitment. These findings point to the need for investing in research and analysis on urban issues, and ensuring that this research is well disseminated and discussed with policy makers to better inform them in the policy process.

Programs aimed at the urban poor can be categorized as three types; i) those aimed at improving living conditions mainly through slum upgrading but also through public housing schemes, sites and services schemes, providing access to credit and housing finance, rent control, land titling, infrastructure improvements and utility subsidies; ii) programs aimed at improving the income of the poor such as job training, micro-enterprise development, and the provision of childcare; and iii) safety net programs targeted to the most vulnerable such as cash transfers, food stamps, feeding programs, fee waivers, subsidies, and public works programs.

Improving living conditions. Several countries have been noted for progress in reducing or stabilizing slum growth rates in the last 15 years. In Brazil, Egypt, Mexico, South Africa, Thailand and Tunisia success is attributed to political commitment at the central government level to large-scale slum upgrading and service provision for the poor through implementation of legal and regulatory reform on land policy, regularization programs, and inclusive policies (UN-HABITAT, 2006).

Among the programs aimed at the urban poor, overall, slum upgrading is probably the most common. Slum upgrading programs typically focus on the provision of infrastructure (water and sanitation, waste management, electricity, roads), while broader programs also include interventions aimed at improving tenure security, social infrastructure, housing quality, access to credit, and access to social programs (health and education, day-care, vocational training and community management). Slum upgrading programs have a relatively long history, becoming quite popular in the 1970s with a shift away in the mid-1980s.

A recent study reviewed the lessons learned from the World Bank's lending to support improvement in shelter conditions over the past thirty years (Buckley and Kalarickal, eds., 2006). This lending included 278 projects located in more than 90 countries. Overall, the authors find the Bank's lending for shelter has been positive with demand increasingly for large-scale policy-related assistance. The portfolio has had strong performance and accounts for more than half of the total urban lending. The study also finds, however, that shelter lending moved away from the poverty orientation that had been a core focus with a much smaller share of the lending going to support low-income housing (10 percent) and a much smaller share going to low income countries (20 percent). This shift away has been attributed to a change in donor's focus, particularly among the development Banks to housing finance, adjustment loans, and privatization of public services (Viloria-Williams, 2006).

There has, however, been somewhat of a renewed interest in slum upgrading programs more recently, perhaps linked to the rise in urbanization, urban poverty, and a growing urgency to address the infrastructure and service needs of the poor living in cities. A survey in Nairobi's slums in 2005 asked slum dwellers to identify their top four development priorities (World Bank, 2006d). Their responses were largely focused on infrastructure: toilets (24 percent); water supply (19 percent), health clinics and services (13 percent) and electricity (12 percent).

Evidence on the experience and impacts of slum upgrading is limited, though some lessons have emerged which are generally quite positive with regard to successes in delivering basic services to the urban poor. Given the lack of rigorous evaluations, a program of impact evaluations of slum upgrading programs is currently underway at the World Bank. This work will draw on results from 6-10 impact evaluations of slum upgrading programs which are expected to have results by 2009.[12]

Some of the benefits attributed to slum upgrading from existing evaluations in the Philippines, Indonesia, and Pakistan include: improvements in livelihood opportunities through construction and small businesses selling materials; improvements in environmental, health, and safety conditions; better access through improved footpaths and roads; a reduction in crime following the installation of street lighting and provision of recreational centers and youth training. Providing land tenure security provided incentive for owners to invest in structural improvements in their homes. In some cases community groups became proactive in identifying other sources of funds for the communities, and became involved in planning and implementation. A recent review notes that "overall, comprehensive upgrading programs have enabled residents to develop and advance themselves, enhance their incomes, hone their leadership skills, and enjoy more of the same personal benefits that ordinary citizens in other communities have" (Viloria-Williams, 2006).

A study of the Favela Bairro program in Rio de Janeiro, Brazil found that the project was responsible for a substantial increase in the coverage of water and rubbish collection in project communities (Soares and Soares, 2005). With regard to property values, health outcomes, and earnings, however, no improvements were measured.

