

The urban transition: challenges and opportunities

Urbanisation and economic transformation – the growth of non-farm, industrial and service sectors – offer many opportunities for improvements in poor people's lives. The crucial challenge is to ensure that places work better for people, providing an enabling and supporting environment for changing livelihoods and economies. But all too often there is a failure to recognise and manage the urban transition, resulting in the continuing urbanisation of poverty, vulnerability and exclusion.

Jane Hobson and Rachel Phillipson
Urban Rural Change Team
Department for International
Development – DFID
London, United Kingdom
Jane.Hobson@dfid.gov.uk



Peri-urban expansion in Pune, India.

Photo: Hobson

Economies, livelihoods and places are changing. The primary source of future economic growth of developing countries is increasingly located in towns and cities. In many countries, industry and services account for an ever-increasing proportion of national income relative to agriculture. Non-farm work is increasingly important to poor people, and more people than ever are moving temporarily or permanently to towns and cities to seek out new opportunities and improve their lives. Urbanisation is rapid, and the UN predicts that the total urban populations of Africa, Asia and Latin America will double to nearly 4 billion by 2030 – by which time 60 percent of the population of poor countries will be living in towns and cities.

Economic activity is becoming increasingly concentrated in particular locations within countries, especially core cities and their surrounding regions, as a result of the globalization of economic activities and the liberalization of flows of people, trade and investment. Since 1980 developing countries average tariff fell by more than half. In industrialized countries they fell by almost two-thirds. Over the same period the share of manufacturing exports tripled for both middle and low-income countries. The share of services exports almost doubled. This shift in the composition of developing country ex-

ports is closely linked to the role of cities and urban regions, where clustering encourages specialization and increases productivity. In Asia, for example, urban areas typically account for 30 to 40 percent of the population and around 60 percent of GNP (Gross National Product). Similarly, Kenyan cities are home to 12 percent of the population but produce 30 percent of GNP (UN-Habitat). These spatial changes have important implications for how poor people can find routes out of poverty through participating in and benefiting from economic growth.

Decentralization and the changing role of sub-national governments

At the same time, there is a significant trend towards decentralization and devolution in many countries and some 95 percent of democracies now have elected sub-national (local and regional) governments (*World Development Report 1999-2000*). Sub-national tiers of government have an increasingly important role in influencing the competitiveness and potential of a locality or region at a time when central government's capacity to carry out effective top-down redistribution policies is being challenged as liberal-

ization and privatization reduces – at least in the medium term – some of their revenues and policy levers.

This new focus on sub-national government offers a significant opportunity for pro-poor change, because poor and marginalized people interact with the state primarily at the local level. But so far there is no evidence that these trends are necessarily pro-poor. Local and regional governments often lack the knowledge, resources and capacity to stimulate and maintain local conditions that enable and support changing economies and livelihoods. There is widespread failure to recognize and support economic agglomeration processes and to plan for urbanization.

Increasing spatial inequalities

Widening disparities are emerging in income and wealth between richer and poorer regions, as freed-up markets permit favoured locations to do better than others. Businesses, firms and people can choose where to locate not only on the basis of government policies but also on the basis of the quality of the place. Those who are best placed will be able to take increasing advantage of the opportunities created by the changing nature of economic activities. Those least well placed will find it increasingly hard to keep pace as their skilled workers migrate to take advantage of opportunities elsewhere, and their governments struggle to maintain infrastructure and services.

Devolution, when it represents a real transfer of powers and resources, often allows stronger regions to get even further ahead, since they are likely to have both an institutional and economic capacity advantage with which to make the most of the autonomy that devolution brings. Regional divergence is often a major concern to national policy makers due to the paramount importance of maintaining national cohesion among areas with immense cultural, linguistic and religious diversity. In countries with such diversity, there is a real danger of politicizing regional differences.

Local pockets of poverty and social exclusion

Local pockets of poverty and exclusion are also increasing, often within successful locations. This is associated with the urbanization of poverty – but also reflects the urbanization of opportunity. However, the prospect of urban incomes and opportunities is often unfulfilled for the poorest people. One quarter of the world's urban

population now lives below the poverty line (UN-Habitat 2001). A key trend is that as urban centres grow and urban land markets remain unreformed, the gap between land prices and incomes widens, forcing poor people – and informal sector businesses – into illegal settlements on marginal lands, often physically disconnected from the major «formal sector», markets and sources of employment.

The rapid expansion of slum settlements represents one of the most dramatic consequences of poorly managed change processes. The number of slum-dwellers worldwide is currently estimated nearly one billion and predicted to rise to some two billion by 2030 unless current policies change (UN-Habitat). In many African countries, over 60 percent of urban populations live in slums, while in Asia slum-dwellers typically make up 30 to 60 percent of urban dwellers (UN-Habitat). While slums are often the home of vibrant informal economies – and the potential seedbed of broad-based economic growth – the ability of their inhabitants to move on and up is hindered by their localized disadvantages.

As the spatial organization of the economy and society is transformed, many poor people – particularly migrants and slum-dwellers – are socially excluded because those with power consider them to be in the «wrong place». This can be official, as seen in systems where entitlements to services are based on household registration, or is more often an implicit view that is factored into policies and their interpretation: for example slum-dwellers are frequently stigmatized and not considered legitimate urban citizens.

Implications for citizenship, social cohesion and security

In contexts of rapid urbanization, the relationship between people and the state is constantly challenged, as traditional leaders and institutions may lose, or gain new types of authority, and formal govern-

ment has a greater role in people's everyday lives. The ability of local government to renegotiate its relationship with citizens is central to ensuring that change processes are beneficial to poor people and do not increase vulnerability and poverty. Working in industry and services jobs and living in urban centres changes people's identities and aspirations. Relationships between people also change: for example, gender relations may be renegotiated as women participate more in paid employment outside the home; new forms of association and mobilization emerge between people of different ethnic groups and castes as people live in more mixed settings.

