

# Chapter 3:

## Poverty and Inequality: Enduring Features of an Urban Future?



## *Quick facts*

1. Urban poverty and inequality are highly complex and multidimensional challenges whose manifestation go beyond lack of income.
2. Without concerted action at all levels, poverty and inequality could become the face of the future of cities.
3. Poverty is on the rise in close to one-third of the countries in Sub-Saharan African, and most countries in the region are off-track in ending poverty by 2030.
4. The COVID-19 pandemic has reversed years of remarkable progress made in the fight against poverty and has resulted in the emergence of newly poor people.
5. The level of urban poverty and inequality, coupled with the impacts of the COVID-19 pandemic are clear indicators that governments must act now to create the conditions that nurture equitable urban futures.

## *Policy points*

1. The vision of equitable urban futures will not be achieved unless cities and subnational governments take bold actions to address the pervasive presence of urban poverty and inequality.
2. Within the Decade of Action window (2020–2030), cities and subnational governments should adopt a multidimensional approach to addressing poverty and inequality.
3. Investing in and extending infrastructure and services to deprived neighbourhoods is a critical policy lever to address poverty and inequality
4. Supporting informal employment is critical for building inclusive urban futures.
5. Gender transformative approaches are crucial for building inclusive urban futures.



Urban poverty and inequality remain one of the most intractable and highly complex problems confronting cities. The notoriously overcrowded slums in Mumbai, India; Nairobi and Rio de Janeiro; chronic homelessness in London; and persistent concentrated poverty in Baltimore, US, all send one clear message to policymakers: tackling urban poverty and inequality is one of the key priorities for building inclusive and equitable urban futures. The SDGs and the New Urban Agenda are bold, ambitious, multi-stakeholder frameworks that have been adopted to tackle poverty and inequalities and develop cities in an inclusive manner. Both frameworks recognize the transformative power of cities in promoting equitable growth and prosperity.<sup>1</sup> Specifically, target 11.1 of SDG 11 seeks to ensure access to affordable housing and basic services for all by 2030. The New Urban Agenda envisions cities as centres of equal opportunities, where everyone enjoys productive and prosperous lives. Both SDGs and the New Urban Agenda are underpinned by the principle of leaving no one behind. Urban groups that are often marginalized include women, children, the homeless, migrants and refugees, minorities, indigenous people, people with disabilities and those working in the informal economy. These groups are systemically excluded from the opportunities and benefits of urbanization based on gender, age, race, ethnicity and other characteristics.

The solutions to creating inclusive and equitable urban futures are more likely to come from the decisions of local governments. Cities have several unique characteristics to attain the principles embedded in sustainable development. The process of urbanization has the potential to become a transformative force that creates opportunities for all. Properly planned and well-managed urbanization processes can reduce poverty and inequality by creating employment opportunities as well as ensuring access to infrastructure and basic urban services, especially for the most vulnerable. Conversely, poorly planned urbanization can be a key driver of and catalyst for urban poverty, inequality, social exclusion and marginalization. Without concerted action at all levels, poverty and inequity might become enduring features of the future of cities.

Despite the aspirations embedded in international development frameworks, cities are characterized by both visible and invisible divides that often trigger various forms of social, economic and political exclusion. The Kuala Lumpur Declaration on Cities 2030 rekindled these concerns by highlighting key challenges facing our cities. These include inequitable access to urban services and economic opportunities, insufficient protection of the

urban poor from forced evictions and exclusion of the poor in urban planning processes.<sup>2</sup> Cities have become arenas of contestation between different interests. Elites are increasingly concentrating economic and political power in ways that manifest spatially. Thus, despite being incredible generators of economic growth and well-being, cities are potentially poverty and inequality traps. More than ever, increasing levels of poverty and inequality are becoming persistent trends in our towns and cities.<sup>3</sup>

The COVID-19 pandemic has exacerbated existing urban inequalities and amplified vulnerabilities, with disproportionate impacts on disadvantaged groups. The pandemic, along with the looming climate crisis, current socioeconomic and political instabilities, and persistent armed conflict, create significant challenges for building inclusive and sustainable urban futures. The pandemic is a vivid reminder that the vision of inclusive and equitable urban futures can be nurtured or suppressed in cities. Therefore, the key questions for policymakers are: what will the future of cities look like with respect to urban poverty and inequality, and how will these realities play out in different geographical settings? Though the future cannot be predicted with certainty, what happens in cities today will determine the nature of poverty and inequality for years to come.

