

Habitat for Humanity's

Submission to the International Development Committee's inquiry on Urbanisation and Poverty

1 Habitat for Humanity:

- 1.1 Vision - a world where everyone has a safe, decent and appropriate place to live.
- 1.2 Has a Christian ethos and works with people from all faiths and none who are living in housing poverty, based on their need, in rural, peri-urban and urban areas.
- 1.3 Was founded internationally in 1976 and has since assisted more than 300,000 families in over 90 countries.
- 1.4 Has a range of methods to assist families from soft building loans, training, local capacity development, save and build schemes, water/sanitation, house renovating, house building, land tenure, advocacy....
- 1.5 Works in partnerships with many other organisations.
- 1.6 Has so far assisted over 20,000 tsunami families with new or renovated homes in 5 different countries.

2 How effectively developing country governments and donors, particularly DFID, are addressing the challenges presented by urban poverty:

- 2.1 Habitat for Humanity (HFH) believes that governments in developing countries, and donors, are not effectively addressing the challenges presented by urban poverty. This is based on our extensive operations and presence in many developing countries, as well as HFH's experience working with a number of bi-lateral development organisations worldwide.
- 2.2 We believe that the two main reasons donors tend not to focus on urban poverty is that they believe 1) that rural poverty is both more prevalent and more acute in absolute dollar terms and 2) that urban poverty is very complex and often requires multi-sectoral approaches, something aid agencies struggle with due to structural reasons. Both of these rationales miss the mark though, and we believe now is the time for DFID to reassess the current status quo, in light of overwhelming evidence that urbanisation is fast becoming a serious socio-economic issue worldwide.
- 2.3 HFH certainly believes in the importance of dealing with rural poverty, in fact, while we do not disaggregate our work with a rural/urban lens, the majority of the work we implement is based in rural areas. However, we strongly believe that there is a great need to focus on urban poverty issues from a much more holistic perspective – and by doing so, this should in fact support efforts in rural areas. Urbanisation can create engines of growth and, if managed properly, can have tremendously positive impacts on reducing urban, peri-urban and rural poverty.
- 2.4 While it is true that urban poverty may be more complex, it is also true that if handled well, the impacts on the poor can be felt in much greater numbers and in more lasting, sustainable ways. Ensuring that cities have the ability to deal with growth will enable large number of families to take advantage of the opportunities afforded through living in cities. ***It is the need to ensure that the cities have the policies and programmes in place to foster, rather than hinder, the development of their citizens, that lies at the heart of our approach to supporting the urban poor.***
- 2.5 International Development agencies can and should play a much greater role in developing, supporting, implementing and tackling the urban poverty agenda.

3 DFID's contribution to meeting the MDG 7 target which seeks to improve the lives of slum dwellers:

3.1 Millennium Development Goal 7, Target 11 states that by 2020, the lives of at least 100 million slum dwellers must be significantly improved. Slums, which are characterised by a lack of durable housing, insufficient living areas, little or no access to improved water and sanitation, and tenure insecurity, currently house over one billion people and are growing daily. In 1990, there were nearly 715 million slum dwellers in the world. By the time the Millennium Development Goals were created, the population of those living in slums had increased by over 30 percent. UN-Habitat estimates that if current trends continue, there will be 1.4 billion slum dwellers by 2020. In a world with soaring urban populations, urbanisation has become nearly synonymous with the development and expansion of slums. According to UN-Habitat, cities in the developing world “will absorb 95 percent of urban growth in the next two decades, and by 2030, will be home to almost 4 billion people.”¹ At this rate, even if MDG Target 11 is met by 2020, improving the lives of 100 million slum dwellers will not be enough. According to DFID’s 2007 Annual Report, most countries have made “negligible” or “negative” progress toward meeting the 2020 target.