An evaluation of three slum upgrading sites in India found that the provision of basic infrastructure for poor households improved the quality of life of low-income groups in a number of ways such as improved economic and social activity, less time spent on water collection, improvements in the 'image' of the slum area, and improvements in property values (Amis, 2001). In Mumbai, a slum sanitation program using a participatory and demand-responsive approach has demonstrated many successes in service delivery over previous approaches that did not involve participation. Public toilet blocks have been installed in communities based on participatory planning with Community Based Organizations (CBOs) set up to eventually take over on operations and maintenance. Each family in the community is asked to pay a contribution to express its demand. While considerable effort is required to make the collaborative partnership of NGOs, contractors, and CBOs work effectively, the overall improvements in sanitation, environmental health, and quality of living standards have been significant (World Bank, WSP, Cities Alliance, 2006d).

A program in Mexico, *Piso Firme*, initiated in 2000, focused on housing improvements through replacing dirt floors with cement floors as a means to improving child health by reducing the presence of intestinal parasitic infections. An impact evaluation of this program attributes significant improvements in the health of young children to the program as measured by decreases in the incidence of parasitic infestations, diarrhea, and the prevalence of anemia. Significant improvements in children's cognitive development were also found as measured by results from two testing instruments which assess language and

[12] This falls under the Development Impact Evaluation (DIME) initiative.

communication skills.[13] They also found that following the implementation of the program, adults reported a much higher degree of satisfaction with their housing and quality of life, and had significantly lower rates of depression and perceived stress using standard testing instruments (Cattaneo, Galiani, Gertler, Martinez, and Titiunik, 2007).

An evaluation of the effects of land titling in Buenos Aires, Argentina, a component in some slum upgrading programs, demonstrates positive, though modest, effects of land titling on access to mortgage credit, and in private housing investments. Moreover, land titling reduced the fertility of household heads and the presence of extended family members. These smaller families invested more in the education of their children (Galiani and Schargrodsky, 2006).

The review of lessons from experience in implementation carried out by the World Bank highlights several key points (Buckley and Kalarickal, 2006): i) upgrading *in situ*, when possible, makes economic sense in many country contexts. Razing slums to accommodate urban renewal is not necessary as is demonstrated by a number of examples of successful urban renewal programs that involved increasing the density of urban areas to accommodate low and middle income households and mixed uses; ii) relocation can also be an effective strategy. In many densely populated cities, transport infrastructure (roads, railways and canals) is so encroached by slum dwellers that the affect on service degradation exceeds the cost of relocating families to another site with better facilities. Relocation can be appropriate when slums are located on high-risk or environmentally hazardous areas.; and iii) devolving responsibility and accountability to the lowest appropriate level is critical to the success of upgrading as is having local political support. The experience shows that many sites and services projects did not go to scale because, as pilot projects, they were exempt from building codes and land use regulations.

Some of the more negative experiences with upgrading programs were attributed to weak government institutions, challenges in acquiring the land on which communities were to be upgrading which led to major delays, overvalued pricing, and poor quality of physical works. In some communities, there have been major problems with maintenance and cost recovery leaving, as well as a lack of political commitment which can hamper effective implementation. Many programs were also cited for focusing mainly on physical improvements while neglecting social, economic, and institutional improvements (World Bank, 2004c). Some of the problems have stemmed from the use of unaffordable standards and overly ambitious implementation plans.

Finally, an assessment of upgrading programs in Africa also provides key lessons for other countries (Gulyani and Connors, 2002). Experience there found that while formal titling may be a desirable long term goal, it is not a prerequisite for upgrading projects and in fact can slow things down and even end in failure. There have also been problems with high standards, as they result in high costs. For example, keeping plot sizes low can mean reaching a wider number of beneficiaries. Operations and maintenance has also proven to be problematic, continuing to present a major challenge for upgrading programs.

Based on these lessons it appears that the new generation of slum upgrading programs, are increasingly including social components. Recent World Bank projects in Brazil, Jamaica, Vietnam, Iran, and elsewhere are designed to address problems of employment, crime and violence, childcare, youth, health care, and other social sector concerns. The World Bank

[13] For children aged 12 to 30 months, the Spanish version of the MacArthur Communicative Development Inventory was applied, and for children aged 36 to 71 months, the Spanish version of the Picture Peabody Vocabulary Test was applied.

Review of shelter lending calls for improving the Bank's approach to shelter lending particularly through reinvigorating Bank support for low income housing, particularly slum upgrading (especially in Africa), becoming more responsive to borrowers and other donors, and improving our understanding of urban land markets and slum conditions. The Review also recommends responding to the increased demand for assistance particularly in the provision of housing subsidies, specifically through improved financing and targeting which is aimed at improving the effectiveness of government expenditures for the poor, and through cautiously expanding the reach of housing finance. Beyond these recommendations, the importance of investing in local capacity building and planning over the long term are critical. Such investments may help to prevent the proliferation of slums in the first place.