This chapter examines the outlook for poverty and inequality in the future of cities. As a prelude, the chapter introduces the multidimensional nature of urban poverty and inequality and how they manifest in different geographical settings, urbanization trends, shifting modes of production, changing political economies, and local and national policies. It analyses the current situation with respect to urban poverty and inequality in different geographical contexts and discusses how cities can respond to the underlying challenges of poverty and inequality to ensure that no one is left behind amid multiple crises. Urban poverty and inequality trends differ significantly between cities of developed and developing countries, which reflects the reality of a highly unequal urban world. The chapter explores the future roles of cities and subnational governments in eradicating poverty and inequality and discusses how slums and informal settlements can act as entry points for place-based interventions to build resilience. Finally, the chapter examines transformative approaches for addressing poverty and systemic inequalities as a basis for sustainable and inclusive urban futures. These approaches will help determine which of the scenarios of urban futures discussed in Chapter 1 will come to pass.

### 3.1. Urban Poverty and Inequality: A Multidimensional Perspective

Urban poverty and inequality are some of the most persistent problems confronting cities today and will likely continue to do so for many years to come without significant intervention. These deprivations presently occur at a larger scale in cities due in part to the fact that majority of the world’s population resides in urban areas. The COVID-19 pandemic has exacerbated these challenges, creating more challenges for cities and subnational governments. Figures 3.1 and 3.2 represent the multiple dimensions of urban poverty and inequality, respectively, as they manifest in cities.

#### 3.1.1. The complexity and multidimensionality of urban poverty

As shown in Figure 3.1, urban poverty is complex and multidimensional. Income-based measures of urban poverty are inadequate as they do not account for its multiple dimensions. Relying entirely on income-based indicators is overly simplistic because it implies that the income required to address poverty is the same in every geographical context. This view does not reflect the multiple deprivations that

urban inhabitants experience. The multidimensional perspective to urban poverty is important as it informs the design of policy interventions to enhance human well-being in other facets rather than just income. For example, incomes for urban households might appear high until factoring in the deprivation of basic services (housing, water, sanitation, energy), which places additional economic burden on households, especially in slums and informal settlements where the majority of the poor live.



**Urban poverty and inequality are some of the most persistent problems confronting cities today**

In cities of developing regions, slums and informal settlements are the most enduring faces of poverty.<sup>4</sup> Residents of slums and informal settlements experience one or more of the following deprivations: lack of access to improved water and sanitation facilities; overcrowded and precarious housing conditions and location; voicelessness and powerlessness in political systems and governance processes; and lack of tenure security (Figure 3.1).<sup>5</sup> These deprivations are also amplified by what could be called a “poverty of urban planning,” or

**Figure 3.1: Multidimensional nature of urban poverty**



approaches to the built environment that do not improve the livelihoods of the poor. For instance, in the Pakistani cities of Karachi and Lahore public funds have been diverted to large-scale infrastructure projects to the detriment of smaller-scale, pro-poor development proposals.<sup>6</sup>

