

Improving Conditions of the Urban Poor and Increasing Access to Basic Services

Recent decades have seen a dramatic fall in the number and proportion of East Asians living in poverty. For example, the proportion of people living on less than \$1 a day fell from 26 to 15 percent between 1987 and 1998. Growth and the accompanying urbanization have driven poverty reduction in the region. Table 3 indicates that poverty rates in urban areas are typically well below those in rural areas, a finding consistent with the higher productivity and incomes generally found in urban areas. Thus, about 29 percent of the Philippines' urban population lives on less than \$2 a day compared with 60 percent in rural areas. People migrate from the countryside to the city precisely because of the opportunity to escape poverty.

Nevertheless, although urban income and productivity are high on average, income inequality is higher in urban than in rural areas (see Table 3). Such inequality in a geographically concentrated area is not only socially problematic but also politically explosive.

*Table 3. Urban Poverty in East Asia
(percent)*

Country/Year	Headcount index \$2/day		
	Urban	Rural	Total
China			
1990	25.1	86.7	70.4
1999	11.3	68.4	50.8
Indonesia			
1990	52.8	79.7	71.5
1999	49.7	74.6	64.9
Philippines			
1988	35.6	70.8	57.4
2000	29.4	60.3	46.5
Thailand			
1992	11.3	40.6	31.4
2000	14.7	42.2	33.5
Country/Year	Share of national poverty		
	Urban	Rural	Total
China			
1990	9.4	90.6	100
1999	6.9	93.1	100
Indonesia			
1990	22.6	77.4	100
1999	30.0	70.0	100
Philippines			
1988	23.5	76.5	100
2000	31.0	69.0	100
Thailand			
1992	11.3	88.7	100
2000	13.9	86.1	100

Source: World Bank data and staff estimates.

Furthermore, because the urban population is increasing much more quickly than the rural population, the urban share of poverty in overall national poverty will rise sharply; in the EAP Region as a whole, it is expected to rise from approximately 25 percent in 1998 to 40 percent by 2025.¹¹ Therefore, although urbanization assists poverty reduction overall, the poverty that remains becomes concentrated in urban areas and exhibits higher levels of inequality.

As a result, policies targeting the specific problems of the urban poor have become more important. Significant numbers of the urban poor live in communities that lack access to basic services such as piped water, sanitation, storm water drainage, paved footpaths, and electricity (see table 4). In Vietnam, for example, nearly half the urban poor live in temporary housing with inadequate access to basic services compared with only 38 percent of the rural poor. In the Philippines, the proportion of households living in the poorest housing without services is five times greater in urban than in rural areas.

The common assumption is that the poor lack basic services because of their poverty; however, this is not the case. Time and again, surveys of low-income housing and squatter populations indicate that these communities have the resources and the desire to pay for basic services if the government provided them. In fact, the poor often pay high prices for alternatives to these services—for example, by buying water from vendors who can charge ten times the price of water from a municipal tap.

The Millennium Development Goals adopted in 2001 include among their targets to “halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation” and to achieve “a significant improvement in the lives of at least 100 million slum dwellers” by 2020. Because half of the world’s urban residents live in Asia, it bears a significant part of the burden of meeting these targets. Meeting urban residents’ needs for access to basic services, land tenure, and environmental quality is a fundamental challenge for East Asia. The multidimensional nature of urban poverty calls for diverse approaches.

Key programs for consideration by local officials include the following:

- *Improving Basic Services and Regularizing Low Income Housing.* For cities with large, unserved slum and squatter communities such as Manila, Ho Chi Minh City, or Phnom Penh, slum upgrading can directly improve the lives of the urban poor by providing water and sanitation, storm water drainage, roads or footpaths, and secure tenure (see Box 2). Such programs can have significant benefits for residents’ health and social welfare. Monitoring data indicate that improvement in low-income housing increases community pride, reduces crime, and significantly reduces illness and child mortality.¹² Sub-Saharan Africa has the largest percent of its urban population living in slums, followed by South and East Asia (see figure 4).

Upgrading programs can also have important economic effects for the residents. Private investment has been shown to rise in low-income housing areas when basic infrastructure and land tenure improve. Surveys indicate that each dollar of public investment in physical improvements in such areas can generate seven dollars in private investment.