3.2 What DFID is doing to help:

3.2.1 DFID is currently funding several organisations and initiatives focused on the issue of urban slums. These include the following:

3.2.2 Providing £1 million to UN-Habitat in 2007.

3.2.3 Providing Cities Alliance, a coalition of cities and their development partners, with £3 million over four years.

3.2.4 Supporting the Community Led-Infrastructure Financing Facility. The CLIFF was established in 2002 to provide finance to organisations of the urban poor for infrastructure and housing demonstration projects. The fund has changed the banking and municipal policies to promote slum upgrading, and leveraged additional finance from public and private sectors. As of 2007, roughly £5 million had been disbursed.

3.2.5 Providing the UN-Habitat managed Slum Upgrading Facility, which provides technical assistance to help municipal governments mobilise domestic capital, with £7.3 million. SUF is currently focused on four countries: Indonesia, Sri Lanka, Tanzania and Ghana.

3.2.6 Funding several research initiatives including their 2007 paper on land rights and is also working on water and sanitation projects in several regions.

3.3 While these are certainly noteworthy initiatives, they are relatively small investments compared to the size of the problem. Housing focused programmes comprised a particularly small percentage of DFID’s £4.5 billion budget in 2007—less than one percent. As urbanisation continues to intensify, slums are no longer peripheral settlements; rather they have evolved into central, distinctive components that have become the defining characteristic of cities in the developing world. ***Surely, more attention and resources must be devoted to addressing this crucial issue.***

4 The provision of basic services and infrastructure in slums, including energy, housing, transport, sanitation, water, health and education:

4.1 “Slums” are defined in various ways, but the core elements come down to three factors. First, slum households lack security of tenure. Second, their physical housing is inadequate, in terms of living space, durability, and safety. Third, slum households lack access to basic services.

4.2 Poor infrastructure and service provision to urban slum-dwellers significantly decrease their life chances and make it more difficult for them to participate effectively in evolving urban economies, thus perpetuating their poverty and marginalisation. While slum-dwellers can sometimes self-produce adequate shelter, they typically cannot provide infrastructure and services, for which they rely on the state and/or the private sector. Lack of public service provision increases the cost of living for slum-dwellers (in terms of both money and time) and undermines their ability to accumulate assets and improve their life chances.

¹ UN-Habitat (2006), State of the World’s Cities 06/07, viii

- 4.3 Additionally, slum conditions have a disproportionately negative impact on health, particularly when it comes to children. As Lisa Harker points out, children living in poor or overcrowded conditions are more likely to experience respiratory complications, be at risk for infections and suffer from mental illness and behavioural problems.² Rates of disease have also been associated with the quality and specific attributes of the housing available. These issues, in turn, have an adverse affect on children's chances later in life, especially in education.
- 4.4 For this reason, **public programmes that address infrastructure, and service provision for slum dwellers are critically important in order to address the cycle of urban poverty and marginalisation.** Although private sector initiatives can and do address part of the problem (particularly transport), there is no substitute for state investment in infrastructure and service provision to urban slum areas. Such investment is the quintessential "public good", provision of which underpinned the evolution of urban economies in the developed world.
- 4.5 The problem is that many cities in the developing world do not recognise slums as "official", permanent parts of the city, and therefore do not prioritise such "public good" investment. **The first, critical step for public policy therefore, is to develop ways to encourage municipal governments in the developing world to recognise the permanence of slum populations and their responsibility to provide infrastructure, services and planning procedures that are a precursors to development.** Of course, the political will to do so depends greatly on the availability of resources to provide infrastructure and services. For this reason, **development aid strategies must combine advocacy for slum acceptance with resources flows to enable infrastructure and service provision.**