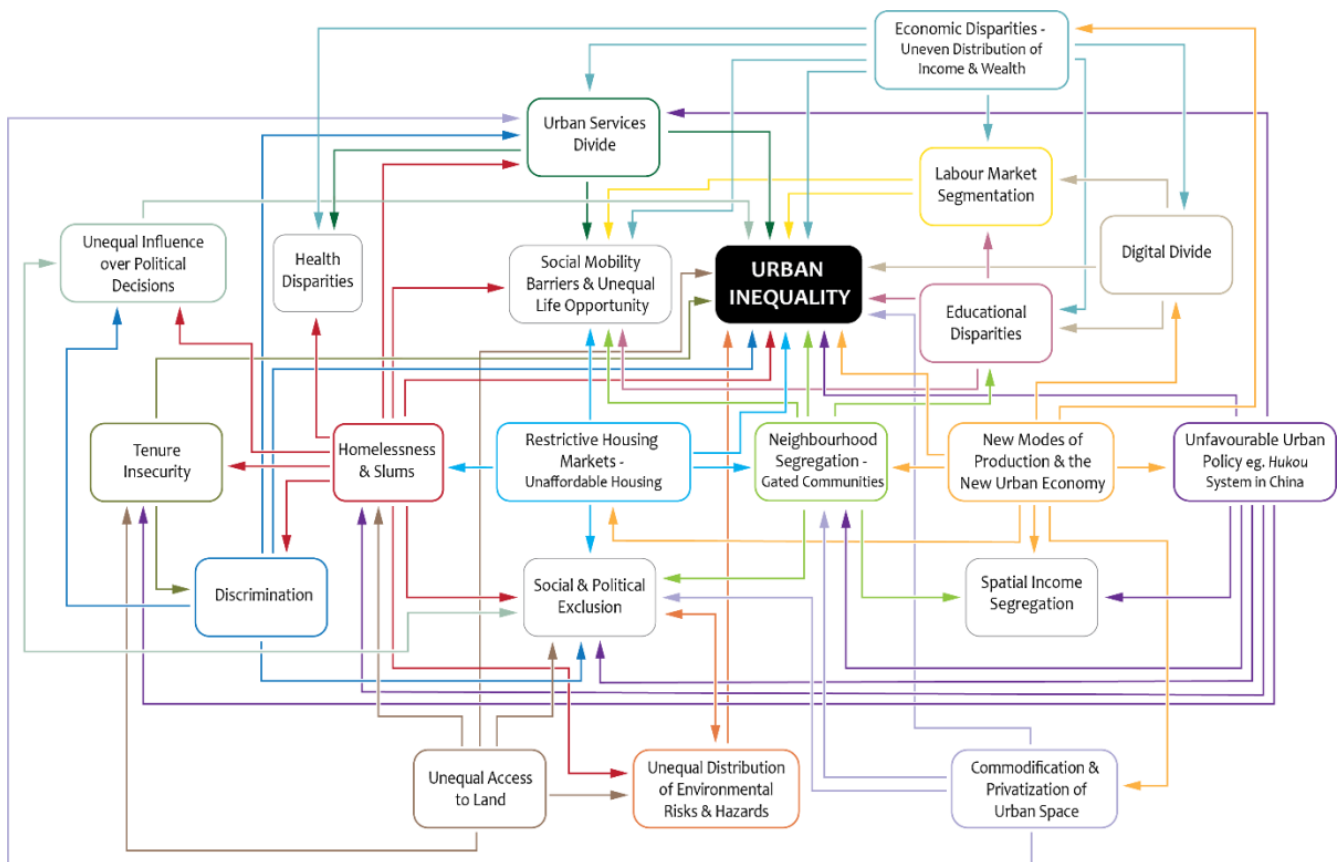
The urban poor living in slums are heterogenous groups with different levels of vulnerability based on gender, age, ethnicity, race, household structure, migration status and other intersectional factors. Urban poverty has social, economic, environmental and spatial dimensions, and its manifestation differs from place to place. The various dimensions shown in Figure 3.1 are not isolated; they interact and reinforce each other to create, recreate and entrench urban poverty. This conceptualization allows us to see urban poverty as entailing a web of deprivation, a crisscrossing of circumstances that create conditions trapping millions in zones of concentrated deprivation with limited opportunities for upward social mobility. Without collective action, the multiple dimensions of urban poverty could become more complicated and generate cumulative vulnerabilities and deprivations that will be difficult to reverse or rectify.

### 3.1.2. The multiple faces of urban inequalities

Urban poverty and inequality are interrelated in different ways. Figure 3.2 shows that urban inequality is also multidimensional and highly complex. Like poverty, urban inequality has economic, social and spatial manifestations. Urban inequality is marked by differential access to income and wealth, urban services and infrastructure, technology, public health, social protection, education, social protection, public spaces, decision-making structures and environmental burdens, among others.

The current models of urban development in cities of both developed and developing regions are driven by massive capital accumulation, hyper-commodification and privatization of urban spaces, thereby escalating urban inequalities.<sup>7</sup> As shown in Figure 3.2, the “new urban economy” represented by these new modes of production produce and reproduce equalities. The restrictive housing policies prevalent in cities today generate material and symbolic conditions that marginalize and exclude certain groups of the urban population. Moreover, the consumer-oriented urban economy in cities has created diverse

**Figure 3.2: Complex web of multidimensional urban inequalities: drivers and outcomes**





geographies of urban inequalities in cities of developed and developing countries, albeit at different scales.