11. Kessides (2002).

12. For example, the infant mortality rate in El Mezquital, Guatemala, dropped by more than 90 percent and crime rates decreased by 43 percent. In Jordan, infant mortality declined five times faster in low-income communities that were upgraded than in the population as a whole (Elwan, unpublished monograph).

Table 4. Urban Service Access in Southeast Asia

	Piped Water	Flush Toilets	Electricity	Lacking Three Services
Poor	34	61	68	17.5
Nonpoor	55	89	97	0.6

Source: United Nations Habitat.

Box 2: Examples of Urban Poverty Programs

The EAP Region has pioneered programs to extend basic services to low-income urban areas.

Kampung Improvement Program (KIP)

For more than 30 years, the KIP in Indonesia has provided low-income neighborhoods with water supply, drainage, paved footpaths, some paved roads, schools, and health clinics. "Since its inception in 1969, the Kampung Improvement Program has spread to 800 cities in Indonesia to benefit almost 30 million people and is among the best urban poverty relief programs in the world." (Massachusetts Institute of Technology, "Kampung Improvement Project III." Available at <http://web.mit.edu/urbanupgrading/upgrading/case-examples/ce-IO-jak.html>).

Philippine Community Mortgage Program (CMP)

The CMP is an innovative program to deal with the widespread problem of squatting on private lands. Under the program, accredited nongovernmental organizations organize and train communities to negotiate with landowners to sell the property at a mutually acceptable price. The CMP Fund, established by the government, loans the community the funds necessary to pay the landowner. Individual families are then allocated plots and repay their share of the cost of land acquisition to the CMP Fund through individual mortgages. Because of a resource shortage, this program does not include infrastructure improvements. The World Bank's East Asia and Pacific Urban Development Sector Unit is working with the government on a pilot program to provide funding for basic water supply, drainage, sanitation, and paving of some roads and footpaths to family plots associated with CMP so that these communities can be better integrated into the fabric of the city.

Vietnam Household Sanitation Revolving Fund

This fund has enabled 120,000 poor households in three cities to have access to properly designed in-house flush toilets.

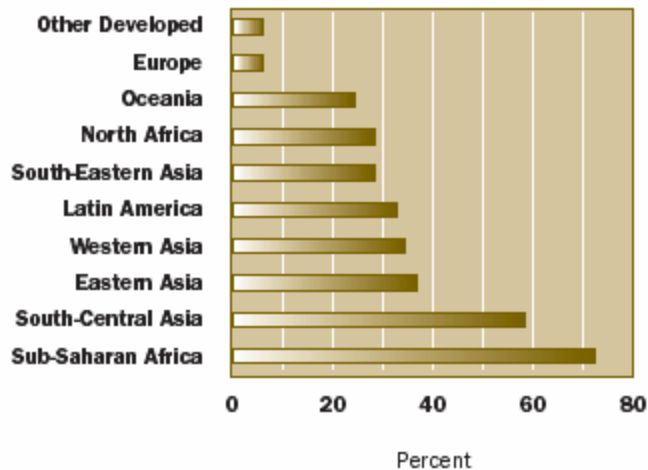
Source: [[no source]].

Although there is no one-size-fits-all model for providing basic infrastructure services in low-income areas, experience indicates that those formulating a program should consider the following approach:

1. Adopt a program that works at scale to have an effect. Programs should systematically move from one unserved low-income area to the next.
2. Prepare a year-by-year financial model for the entire long-term program. Make sure that any national or local financial support is affordable to the government providing the support and realistic when scaled up to all the communities in the program. Factor in the revenues to be obtained from the beneficiaries, who should make a contribution toward the cost of land and neighborhood infrastructure.
3. Avoid standards that are too high and costly. Predefined minimum plot sizes or service levels often raise costs excessively and hinder sustainability. Available resources should dictate initial standards that can be raised over time as resources improve.
4. Minimize relocation and maximize in situ upgrading, which is less disruptive and results in lower costs.

5. Build alliances that involve the municipality, utility companies, the private sector, civic groups, affected communities, and nongovernmental organizations.

Figure 4. Slum Dwellers as a Percentage of Urban Population, 2001



Source: United Nations Habitat.

