

Vulnerability of the urban poor

The growth of large cities in the developing world is accompanied by an upsurge in urban poverty.¹ From a number of perspectives, national and local authorities are not prepared to manage urban development in favour of the poor, who usually take up illegal residence on the periphery of the city. Without basic services, secure tenure and formal employment opportunities, these settlements become slums of the most appalling nature, offering their inhabitants little hope of improving their lives.

It is estimated that between 1/4 and 1/3 of all urban households in the world live in absolute poverty. Vulnerable to a number of hazards, the urban poor are always at risk. They live densely packed, subject to heavy rains or sudden fires that can wipe out their homes. They have precarious employment, in the formal or informal sector. They are exposed to higher incidence of disease, arbitrary arrest and forced eviction. Neglected by formal institutions, they are often left unprotected against violence, drug dealers, corrupt officials, unscrupulous slumlords and organized crime.

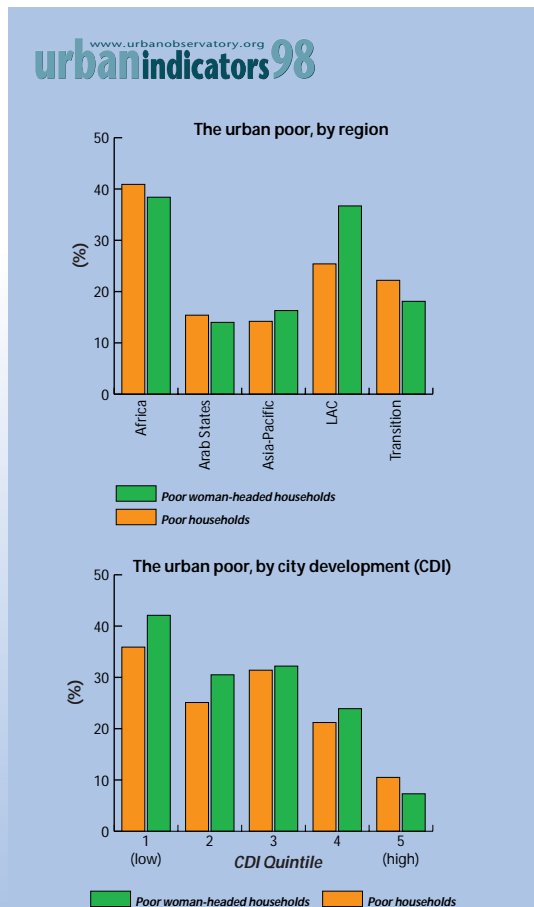
Lack of resources and, therefore, lack of political power, is one of the main causes of their vulnerability. Low levels of assets make poor people especially vulnerable to negative economic shocks, setting in motion a downward spiral that worsens deprivation in the long term. Pulling children out of school to earn extra income; making quick land sales at desperately

low prices; slowing nutritional intake below the levels necessary to sustain health all contribute to greater vulnerability in the future.

Urban indicators, based on local definitions of poverty, reveal that the cities of Africa have the highest rates of poverty of all regions: over 40 per cent and rising. Latin America has significantly higher percentage of woman-headed households living in poverty than the percentage of all households in poverty (36 against 25 percent). Thirty-four Latin American cities report more woman-headed households in poverty against 23 with less. Cities of North Africa show a different pattern than the other Arab States, with more woman-headed households in poverty. In most Asian cities, poverty incidence is higher in woman-headed households than in all households.

Social and political forces, as well as markets, have their effects on poverty. Public expenditure patterns, gender discrimination, accountability, corruption, having a voice in public affairs, as well as global factors such as environmental degradation, health advances, and agricultural productivity each play a role in increasing or reducing poverty. Statistics on health, education and income, however, do not capture the micro-level realities of living poor, such as the impact of domestic violence on women's lives. Patterns of poverty evolution are so enormously varied that one should not expect simple causal explanations, much less a uniform set of policy prescriptions. Increasingly, identifying and overcoming conditions of local poverty is seen as a local authority responsibility - for higher level institutions to support and facilitate.

In terms of income poverty it appears that relative equality in assets and relative stability of the economic growth path can have significant effects on poverty reduction. In this regard a fair and predictable legal system and the ability to dampen short term shocks with targeted assistance programmes will have positive long-term consequences. Strengthening institutions, norms and values, and building the social capital generated by reciprocity - or the give and take within networks - is also important in reducing levels of poverty.



Liberalizing consumption

The exchange of goods and services on which the world economy is based leads to the most unimaginable things becoming objects of consumption. The living conditions of the financially least-advantaged give rise to marked vulnerability, where values are distorted. This in turn leads to trade or traffic of varied merchandise taking place within a legal or illegal framework. Thus, female and child prostitution, traffic of women and children, poverty and the countries' economic policies become closely related subjects.