There can also be a dark side, when change processes are poorly managed. Where services and conditions are poor, jobs are lacking, and certain groups are powerless and excluded from the benefits of change, frustration can lead to disengagement from social and political relations broader than the family or immediate community, weakening social cohesion. Urban patronage networks can develop – associated with slumlords or mastaans in India and Bangladesh, with whom poor people make what amounts to a «Faustian bargain», which allows them access to certain jobs and services but locks them into a dependent relationship that ultimately reduces opportunities and prevents upward mobility (Wood 2003).

Recent work by Caroline Moser and Dennis Rodgers (2004) has linked analysis of violence to poorly managed change processes. In contexts of rapid urbanization, new forms of urban violence are emerging, particularly in contexts of high inequality where a sense of citizenship is weak. This is often related to over-crowding, lack of adequate housing, infrastructure and basic services. Violence is also associated with the social exclusion of people who are discriminated against because they live on the «wrong side of town». Large-scale unemployment of young men in cities, associated with a «youth bulge» as well as with economic restructuring, creates frustration and has been associated with increased gender-based violence and with armed conflict. Overall, poorly managed change processes can create insecurity where there should be opportunity for improved lives. Failure to understand and address these tensions can lead to heightened insecurity.



Photo: Hobson

The migrant district of the Chinese town Chengdu.

Photo: Wicke



Rural areas around cities can highly benefit from prosperous cities, as they demand for food increases dramatically.

tion will contribute to better prioritizing and more efficient and effective use of limited resources for public spending on infrastructure, education and health services.

ty at household and community level and hothouses future insecurity and outbreaks of more sustained violence.

The politics of change

Governments draw boundaries between rural and urban areas, and try to organize institutions, policies, activities, and people accordingly, for instance discouraging migration, and designing rural and urban policies in isolation from each other. But these boundaries are less and less meaningful in contexts of rapid change, where economies, livelihoods and places correspond less and less to the labels of «urban» and «rural». What is rural and what is urban may seem instinctively obvious, but conceptualizations of rural and urban places, livelihoods and people are often emotive and political. We know that definitions vary widely between countries. Within countries, designating particular locations as «rural» or «urban» can be arbitrary, and therefore political.

Urban places tend to be more powerful than rural places. Becoming, for instance, a municipality often entitles a place to more resources and higher status. Small settlements can become municipalities overnight, as a favour to a local leader. But more often, expanding settlements may not be re-designated as «urban», as central government seeks to avoid the cost and future political threat this might imply. Many governments hold on to traditional images of noble rural peasants working the land, fearing urbanization. Urban dwellers tend to be more politically mobilised and opposition parties often win elections in major cities.

Changing economies and rapid urbanization point to an urgent need to integrate approaches to rural and urban development. The idea of «urban bias», which argues that urban dwellers tend to be favoured by government policy, has long been evoked to justify a focus on rural development – but tends to ignore the urban poor. Most Poverty Reduction Strat-

egy Papers deal with rural and urban separately – if they tackle urban at all – and few focus on the links between the two. But recent research indicates that policies built on presumptions of separateness risk creating barriers to economic growth and poverty reduction (Garrett 2005).

What does all this mean in practice?

These trends point to a number of practical implications:

- **Country Growth Strategies** – government policy needs to take account of the spatial pattern of economic activity. An appreciation of local and regional issues will help provide a more detailed understanding of how global growth processes interact with local conditions and play out across a country; where and how they vary, and what central government policy can do about it.
- **Ensuring that poor people can participate in and benefit from growth processes wherever they occur**, and minimising the negative impacts. This includes understanding what aspects of the growth process can be influenced by policy; addressing the needs of poor people where they live (for example, urban slums, peri-urban areas, lagging regions); supporting migrants; making labour markets work for the poor; and equipping poor people with appropriate skills.
- **Making decentralization and devolution work better** for poverty reduction and economic growth – improving effectiveness, efficiency and citizen engagement through territorial approaches to local and regional governance.
- **Public Expenditure Plans** – understanding sub-national growth processes and spatial patterns of poverty and depriv-

- **Levels of Intervention** – Identifying regional and local economies and understanding how they work can help determine the most economically rational, and politically/administratively feasible, level at which to intervene for a particular purpose. Too often provincial and local government boundaries determine the geography of a policy when these may have little to do with the extent of economic linkages. Thinking and acting instead, for instance, in terms of a «functional economic region» gives policies an economic strength, as well as indicates when – and which – multiple actors in both the public and private sector to involve. «Key places» include:

- Functional Economic Regions / City Regions
- Growth poles
- Urban slums
- Peri-urban areas of rapid change
- Expanding villages
- Lagging regions

- **Making labour markets work for the poor:** Small towns and peri-urban areas (often slums) play an important role in providing labour opportunities for the poorer migrants from rural areas. Local government policies can help remove barriers to migration to towns and provide an enabling environment for small and micro enterprises and support skill development in local labour forces. When supported by the right kinds of transport investments, small towns can develop into centres for growth.

- **Improving data collection:** Improved collection and use from local to regional levels for tracking the changes that are occurring, and improving efficient targeting of resources to localities and regions where need is greatest and spend likely to be most effective.

- **Understanding the persistence of the urban-rural dichotomy:** Moving on from an unproductive debate around definitions of rural and urban to an understanding of the politics and power relations behind definitions used – and the implications of this for domestic politics and public financial allocations.

Opinions expressed here are personal and do not necessarily reflect DFID policies.