The unequal production and consumption of urban spaces results in significant disadvantage being concentrated in certain places rather than others. For example, the new urban economy promotes the emergence of privatized residential enclaves where the rich enjoy superior infrastructure and services while the urban poor are relegated to deprived neighbourhoods reliant on underfunded public goods. These deprived neighbourhoods have poor quality infrastructure and municipal services, and their residents bear the brunt of education disparities, health disparities, socioeconomic and political exclusion, territorial stigmatization and discrimination.<sup>8</sup> The resulting patterns are disjointed, fragmented and unsustainable urban geographies of inequality and human suffering where a society of wealthy islands are surrounded by a sea of poverty. A prime example is the Eko Atlantic City in Nigeria—a private city being built in Lagos adjacent to the highly deprived and impoverished Makoko slum.<sup>9</sup> In cities of developed countries, spatial segregation of social groups results in differential access to employment opportunities, healthcare and social services, often along racial or ethnic lines.

The various dimensions of urban poverty and inequality explained above are not new; they have always been a pervasive feature of cities. However, poverty and inequality are created, recreated and amplified based on trends in the global economy and external shocks and stresses,

which often lead to added layers of new vulnerabilities. For example, the COVID-19 pandemic has exposed some of the hidden pockets of poverty and inequality in cities of both developed and developing countries; deepened already existing disparities; and reversed declines in global poverty, which is indicative of the pessimistic scenario of urban futures discussed in Chapter 1. These events create additional challenges for cities and subnational governments as they struggle to build equitable, inclusive and sustainable urban futures under conditions of high uncertainty.

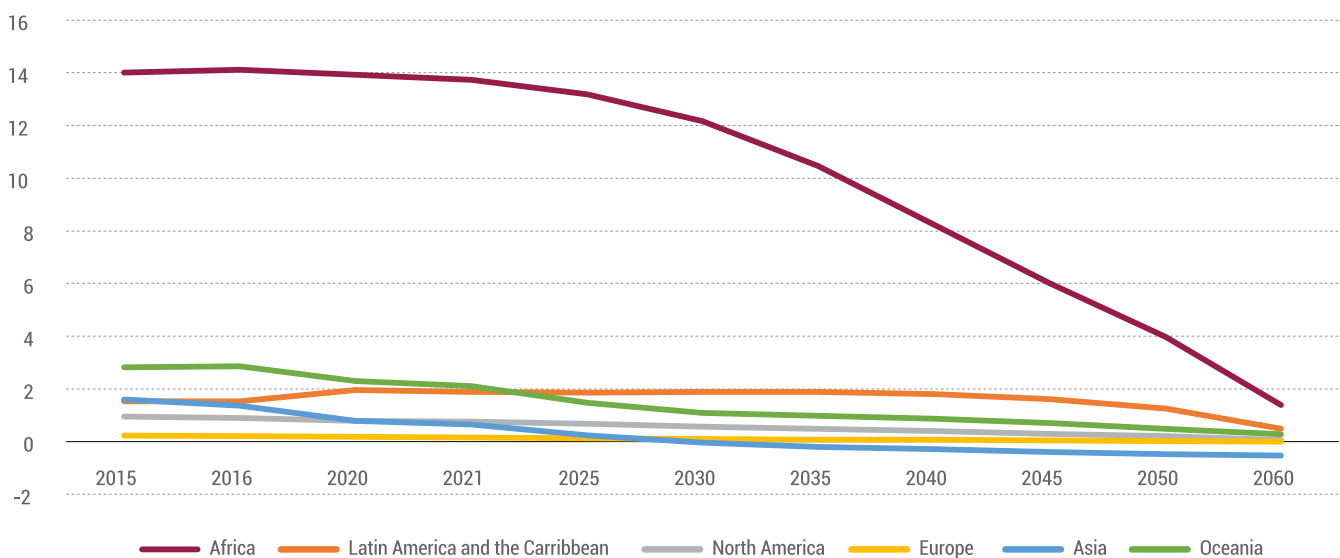
## 3.2. Trends in Poverty and Inequality: Implications for Urban Futures

This section discusses the current trends on urban poverty and inequality and implications for inclusive and equitable urban futures. The first part gives a global overview on poverty and inequality trends while the second part analyses trends at the local level in both developed and developing regions.

