

Introduction



1. Introduction

Ever increasing urbanization is a defining characteristic of the 21st century. Inexorable rapid urban growth will shape the future of countries in the developing world, particularly in Africa and Asia. Greater population density and economies of scale give cities and towns enormous efficiency advantages that can attract businesses and provide markets, with the informal sector making important contributions to urban economic vitality. Numerous micro- and small enterprises hold the potential to become larger businesses. And the urban poor are a resourceful and energetic source of productive labor and potential purchasing power.

Urban economic growth can, in turn, facilitate country-wide development by way of remittances, new markets, and increased human capital. Greater urban productivity means higher family incomes and therefore greater demand for products from the countryside—in short, a larger national economic pie. Over the long term, cities will be the principal source of future economic development.

But along with the promise come great challenges. Increased urbanization brings with it increasingly concentrated poverty in urban slums. One billion people now live in slums in the developing world and that number is sure to increase. Slum dwellers face unsafe drinking water, inadequate sanitation and drainage, poor hygiene, and horrifically crowded and structurally unstable housing. All of these have dire consequences for health, particularly the health of children.

Rapid urbanization is often an overwhelming challenge for developing country governments. Slums result from a toxic combination of weak governance, underinvestment in basic infrastructure, poor planning to accommodate growth, unrealistically high standards for residential neighborhoods, infrastructure standards that are unaffordable for the poor, and insufficient public transportation that limits access to employment.¹ These are the challenges that must be overcome if the promise of greater productivity and higher living standards is to be realized.

Left unaddressed, urban slums in developing countries threaten both national and international security, health, and environmental sustainability. Poverty, extreme income inequality, and high rates of unemployment, particularly among the younger segments of society, can create an

environment of real and perceived lack of opportunity in which social unrest and political radicalism can flourish. Deplorable living conditions coupled with high population density in slums pose a direct threat to public health as well as increase the vulnerability of urban populations to the effects of climate change. Poorly managed urban growth can thus lead to deteriorating health and environmental conditions, with serious implications for national government stability and international security.

The promise and the challenges of 21st century urbanization combine to offer an unprecedented opportunity to leverage foreign assistance in order to alleviate poverty and generate economic growth. But to succeed in such an effort, there is no time to lose. Urbanization is occurring at a rapid pace and cannot be reversed. The right kind of aid programs can address the challenges of urbanization and leverage international assistance investment as never before.

Improving living conditions and livelihood opportunities in urban areas is the right thing to do. But this approach is not only beneficial to slum dwellers. It can also produce great economic and social benefits for the country and the world as a whole, by increasing international trade, mitigating climate change, and reducing the risk of violence, terrorism, pandemics and other health threats.

This White Paper makes the case for U.S. foreign assistance to better design and increase the scale of urban investments. Targeted urban programs have already been tried and have helped to demonstrate what works and what does not. The United States has a strong record of successful urban activities. It has a leadership legacy on which to build a broader multilateral policy approach to assistance provision.

Yet, in recent decades, U.S. leadership on urban issues has waned. Further, urban assistance, like all American foreign assistance, has been handicapped by outdated legislation, the lack of an overall strategy (e.g. assistance is administered disjointedly by some 28 agencies), and restrictive funding mechanisms that stove-pipe programs into specific sectors and limit multi-sector approaches. Now, however, this may be changing. The U.S. Congress has passed and funded the Paul Simon Water for the Poor Act and has initiated the process of re-writing the Foreign Assistance Act of 1961. In addition, Congress is considering several new pieces of legislation focused on slums and poverty alleviation.

Section Two reviews the arguments for cities as potential economic growth engines, including attention to the vitality of the informal sector. Section Three paints a picture of the appalling living conditions that now characterize developing countries' slums and the constraints on productive activity from poor urban management and underinvestment in

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infrastructure. Section Four reviews the rich experience of urban programs that have already been successful as proof that an urban focus can and does work. Section Five discusses the problems that currently impede development efforts and lays out a framework for improving the broader policy environment within which assistance must be implemented to achieve maximum effectiveness. Section Six summarizes the compelling case for acting now to change the focus and structure of U.S. developmental resources. Finally, the White Paper identifies the essential aspects that are needed if this proposed revitalization of U.S. urban assistance is to achieve its full promise.