

UN-HABITAT

STATE OF THE WORLD'S CITIES 2006/7



Urbanization: Cities as Centres of Growth

Cities around the world are playing an ever-increasing role in creating wealth, enhancing social development, attracting investment and harnessing both human and technical resources for achieving unprecedented gains in productivity and competitiveness. As countries develop, urban settlements account for a larger share of national income.

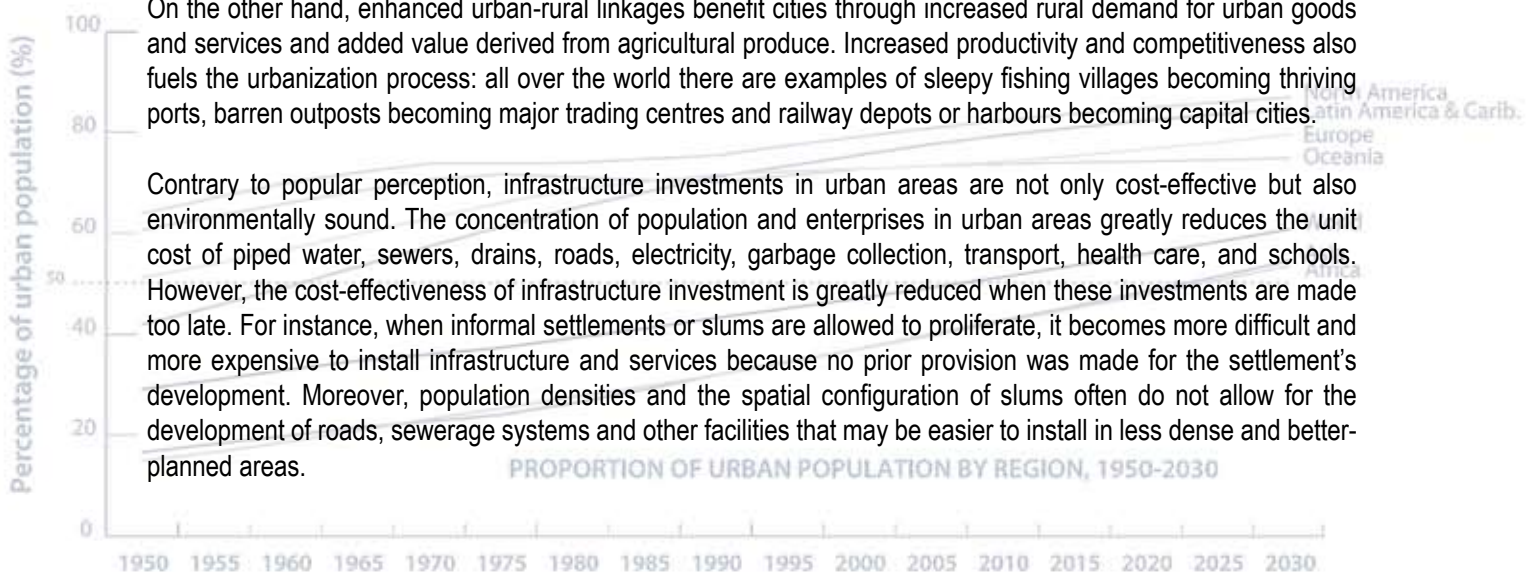
In both developed and developing countries, cities generate a disproportionate share of gross domestic product (GDP) and provide huge opportunities for investment and employment. Urban-based economic activities account for up to 55 per cent of gross national product (GNP) in low-income countries, 73 per cent in middle-income countries and 85 per cent in high income countries.

- Cities outpace even some countries in economic output. If the five largest cities in the **United States** – **New York, Los Angeles, Chicago, Boston** and **Philadelphia** – were treated as a single country, it would rank as the fourth largest economy in the world.
- This trend is also evident in the developing world: **São Paulo, Brazil's** largest city, and **Bangkok**, the capital of **Thailand**, both host just over 10 per cent of the total population of their respective countries, but both account for more than 40 per cent of their country's GDP.
- Cities also generate a disproportionate amount of revenue for governments; the residents of India's commercial capital **Mumbai**, for instance, pay almost 40 per cent of the nation's taxes.
- The concentration of economic activity in cities makes them prime generators of non-agricultural employment in both the formal and informal sectors. While the formal sector accounts for a much larger share of urban employment in industrialized countries, the informal sector employs a significant proportion of the non-agricultural labour force in developing regions (up to 80 per cent in **Sub-Saharan Africa** and more than 60 per cent in **Asia** and **Latin America**).

Cities are also engines of rural development. They provide many opportunities for investment, which not only support urban development but also contribute to rural development in an environment of strong urban-rural linkages. Improved infrastructure between rural areas and cities increases rural productivity and enhances rural residents' access to education, healthcare, markets, credit, information and other services.