### 3.2.1. A global overview of poverty trends

Over the past several decades before the COVID-19 pandemic, there has been steady progress in the fight against extreme income poverty globally. Official estimates suggest that the number of people living in extreme poverty (living on less than US\$1.90/day) has been declining; between 1990 and 2015, close to 1.2 billion people were pulled out of extreme poverty.<sup>10</sup> By 2018, three years after the adoption of the SDGs, the proportion of people living in extreme

**Figure 3.3: Extreme poverty rates by region in a no COVID-19 scenario**



Source: Data generated from Frederick S. Pardee Center for International Futures, 2022.



Homeless man in Rio de Janeiro, Brazil © Shutterstock

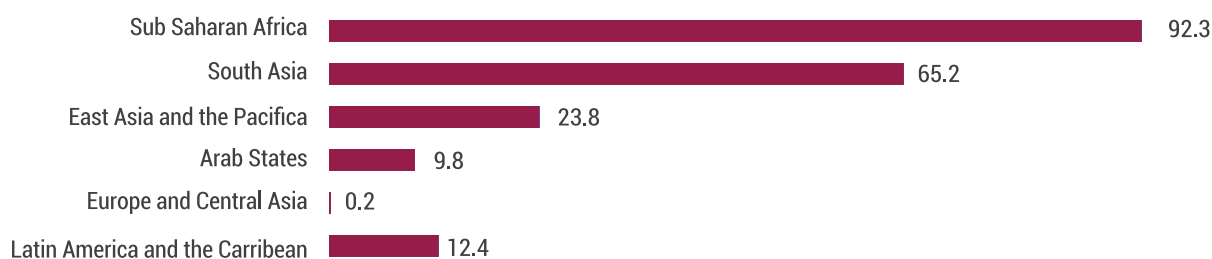
poverty had decreased from 10 to 8.6 per cent. Based on historic trends, extreme poverty was projected to decline to 6 per cent by 2030,<sup>11</sup> which is still above the SDG target of less than 3 per cent of the population. Before COVID-19, the number of people living in extreme poverty was expected to decline; falling to 672 million by 2030 and to just over 400 million by 2050.<sup>12</sup>

There are regional variations in global poverty dynamics. Currently, more than 90 per cent of the poor live in low-income and middle-income countries. High-income countries have already met the SDG target of reducing extreme poverty to less than 3 per cent of the population, though many upper-middle-income countries are yet to meet the target at the country level. In lower-middle-income countries the

poverty rate before the COVID-19 pandemic in 2019 was just under 12 per cent of the population (358 million) and in low-income countries it was 45 per cent (329 million).<sup>13</sup>

Figure 3.3. shows poverty trends by regions. Though poverty has been declining in Africa since 2015, the continent still faces significant challenges in meeting the SDG target of eradicating poverty in all its forms. Many African countries face serious challenges due to fragile economic and political circumstances like armed conflicts and dependency on commodity exports. These conditions are compounded by governments' inability to provide adequate infrastructure, services and employment to pull people out of poverty. Other regions—Europe, Asia, Oceania, Northern America, and Latin America and the Caribbean—have been doing

**Figure 3.4: Urban population of multidimensionally poor (millions)**



Source: UNDP and Oxford Poverty and Human Development Initiative, 2020.

relatively well under the no COVID-19 scenario. In Northern America, Europe and Oceania, effective programmes and egalitarian policies enable governments to provide basic infrastructure and services, including targeting the poor.

### 3.2.2. The unfinished business in the fight against global poverty

The fight against poverty is part of the unfinished business of the global development agenda. Current projections suggest that the number of people living in extreme poverty will remain above 600 million in 2030, resulting in a global poverty rate of 7.4 per cent.<sup>14</sup> Multidimensional poverty in developing countries remains high. Research conducted in 107 developing countries revealed that 1.3 billion people<sup>15</sup> or 22 per cent of the population are multidimensionally poor.<sup>16</sup> Current estimates suggest that about 84.3 per cent of the multidimensionally poor live in Sub-Saharan Africa (556 million) and Southern Asia (532 million), while about 67 per cent are in middle-income countries. About 200 million of the 1.3 billion multidimensionally poor people reside in urban areas<sup>17</sup> with the regional breakdown shown in Figure 3.4.