5 Supporting opportunities for employment and livelihoods for the urban poor:

- 5.1 One of the key issues contributing to urban poverty (as well as rural poverty) is lack of income and limited 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.
- 5.2 The majority of the urban poor work in the informal sector. Available estimates suggest that the size of the sector ranges from 30 to 70 percent of GDP in developing countries. While the informal sector provides employment for many who cannot enter the formal labour market and supplies goods and services typically not offered by the formal sector, it is also characterised by relatively poor working conditions, lack of social insurance, operating outside the legal system, and is more vulnerable to economic fluctuations, which particularly affect the poor who have relatively little savings.
- 5.3 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 urban unrest. Average youth unemployment rates for 2003 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) (ILO, 2004).
- 5.4 The deplorable slum living conditions, including the lack of employment, the low status accorded to residents by those in better neighbourhoods, foster stress and low self esteem and affect youth in particular. These problems manifest themselves in a variety of ways. One is violence. A study of three Rio de Janeiro favelas over a 30-year period found a broad improvement in the economic standing of those remaining in these areas and of the one-third of original families who had moved to better neighbourhoods. But the increased violence in the favelas had caused some families to relocate and had sharply reduced the social capital of those who remained because they were afraid to be on the streets.

² Harker, Lisa, *Chance of a Lifetime: The Impact of Bad Housing on Children's Lives*, Shelter, 2006.

- 5.5 Low-income populations in the developing world use their home as both an asset and an income strategy, for example, renting a room or operating a small shop or home-based industry. Typically these families do not have access to affordable financing. Being forced to improve their housing incrementally, consistent with their current household income, reduces their opportunities to leverage their skills and assets. The costs of incremental construction are often compounded by their limited building experience and lack of access to construction consultation and affordable materials, severely compromising their access to durable, healthy, secure shelter.
- 5.6 Habitat for Humanity has developed Habitat Resource Centres (HRC) to provide support to thousands of low-income households in countries which include Afghanistan, Indonesia, the Philippines, Thailand, Vanuatu, Pakistan, and Vietnam. The HRC provides resources based on a housing value chain analysis and market demand through a range of shelter-related economic and livelihood development strategies. This pilot was successfully taken to scale following the 2004 Indian Ocean tsunami.

6 The role of property rights in improving the lives of slum dwellers:

- 6.1 Habitat for Humanity focuses on the issue of property rights by looking at the much broader issue of secure tenure. Insecure tenure often lies at the heart of poverty housing, depriving the poor of even the most basic physical, economic and psychological security of adequate shelter. More than 20 percent of the world's population struggles, on a daily basis, to stay in houses or on land where they live.
- 6.2 Security of tenure, or the ability to live in a place without fear of eviction, provides a catalytic asset that can enable people to better their housing, their environment and their life chances. It can increase economic growth, address inequalities, and reduce poverty in developing countries. Security of tenure can provide opportunities for investment and the accumulation of wealth and in some cases can encourage business development. Furthermore, security of tenure is about more than just economic assets. Secure tenure can provide a source of identity, status and political power and serve as a basis for the pursuit and acquisition of other assets like electricity, clean water and sanitation. Still, barriers to tenure security remain in many countries. These barriers include insufficient legal and regulatory systems, excessive land regulation, gender discrimination, corruption, inefficient or inadequate land registration systems, the disintegration of customary and traditional protections and the lack of political will around the issue. In addition, millions of people are displaced each year by natural disasters and violent conflicts.
- 6.3 Nowhere is the issue more pressing than in slum communities where secure tenure not only helps families overcome barriers to better housing, but also fosters other social and economic benefits, creating greater opportunities for families who need them the most. Slums and squatter settlements are growing daily in urban areas, sprawling farther and farther from city centres as land prices continue to rise. The price of even the cheapest home in the formal sector excludes the majority of residents in many cities. These residents are forced to build, buy or rent in informal (or "squatter") settlements, where housing is neither restricted nor protected by laws and regulations. Such informal settlements now house an estimated 1 billion people.
- 6.4 Tenure security for the poor is flexible and varied. It includes a politician with the will to issue a proclamation against eviction, a municipality or government extending basic infrastructure and services to informal settlements, and issuing state-backed titles to every individual homeowner in an informal settlement. Legal literacy training and writing wills can be an effective means of improving tenure security as well. While all of these solutions are viable and realistic, change will not come easily or quickly. An incremental strategy focusing first on increasing the perception of tenure security (de facto tenure security) and moving slowly towards formal, legally protected tenure security (de jure tenure security) should be most effective. This gradual process would channel initial benefits to current residents while giving the market time to fully mature so current low-income residents who decide to sell their rights might receive greater compensation.
- 6.5 Without international support, the poor in many developing countries will never come close to realising the degree of tenure security that can be such a catalyst to a better life. ***It is imperative that governments of developed nations, through foreign assistance funding***

