

Why should donors invest in urban areas?

Many donors are reluctant to get involved in urban areas. This is partly because they fear it may encourage more rural-urban migration or because they consider that the majority of the poor live in rural areas. However, this view needs to be revised and donors should become more active in urban and peri-urban areas for the following reasons:

- Urbanisation is already happening, it is inevitable and it is irreversible. Already, half the world's population is urban and this proportion will continue to increase, especially in developing countries.
- A significant and increasing proportion of urban population growth is the outcome of births to previous generations of migrants now established in urban areas. Such growth will therefore continue even if migration were to stop.
- These demographic trends, together with badly managed urban development, means that poverty is increasingly concentrated in urban slums creating growing social, environmental, health and political problems.
- Conversely, investments in urban areas are cost effective in that they are able to reach a larger number of people in a shorter time with quicker outcomes than comparable investments can achieve in rural areas.
- Urbanisation and urban growth are closely correlated with economic and social development. Jobs in developing countries in the future, if they are to escape poverty, will be in industry and services in the towns and cities. To attract investment, these need to be well-managed and planned.
- The evidence shows that those people that do move from rural areas do so because historically urban areas have been highly efficient in absorbing surplus rural labour and increasing real household incomes. In fact, remittances from urban households are a major source of income for many communities remaining in rural areas.
- There is a close link between urbanisation and rural development – well managed towns in rural regions act as centres of agriculture-related industry and service hubs for promoting rural development – providing infrastructure connections, business and administrative services, markets.
- Urban areas generate a disproportionately high percentage of central government revenues, part of which are used to fund rural development programmes. Thriving and dynamic urban areas are therefore a precondition for effective rural development programmes.

The Millennium Development Goals (Goal 7 Target 11) seeks to have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers. However, the UN estimates that there are currently 924 million slum dwellers in the world and that, without significant intervention to improve access to water, sanitation, secure tenure and adequate housing, this number could grow to 1.5 billion by 2020. Another UN estimate suggest that the total could increase to 2 billion by 2030 if no firm and concrete action is taken. Thus, even if MDG target 11 is achieved, by 2020 there could be 1.4 billion people living in slums and squatter settlements compared to the 924 million at present, an increase of 162 per cent.

The real challenge is three-fold.

- Firstly, there is a need to improve the living conditions of far more than 100 million people living in slums and various types of unauthorised settlements.

- Secondly, there is an equally urgent need to create conditions in which all sections of urban society, especially the poorest and most vulnerable, can obtain access to legal, affordable and appropriate shelter in ways that prevent the need for future slums and unauthorized settlements.
- Thirdly, the issues of urban poverty can only be addressed within the larger context of well-planned urban infrastructure and land management (which in turn can serve to improve conditions in rural areas).

These objectives need to be achieved in ways that provide adequate levels of security and access to livelihoods, services and credit. For all these reasons, it is therefore important that donor agencies increase the amount of effort and resources they allocate to pro-poor development in urban areas.

DFID has been a leading agency in recognising the importance of addressing urban issues. However, the Infrastructure and Urban Development Department, which had played a major part in establishing DFID's innovative reputation, and produced a strategy paper ('Meeting the challenge of poverty in urban areas', April 2003) has been dismantled. Within the new Policy Division structure comprising 20 teams, urban issues are only considered to merit half of one team, that of 'Urban and Rural Change'. This team has no significant budget and is likely to be disbanded within a year.

Whilst urban issues need to be considered within a regional context which includes rural areas, the scale and nature of urban issues are in significant ways different from those in rural areas which, by default, are the focus of most development co-operation. They urgently need a distinctive focus if we are to prevent existing problems of social exclusion and environmental degradation reducing the ability of urban areas to fulfil their potential contribution to economic development and poverty reduction.

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