The COVID-19 pandemic is reversing development gains made in the fight against global poverty. The pandemic has increased poverty and made achieving the SDGs even more urgent. Projections suggest that globally, COVID-19 likely pushed between 88 and 115 million people into extreme poverty in 2020.<sup>18</sup> The pandemic has resulted in the emergence of “newly poor” people—that is, those who would have exited poverty in the absence of COVID-19 but are now projected to remain poor as well as those projected to fall into poverty because of the pandemic.<sup>19</sup> In 2020, between 119 and 124 million people were projected to enter the global ranks of the new poor; this number was projected to rise to between 143 and 163 million in 2021.<sup>20</sup> Many of the new poor will be living in urban areas<sup>21</sup>; presenting an additional burden for cities and subnational governments that are already overwhelmed.

## 3.3. A Global Snapshot of Inequality Trends

Over the last decade there has been steady progress in reducing global inequality. The Gini index fell in 38 out of 84 countries between 2010 and 2017.<sup>22</sup> Income gaps between countries have also improved in the past 25 years, suggesting that average incomes in developing countries are increasing at a faster rate. Very big economies like China and India have a large share of the world’s population and their development

trajectories have greatly influenced global inequality.<sup>23</sup> However, some regions still record high levels of income inequality. For instance, Latin America and the Caribbean is one of the most unequal regions in the world, where income and wealth is concentrated in the richest top 10 per cent of individuals. Countries like Brazil, Honduras, Colombia, Panama and Guatemala remain at the top of regional and global inequality rankings.<sup>24</sup> Brazil’s inequality statistics are staggering; the country’s six richest men control as much wealth as the bottom half of the population. Oxfam notes that current reduction rates, it will take 75 years for Brazil to reach the current level of income equality in the UK and almost 60 years to meet that of Spain.<sup>25</sup>



**Latin America and the Caribbean is one of the most unequal regions in the world**

Inequalities between developed and developing regions remain large. For example, the average income of people living in North America is 16 times higher than Sub-Saharan Africa.<sup>26</sup> South Africa remains one of the most unequal countries in the world, where the poorest 40 per cent have annual incomes of less than US\$1,000 per person, while the richest 10 per cent earn more than US\$39,000 per person—which is nearly 40 times higher than those at the bottom 40 per cent.<sup>27</sup> The top 10 per cent in South Africa hold 80.6 per cent of all financial assets; the rates in Botswana and Namibia are 61.2 per cent and 65.5 per cent, respectively.<sup>28</sup> Such alarming levels of income inequality result from massive wealth gaps between the rich and the poor. This disparity has been amplified by the economic impacts of the COVID-19 pandemic, which could further undermine the prospects for inclusive and equitable growth, leading to the high damage or pessimistic scenarios outlined in Chapter 1. Despite the existence of universal welfare systems and social protection systems, inequality in developed regions, particularly in Northern America and Oceania, has been increasing, with the rich getting richer while the socioeconomic progress of the poor remains limited.<sup>29</sup> In the US, unequal distribution of income and wealth has reached astronomical levels; where over 20 per cent of the country’s wealth belongs to the top 1 per cent.<sup>30</sup>

In addition to income inequalities, there are also gaps in access to basic services and opportunities. The ongoing global housing affordability crisis means that slums and informal settlements are the only housing option for millions of low-income households in developing countries. Currently, about



1.6 billion people or over 20 per cent of the global population live in inadequate, crowded and unsafe housing. Another two billion people are expected to be living in slums in the next 30 years, which represents roughly 183,000 people each day.<sup>31</sup> More than 90 per cent of urban residents living in slums are located in poor countries.<sup>32</sup> Although slums and informal settlements are characteristics of cities in low- and middle-income countries, some cities in developed countries are also experiencing inequalities in housing. London, for example, has experienced an appalling surge in homelessness because of restrictive urban housing markets.