and other appropriate channels, set measurable goals and increase resources to support the poor's access to secure tenure around the world.

7 The implications of the current global financial downturn for urbanisation in developing countries:

- 7.1 For the first time ever, it is said that as of last year, the majority of the world's population is now urban-based as opposed to rural. Traditionally this is seen as an outcome of urbanisation i.e. the migration of people from rural to urban areas. However we believe – and there is growing evidence to suggest – that urbanisation is driven by three factors:
- 7.1.1 Differential population growth, i.e. faster population growth and new household formation within existing urban areas, compared with in rural areas, is the main driver of global relative urbanisation.
 - 7.1.2 Growth of rural towns into urban centres is another major factor. People are not necessarily leaving rural areas to come to existing cities – rather, smaller cities and towns are growing and in many cases incorporating rural populations who have not physically moved.
 - 7.1.3 Physical migration continues to be significant, but it is probably fair to say that the great historical rural-to-urban migrations have already taken place in much of the world, excepting Africa.
- 7.2 The implication of this is that contemporary urbanisation is no longer primarily driven by the “attraction” of cities to rural dwellers. Given this, the current global economic downturn is not likely to slow urbanisation – indeed, it may well increase it.
- 7.3 First, rural economies will suffer the effects of the downturn as export markets for agricultural commodities, particularly non-food crops, weaken. Established processes of consolidation of agricultural production, in which smaller producers sell land or lose lease agreements to larger landowners, will gather pace.
- 7.4 Second, loss of rural livelihood strategies has not been the only factor impelling rural-to-urban migration. Urban areas provide a much wider variety of livelihood strategies than rural areas. Manufacturing and service activities in urban areas can be parsed into smaller and more specialised activities, allowing millions of households to make a survival living doing some small thing as part of a larger value chain. This process attracts migrants even when rural economies are strong.
- 7.5 Third, reduced development aid flows, and public sector investments in rural areas (including investments in infrastructure, such as dams and railway lines, that just happen to be located in rural areas), will probably diminish, reducing the supply of rural jobs.
- 7.6 Fourth, reduced investment in property development in regions such as the Persian Gulf has already dramatically reduced the demand for migrant labour from South Asia and the Philippines. Many of these migrants originate in rural areas, and may well go to cities in their own countries in search of work. In China reduced property and industrial investment has already resulted in significant reverse migration out of the coastal cities – but in many cases these migrants return not to farms, but to larger urban towns and proto-cities in the hinterland.
- 7.7 It is impossible to say exactly what will happen, but ***the safest interpretation would be that the world's urban populations will continue to grow, both absolutely and as a proportion of the global population.***

8 Conclusion

- 8.1 In conclusion, increased urbanisation and consequently the growth of slums can no longer be viewed as a secondary problem. While we support DFID's contributions to meeting MDG 7 Target 11, we must acknowledge that more resources and focus need to be given to urban areas and improving the lives of slum dwellers.
- 8.2 Habitat for Humanity has demonstrated effective ways to improve the lives and life chances of those living in urban poverty. What this has taught us is that urban poverty is very complex, yet ***if it is properly addressed—by combining housing and shelter with other key***

interventions and services— the impacts on the poor can be felt in much greater numbers and in more lasting, sustainable ways.

- 8.3 We are grateful to the committee for taking a serious look into urbanisation and poverty and any additional focus you can bring to this very important issue will be greatly appreciated. We look forward to working with the committee in the future on this and other important international development issues.