Income and employment programs. At the core of urban poverty is employment. There are a range of programs aimed at improving the income of the poor such as job training, micro-enterprise development and the provision of childcare. Some of these programs such as child care centers and micro-lending have enormous potential for scaling up in poor urban areas based on numerous successful examples.

A majority of job training programs are targeted at youth with mixed evidence on results (Betcherman, Olivas, and Dar, 2004). A summary of cross country evaluations in evaluations of active labor market programs in the OECD shows negative and often insignificant (or modestly positive) treatment effects for training (Kluve, 2006). On the job training programs in industrial countries, however, are found to have positive effects. The evidence in developing countries is more limited. Four evaluations of job training programs in Latin America (Argentina, Chile, Peru and Uruguay) show that intensive investment which combines training and work experiences with other services including psychological development, vocational assessment, etc. can be beneficial. Implementation involves important roles for civil society and the private sector and flexible, competitive and decentralized service delivery. While the impacts on employment and earnings in the short run (size months to one year after the training) appear to be quite positive, little or nothing is known on the impact over time. Finally, with regard to the impact of technical and vocation education (TVE), results for developed countries (U.S., France, and U.K.) show vocational curricula are only selectively associated with higher pay, while the employment effects are much stronger (Ryan, 2001). For developing countries, the evidence has been less favorable and appears to be linked to slow job growth and weak demand for employment (Adams, 2007).

Microfinance has been demonstrated to be a powerful instrument for poverty reduction that enables the poor to build assets, increase incomes, and reduce their vulnerability to economic stress (CGAP, 2006). Specific schemes aimed at shelter finance have also shown positive impacts for the urban poor in countries such as India, Mexico and Brazil. Yet many of the urban poor still do not have access to microfinance as banks have been reluctant to make loans to the poor who do not have collateral. In the case of Bangladesh, the well known Grameen Bank does not operate in urban areas as it is perceived as risky (World Bank, 2007a). All of this points to a need for scaling up microfinance for the urban poor.

A constraint to entering the labor market, particularly for women, is adequate childcare. Evidence from Guatemala shows that women who sent their children to a child care program, raised their income by 30 percent (Ruel, de la Briere, Hallman, Quisumbing and Cohi, 2002). There is also broad evidence that a child's early years are crucial to brain development and academic achievement. Children who participate in early childhood services have a greater motivation to learn, higher achievement, and higher regard for

themselves than children who do not participate in early interventions. Early interventions also have been shown to improve prospects for successful employment by providing critical learning skills early in life (Young, 2003).

Social safety net programs. Safety net programs are targeted to the poor or those vulnerable to poverty and shocks. They are particularly important in urban areas given the greater reliance on the market economy which makes households more susceptible to macroeconomic shocks. While safety net programs have been reviewed in great detail, there is limited analysis on issues related to the design and implementation of these programs in urban areas.[14]

Mexico's *Opportunidades* program is one of the better known safety net programs explicitly designed to reach the urban poor. This is a conditional cash transfer program which originated as *Progresa,* (which mainly operated in rural areas). The program provides cash payments to eligible families, conditional on regular school attendance and regular use of preventive health services. As the program was expanded to urban areas in 2002 it faced a number of challenges such as targeting and adapting the program to the urban poor. For example, working mothers did not join or dropped out of the program, because of time conflicts of activities with work hours (Latapi and de la Rocha, 2004).

While the program benefits were the same for urban and rural areas initially, the impacts on households differed. For urban areas, the impact on school enrollments, graduations and drop out were much smaller than in rural areas (Parker, 2004). This is linked to the higher opportunity costs in urban areas, and the high costs of getting to school (which was reported to absorb about 80 percent of the school grant) (Latapi and de la Rocha, 2004). One of the biggest (and unexpected) impacts for the urban beneficiaries was home improvements such as regularizing property, acquiring infrastructure service, and upgrading construction materials. This is attributed to the fact that the irregular status of a home and its poor quality is perceived as a much greater source of vulnerability in urban than rural settings.

There are several issues in designing and implementing such programs in urban areas including the challenges of targeting and the relative vulnerability of youth (ages 15-24). Geographic targeting can be difficult given the heterogeneity in welfare even in small areas such as slums which can be socio-economically mixed. Means testing is also difficult as vulnerable households may have assets but fall into poverty more easily than in rural areas. Urban households also typically lack property rights which may exclude them from eligibility in social programs.