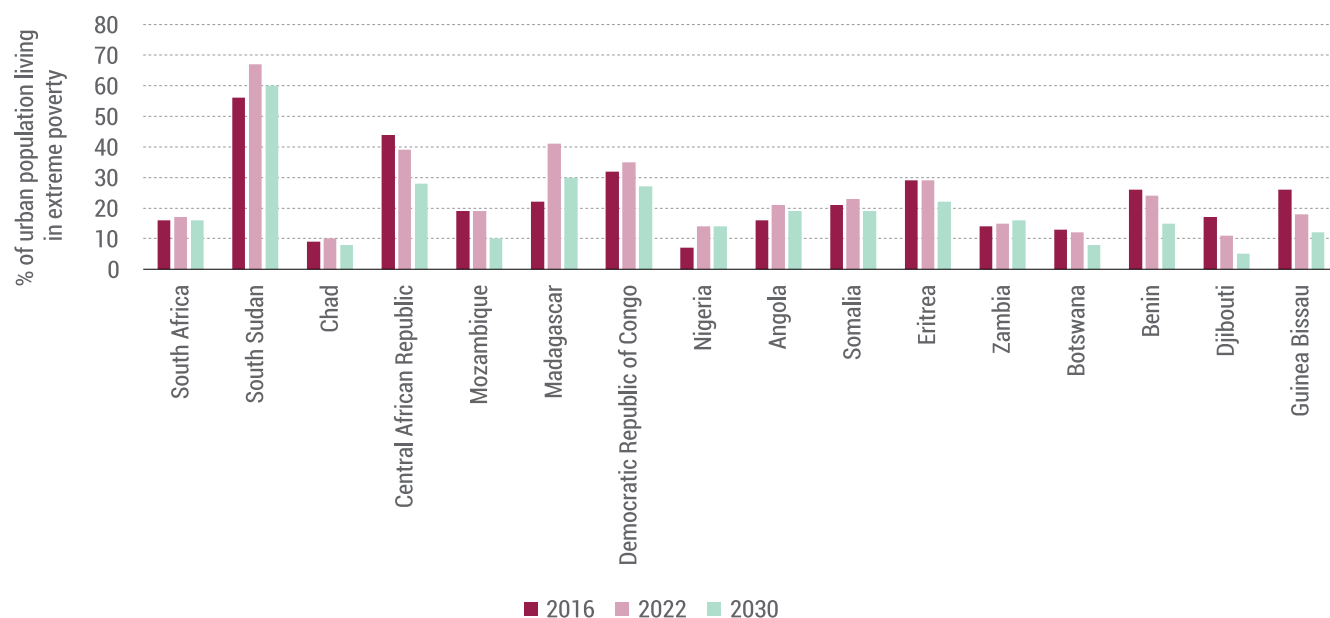
Globally, there is a growing divide in access to basic services. Developing countries have larger proportions of their populations with limited access to basic water and sanitation as shown in Chapter 1. About 70 per cent of the urban population in developing countries is currently underserved by municipal services. About half of the population in 15 major cities lack access to piped water while 64 per cent rely on unsafely managed sanitation, which exposes them to various health and environmental hazards.<sup>33</sup> In some of the poorest countries, the difference in access to drinking water between the richest and the poorest households in urban areas was 59 percentage points in 2017.<sup>34</sup> Between 2000 and 2017, urban population growth exceeded the total number of people gaining at least basic sanitation services in Sub-Saharan and Oceania.<sup>35</sup> The above trends manifest spatially in cities of both developing and developed regions.

### 3.4. Urban Poverty in Developing Regions: Trends and Challenges for the Future of Cities

As the world becomes increasingly urbanized, poverty is shifting from rural areas to towns and cities—a phenomenon described as the “urbanization of poverty.” Urban areas, especially those in developing countries, are experiencing a remarkable increase in the number of people living in extreme income poverty, with vulnerable groups bearing the brunt. Figure 3.5 shows the proportion of people living in extreme poverty in urban areas of selected Sub-Saharan African countries.

Since 2016, South Sudan, Central African Republic, Democratic Republic of the Congo and Eritrea have seen more than 20 per cent of their urban population living in extreme poverty. These high rates are projected to remain so in 2030, thereby making the target of eradicating extreme poverty in all its forms unattainable. Current estimates suggest that by 2030, over 60 per cent of those living in extreme poverty will be in fragile states.<sup>36</sup> Urban poverty in South Sudan, Central African Republic and Democratic Republic of the Congo is exacerbated by social, economic, political and environmental fragility coupled with weak institutions to deliver public services such as health, education, water and sanitation and social protection capable of eradicating poverty. Indeed, the 2021 Fragile States Index for South Sudan, Democratic

**Figure 3.5: Percentage of urban population living in extreme poverty in selected Sub-Saharan African countries (2016–2030)**