Another hazard

Just as it is becoming clear that poverty reduction demands more effective local response and more supportive enabling policies at the national level, the urban poor face additional risk. In the 1970's, the world embarked on a phase of globalization aimed at deregulating labour markets, privatizing government functions and liberalizing finance.

Financial liberalization was supposed to move savings from developed to developing countries, lower the costs of borrowing, reduce risk through new financial instruments, and increase economic growth. Much the opposite materialized: savings have flowed from poor to richer countries, interest rates have generally increased, risk has risen and economic growth throughout the world has slowed for the vast majority of countries, rich and poor.²

With global liberalization, job and income security worsened in both rich and poor countries. Competition for foreign investment and the greater ability of employers to shift production to other locations have undermined job security and collective bargaining. Mergers and acquisitions, now the most prevalent form of foreign domestic investment (FDI) in developing countries, have commonly produced corporate restructuring and massive layoffs.

Then, in 1997-1998, the economic crisis in Asia struck a blow against economies in the developing world that had been held up as models of liberalized success. The crisis was caused in part by poorly regulated financial systems that allowed an excessive flow of credit to weak borrowers and to high risk projects.³ Banks were weakened by growing levels of unreported non-performing debt. In mid-1997, market confidence collapsed.

In one country after another, starting in Thailand and spreading to Malaysia, Indonesia, the Philippines and the Republic of Korea, the Asian crises exposed the risks inherent to close integration of national economies with the global financial markets. Human impacts were severe and will persist long after economic recovery.

In the two decades prior to the crises, East and Southeast Asian countries made spectacular welfare gains, primarily because growth was largely inclusive - the poor shared the benefits. The number of poor people had fallen and the severity of poverty had declined. Life expectancy at birth, infant mortality, and literacy all improved. The economic crisis in Asia caused the biggest setback for poverty reduction in several decades. It caused lay-offs, real wage declines, weak demand for new labor market entrants, and falling margins in the informal sector.

In Thailand, unemployment increased by 50 percent. In the Republic of Korea, unemployment reached two million people during 1998, up from one-half million the year before. In the Philippines, one million additional people joined the ranks of the jobless.

Job losses hit women, youth and unskilled workers hardest. Families under stress were taking children out of school. Increasing domestic violence, street crime and suicides were reported in most of the countries as a result of increased social stress and family fragmentation. More people live in poverty today in Asia than in the mid-1990's.

Lessons in governance

In Asia, cities became the locus of bad debt generated in large part by a vast oversupply of middle and upper-class housing estates, condominiums, hotels and office towers. The Asia crisis revealed the destructive side of globalization. The prospect of global markets fueled the desire of many entrepreneurs and some government officials to cash in quickly. It increased the opportunities for crony capitalism and corruption. Expecting a rising tide to float all ships, it diverted attention from the basic needs of those who are normally excluded or could not participate.

As the Asian crisis and those that occurred in Mexico, Brazil and Russia have demonstrated, all urban communities, not only the poor - who are always at greatest risk - are vulnerable to malfunctions of global economic system. It is only a matter of time before another systemic shock shakes investor confidence and capital abandons even stronger economies. At this moment, rising oil prices, falling stock prices and a series of global food supply problems are causing politicians and investors no small concern. Local authorities, who know the micro-realities of poverty and are on the front line in responding to all social, economic and environmental crises, urgently require different and more effective tools for securing the lives of their citizens and ensuring that the urban poor have some protection against global market hazards.

The silver lining is that the increased pace of urbanization and its linkages to economic globalization have reinvigorated interest in good urban governance and its links to economic growth. The combined effect of economic foibles and failures is helping to define the fundamentals of good governance, made conspicuous by their absence: fiscal discipline, fair and transparent resource allocation, effective and predictable regulatory systems, fiduciary responsibility, strategic planning, independent and just mechanisms for conflict resolution, participatory decision-making, safety and security for all, open information flows and ethical behaviour.

Hobbling local government

In the name of a global economy, international institutions are taking steps to liberate markets from the regulatory authority of nations and their autonomous subdivisions - the provinces and cities. That authority can be pre-empted by such instruments as the proposed Multilateral Agreement on Investment (MAI), which was read by many local authorities as restricting their abilities to: (1) condition new major investments within their jurisdictions on performance requirements in support of local economic development; (2) prohibit contracts with entities that violate international human rights, labour and environmental laws; and (3) prohibit public entities from conditioning the receipt of public funds on compliance with human rights laws or other criteria reflecting community values. Local Canadian and United States officials noticed that the MAI put in question the ability of municipalities, acting in the public interest, to limit the use of property through zoning, among other instruments. An international coalition, using Internet to organize opposition, scuttled the MAI.

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