Poor urban youth are a particularly vulnerable group given typically higher rates of unemployment, and exposure to crime and violence, HIV/AIDS and other sexually transmitted diseases. Programs such as conditional cash transfers and job training can help to minimize risks for this group, and facilitate their entry into the labor market during these vulnerable years.

VI. A STRATEGY FOR URBAN POVERTY REDUCTION FOR THE WORLD BANK

This paper has highlighted some of the more recent findings related to the nature and scope of urban poverty, trends over time, the key issues facing the urban poor, salient regional

[14] See for example Millazzo and Grosh, 2007.

characteristics, and programs and policies designed to address the challenges of urban poverty.

The findings and implications for a strategy forward link closely to the livability pillar of the World Bank's Urban Strategy of 2000, *Cities in Transition*. The livability pillar is aimed at ensuring the urban poor achieve a healthful and dignified living standard that permits them to share the resources of society. The strategy calls for going beyond important national level policies for education, employment, and safety nets to also include policies to address city-level factors related to limiting secure land tenure and access to adequate housing, credit, transport, health care and other services. It also calls for addressing constraints to small-scale and informal sector enterprise, facilitating the empowerment of the urban poor, creating support systems for working mothers, the elderly and youth, promoting a healthy local economy, and addressing the sources of environmental degradation, natural disasters, crime and violence, preserving cultural heritage and providing amenities for all urban residents.

Growth will also remain a key driver for poverty reduction in both urban and rural areas. Recent studies have brought further evidence on the essential role of economic growth in reducing poverty. Policies that promote macroeconomic stability, defined property rights, a good investment climate, an attractive incentive framework, well functioning factor markets, and investments in education and infrastructure can foster growth. In many countries, urbanization has helped to foster this growth and thus can play an important role in reducing urban poverty over the long-term.

These elements continue to be top priorities for the World Bank in addressing urban poverty and will require sustained efforts. In addition to these important elements, a few additional areas have emerged in the past decade as central to tackling the needs of the growing urban poor and are in need of increased attention.

Strengthening local governments to implement programs and policies aimed at poverty reduction within cities. At the root of many of the challenges in addressing issues of urban poverty is weak local government. Many local governments do not have adequate staffing, technical skills, or financial capital to tackle existing problems let alone the new challenges generated by rapid urbanization. It is simply impossible to keep up with the infrastructure and service needs of rapidly growing populations. The Bank is building up its experience in working with local governments, in promoting technical, administrative, and financial capacity to better manage cities, including urban slums. Some of these projects, such as those in Brazil, Tanzania and Indonesia could be replicated in other places to help local governments build capacity and better function, giving particular attention to addressing critical urban poverty issues. It is important to recognize, however, that capacity building takes time and thus a longer term vision to the project cycle may be required.

Expanding support to projects aimed at improving service delivery for the urban poor, integrated urban upgrading, land regularization, and policies aimed at slum prevention. Projections for urbanization and the growth of slums show continued increases for the foreseeable future. The abysmal living conditions and lack of access to services are major constraints for poverty reduction in urban areas. Investing in the human, economic and social capital of the urban poor will translate into opportunities for growth and poverty reduction. Programs aimed at improving living conditions in slums through extending affordable services to slum dwellers and investing in upgrading can have enormous benefits in health outcomes, reducing environmental and other risks, as well as in generating new opportunities for income generation. New and innovative approaches to improving service

provision such as offering pro-poor incentives to utilities or ensuring an enabling environment for small private service providers while ensuring quality and affordability for consumers offer much potential. Promoting a framework for the regularization of land tenure has shown to spawn investment, and promote opportunity over time. This may, however, be best approached with partial or incremental solutions given the complexities that can be involved with land reform and property rights.

Some of the more recent upgrading programs which combine investments in basic infrastructure with social programs show much promise for addressing the multidimensional nature of urban poverty. For example a program in Jamaica combines micro-finance, land tenure regularization, crime and violence prevention programs with physical upgrading to improve access to water, sewage, solid waste, electricity, roads, drainage and related community infrastructure. In Brazil, investments in social infrastructure for day care, youth training, and health care are combined with physical upgrading of slums.