On the other hand, enhanced urban-rural linkages benefit cities through increased rural demand for urban goods and services and added value derived from agricultural produce. Increased productivity and competitiveness also fuels the urbanization process: all over the world there are examples of sleepy fishing villages becoming thriving ports, barren outposts becoming major trading centres and railway depots or harbours becoming capital cities.

Contrary to popular perception, infrastructure investments in urban areas are not only cost-effective but also environmentally sound. The concentration of population and enterprises in urban areas greatly reduces the unit cost of piped water, sewers, drains, roads, electricity, garbage collection, transport, health care, and schools. However, the cost-effectiveness of infrastructure investment is greatly reduced when these investments are made too late. For instance, when informal settlements or slums are allowed to proliferate, it becomes more difficult and more expensive to install infrastructure and services because no prior provision was made for the settlement's development. Moreover, population densities and the spatial configuration of slums often do not allow for the development of roads, sewerage systems and other facilities that may be easier to install in less dense and better-planned areas.



Urbanization: Cities the New The Locus of Poverty

One of the stark realities of a rapidly urbanising world is that the locus of poverty is shifting to towns and cities.

The economic growth models used by governments and local authorities have widened not only disparities between rural and urban populations, but also inequalities between high- and low-income populations within cities. Poverty is already becoming a severe, pervasive and largely unacknowledged feature of urban life. Poverty is shifting to urban areas and growing in magnitude.

World Bank estimates indicate that while rural areas are currently home to a majority of the world's poor, by 2035, cities will become the predominant sites of poverty.

- In **Africa**, the proportion of people living in poverty in urban areas (43 per cent) is catching up much faster with the proportion of people living in poverty in rural areas (59 per cent).
- **Sub-Saharan African** countries have some of the world's highest levels of urban poverty, extending to more than 50 per cent of the urban population in the poorest countries, including **Chad, Niger** and **Sierra Leone**. In other countries – notably **Nigeria** – urban and rural poverty percentages are almost equal.
- In **Latin America**, the most urbanized region in the developing world, there are more poor people living in cities than in rural areas. In 1999, only 77 million of the region's 211 million poor lived in rural areas, while the remaining 134 million lived in urban areas. Proportionally, however, far more of those living in rural areas than in urban areas were poor: 64 per cent of the rural population lived in poverty, as opposed to 34 per cent of the urban population; levels of deprivation are also more extreme in rural areas than in urban areas.
- The picture is quite different in the **Caribbean** countries, where urban poverty levels already exceed rural poverty levels. Relatively low levels of urban poverty exist in countries of **Northern Africa** and **Western Asia**, where urban poverty levels are near or below 20 per cent; the highest prevalence of urban poverty in **Asia** is in **India**, at 30 per cent.

UN-HABITAT analyses have further shown that people living in slums – where a large proportion, but not all, of the urban poor live – have worse health outcomes and are more likely to be affected by child mortality and acute respiratory illnesses than their non-slum counterparts. They are also more likely to live in or near hazardous locations with few basic services, making them more vulnerable to natural disasters such as floods, and saddling them with heavy health and social burdens, which ultimately affect their productivity.

Despite the existence of increasingly large pockets of deprivation within cities, many governments continue to assume that poverty is mainly a rural phenomenon and that those who live in or move to cities escape the worst consequences of this scourge, including hunger, illiteracy and disease.

A prevalent view among governments and the international development community is that urban poverty is a transient phenomenon of rural-to-urban migration and will disappear as cities develop, thus absorbing the poor into the mainstream of urban society. This view is reflected in most national poverty reduction strategies, which remain rural-focused, and in international donor assistance to cities, which continues to be modest in scale and impact, with the result that both national and international interventions during the last two decades have had the net effect of increasing poverty, exclusion and inequality in cities.

The concept of cities as islands of privilege and opportunity is supported by national and international statistics on health, education and income, which generally reflect better outcomes in urban areas. What these statistics fail to reveal are the severe inequalities within cities, and the various dimensions of urban poverty that are not captured by income-based indicators, including political exclusion and poor quality, hazardous and insecure housing.

This is a UN-HABITAT Feature/Backgrounder, please feel free to publish or quote from this article provided UN-HABITAT is given credit. Suitable photographs are available on our website. For further information, please contact: Mr. Sharad Shankardass, Spokesperson, or Ms. Zahra Hassan, Press & Media Liaison, Press & Media Relations Unit, Tel: (254 2) 7623153/7623151, Fax: (254 2) 7624060, E-mail: habitat.press@unhabitat.org, Website: www.unhabitat.org. SOWC/06/07/B/Urb3