6. Take a pragmatic approach to land tenure. Although some projects have been successful without land tenure, such as the Kampung Improvement Program (KIP) in Indonesia, bundling land tenure with service provision provides the basis for long-term transformation of the community and economic regeneration. Land tenure gives communities assets that can be leveraged and creates incentives for families to invest in home improvements. Subsidies for land should target those in greatest need.
 7. Address the prevention of new unserviced low-income housing areas while dealing with existing problems. This means improving the functioning of the land market, providing the main infrastructure to open new land, and ensuring enforcement.
 8. Use the program to promote skills development and income opportunities for residents. Skills training associated with the construction can result in residents becoming skilled craftsmen or small-scale contractors. Also, land regularization may offer greater opportunities for rental units that can provide significant income.
- *Targeting Credit Programs.* Carefully designed micro credit or other targeted credit programs can help address market failures that otherwise exclude the poor from access to credit, thus supporting entrepreneurship and economic self-help among the poor. Such programs will have the best overall effect when designed to avoid reliance on large, unsustainable subsidies or the creation of disincentives for commercial banks to serve the market.
 - *Skills Development.* Efforts to teach job-related skills can be a useful element of an employment strategy that targets the poor. However, such programs are likely to have a limited impact except as part of a broader vocational training program. Recent efforts to link the design of vocational training programs to the needs of city-level business development deserve more attention. The more complex the skills, such as with technical or IT training, the more likely it is that success will require formal

education or involvement of the private sector. The construction sector has traditionally been the largest entry point to the job market for unskilled laborers; it is also one of the sectors most open to newly formed small companies. In many Asian cities, the need for improvements or extensions to small-scale infrastructure, such as drainage canals and footpaths, is very high, and such projects have high rates of return. Programs that combine training in construction skills, small-scale finance, labor-intensive work, and policies that promote small-scale construction firms can provide positive synergies that benefit low-income targeted groups.

- *Social Safety Nets.* Some cities have achieved considerable success with programs that provide access to subsidized social services for the poorest citizens, including health care, education, and food. In Indonesia, Balikpapan issues identification cards to poor families who qualify for education and health care subsidies.¹³
- *Scaling Up to Have an Effect.* Scaling up urban poverty programs should be a goal of national and local governments. Accomplishing this will require national coordination across individual programs at the city level. Standards should be modest so programs will still be affordable when scaled up. Designs should be constrained to fit within specific budget limits. Richer cities will have higher standards—for example, house-to-house connections, a higher percentage of paved roads, wider streets, and even piped sewerage. Poorer cities will have fewer paved roads and perhaps pit latrines for sanitation. Affordable programs are necessary so that cities can expand them over time to all communities that lack basic infrastructure. When cities design such upgrading programs properly, community contributions can help reduce their costs. Low-income families in many countries have shown themselves willing to buy their plot and accept a large part of the costs of land acquisition and infrastructure services if given the opportunity to spread their payments over time.
- *Managing Migration.* An important responsibility of cities must be to manage migration. Although migration itself is not a negative phenomenon, it raises the incomes of migrants and relieves pressure on fragile agricultural lands. It also encourages the illegal occupation of unserviced land. Rather than preventing new migrants from entering the city, management must integrate them into the formal system as rapidly and smoothly as possible. Some actions that managers can take are as follows:
 1. Develop realistic land-use plans supported by infrastructure development, especially in rapidly growing periurban areas, to lower the costs of planned subdivisions.
 2. Avoid requirements for high minimum standards (for example, large plot sizes, waterborne sewerage) that neither the poor nor the responsible local government can afford.
 3. Avoid extravagant subsidies and giving away land. Require habitants of low income areas to pay for regularized plots. Recognize that plot sales offer a unique opportunity to recover the cost of on-site infrastructure.
 4. Protect vacant private land; put vacant public land to use.
 5. Reform land administration and property registration to facilitate a functioning property market.
 6. Encourage people to rent rooms.
 7. Develop a housing and mortgage market.

¹³. World Bank (2002).

Because a national framework is so important to local efforts to improve the condition of the urban poor, national officials of regional countries should meet regularly and discuss strategies for scaling up services to the poor in EAP. Although positive programs are under way in Indonesia and Vietnam, other countries are having difficulty developing a long-term, financially sustainable program. National agencies could benefit from a forum that allows them to share experiences and discuss their strategies among themselves and with local governments. An annual conference could be a useful vehicle for countries to discuss the elements and content of programs that lead to scalability and affordability. A conference would also provide an anchor that would support a network of practitioners. The Global Development Learning Network could also encourage government agencies to communicate and learn.