Proactive policies aimed at the prevention of new slums such as land use planning and changes in the legal and regulatory framework are urgently needed given their critical role in curtailing the rapid growth of new slums as urban populations continue to grow. Past examples of sites and services projects provide many important lessons as well as a prospective approach for some cities and towns. Such prevention efforts can also help to ensure more environmentally sustainable efforts to urbanization and minimize the poor's vulnerability to natural disasters which are a growing concern given global climate change.

Increasing support for analytical work on urbanization and urban poverty to fill in the knowledge gaps and provide the basis for informing better designed programs and policies. While the past decade has generated much new information on the characteristics of urban poverty, there are still major knowledge gaps. A major challenge has been the lack of micro data such as household surveys at a level which allows for sufficient disaggregation at the intra-city level. Some of the topics where relatively little is known include the dynamics of urban poverty over time, constraints to employment for the urban poor, intra-household dynamics in slum areas, the dynamics of new migrants, and careful evaluation of programs and policies aimed at urban poverty reduction. Many cities lack even the most basic information on who the poor are, how many there are, and where they are located. Building up our information base at the city, country, regional and global level, as well as the capacity to use the information, will contribute to better addressing the problem. New tools such as GIS and poverty mapping are very important instruments for urban poverty analysis. There is much potential for mainstreaming this work in national level poverty assessments as well as more focused urban work. Another major area requiring substantial analysis is the impact of slum upgrading, infrastructure, and poverty reduction programs and policies in urban areas to help determine how these can be better designed to maximize impact and cost effectiveness.

Promoting equity and reducing exclusion. Inequality can hamper development and poverty reduction. Policies that level the playing field through investments in the human resources of the poorest, more equal access to public services and information, guarantees on property rights for all, and greater fairness in markets can contribute to faster growth and poverty reduction.[15] In cities, implementing such policies is particularly important as inequality is more clearly evident, and has been linked to problems of social and economic exclusion.

[15] See World Development Report, 2006 for a full discussion on inequality.

A group that is particularly vulnerable is youth who comprise an important and growing number in cities.[16] Many countries are experiencing a "youth bulge" where young people comprise at least 40 percent of the population. Given the relatively higher birth rates among the poor, many of these youth belong to poor families. They will not benefit from equality in access adequate basic services, employment and housing, which inhibits their future prospects and contributes to perceptions of exclusion and growing frustration. Unemployment for urban youth is estimated to be 2-3 times that of other groups in many countries. Long term unemployment among youth is associated with ill health, involvement in crime and delinquency, and substance abuse (O'Higgins, 2002). Prioritizing investments for this group will help to build the foundations for closing the inequality gap and future poverty reduction particularly in cities.

Improving the Bank's effectiveness. While reviews of the Urban Portfolio have generally been very positive and investments have had substantial impact in client countries, there is more to be done in reaching the urban poor. This includes raising the profile of urban poverty issues through strengthening our analytical base, mainstreaming urban issues in our country assistance strategies and policy dialogue, expanding our approaches for reaching the urban poor through encouraging innovation in projects, exploring more responsive instruments to meet client demand, and working more closely with multi-sectoral teams.

Poverty, both urban and rural, is multidimensional and thus addressing it requires a range of interventions in education, health, economic policy, labor markets, infrastructure, finance, environmental protection, and social protection. By working with teams in other sectors, it is possible to ensure an urban lens on poverty reduction programs and policies. Some examples include: working with colleagues in the health sector to address the particular health risks in slum areas; designing infrastructure programs that incorporate alternative service delivery mechanisms for reaching the populations in urban slums; working with social protection teams in devising appropriate targeting schemes so that national level poverty programs reach those in urban slums who may not have formal property rights, as well as the homeless in cities; working with the education sector to provide daycare in urban slums which will enable mothers to enter the labor force; or collaborating on youth programs to ensure that they are designed to reach the urban poor who may not be in the formal system.

Beyond these priorities, specific strategies will be required at the city and country level to address the growing challenges of urban poverty. Going forward in an increasingly urbanized world, the World Bank will have a strong role to play in ensuring that our programs and policies aimed at cities reach the poor, and that the lessons learned from these experiences are shared globally. There is much scope for increased collaboration with our development partners such as UN-Habitat, Cities Alliance, Regional Development Banks, bilateral donors, and NGOs working on the same challenges. Implementing reforms, building capacity, and initiating new approaches will require a long-term vision and commitment in an ever changing environment.

[16] See World Development Report, 2007 for a full discussion on youth and development.

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