Source: World Data Lab, 2022

Republic of the Congo and Central African Republic are 109.4, 108.4 and 107.0, respectively. All three countries are ranked in the top 10 of the world's most fragile states.<sup>37</sup>

The current trends show that most countries in Sub-Saharan Africa are off-track in achieving the goal of ending poverty by 2030. The region has the highest incidence of urban poverty globally with about 23 per cent of the urban population living below the international poverty line and 29 per cent experiencing multidimensional poverty.<sup>38</sup> A recent study of 119 countries (representing 45 per cent of the world's population) reveals that the rate of multidimensional urban poverty in Sub-Saharan Africa is 11 times higher than in Latin America and the Caribbean.<sup>39</sup> Indeed, poverty is on the rise in close to one-third of the countries in Sub-Saharan Africa.<sup>40</sup> Unless governments at all levels take concerted measures to act now, poverty will become endemic features of cities for several years to come in Sub-Saharan Africa.

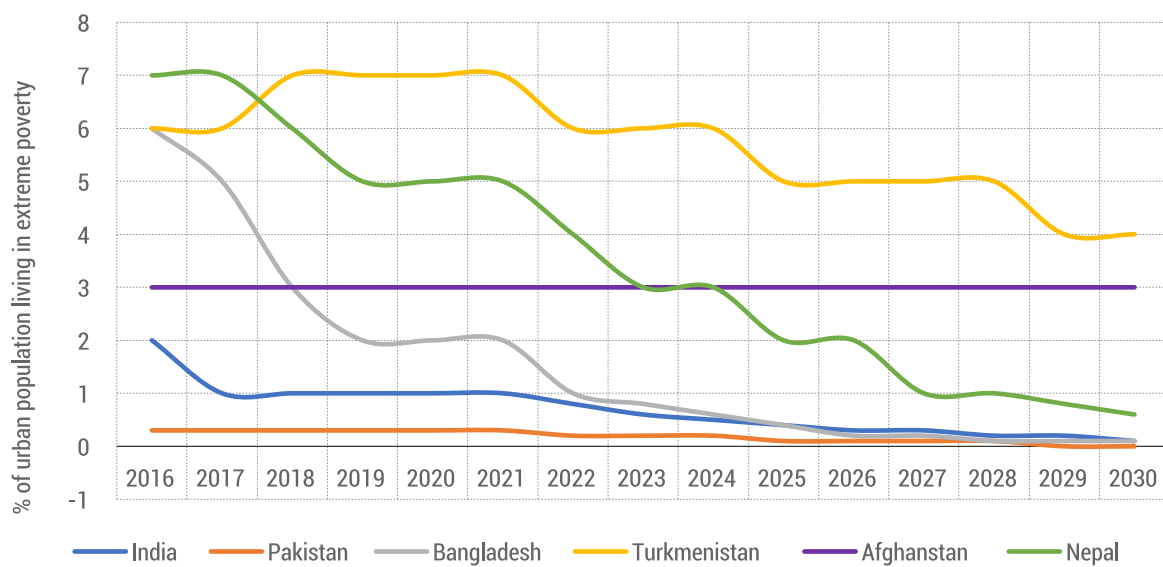
In Asia, in the last two decades, China and India experienced rapid economic growth and urbanization, which led to a massive reduction in the number of people living in poverty. Over the years, China's poverty reduction efforts have largely focused on broad-based economic transformation

and targeted support for vulnerable households to alleviate persistent poverty.<sup>41</sup> This has resulted in more than 800 million people being lifted out of poverty. Figure 3.6 shows the proportion of the urban population living in extreme poverty in selected Asian countries. Current trends demonstrate that most countries in Asia are on track to end poverty by 2030, while some may fail to achieve this goal. For example, in Southern Asia, Afghanistan may fail to achieve SDG 1 targets because of growing socioeconomic and political fragilities, which undermine the fight against extreme income poverty.

Despite the economic gains and low levels of income related urban poverty in Asia, there are significant regional variations. In Japan for instance, spatial concentration of poverty in specific areas has deepened in the megacity regions of Tokyo and Osaka.<sup>42</sup> This is the situation in most megacities in South Asia, such as Dhaka, Bangladesh, where the spatial concentration of deprivation is embedded in the daily lives of the urban poor.

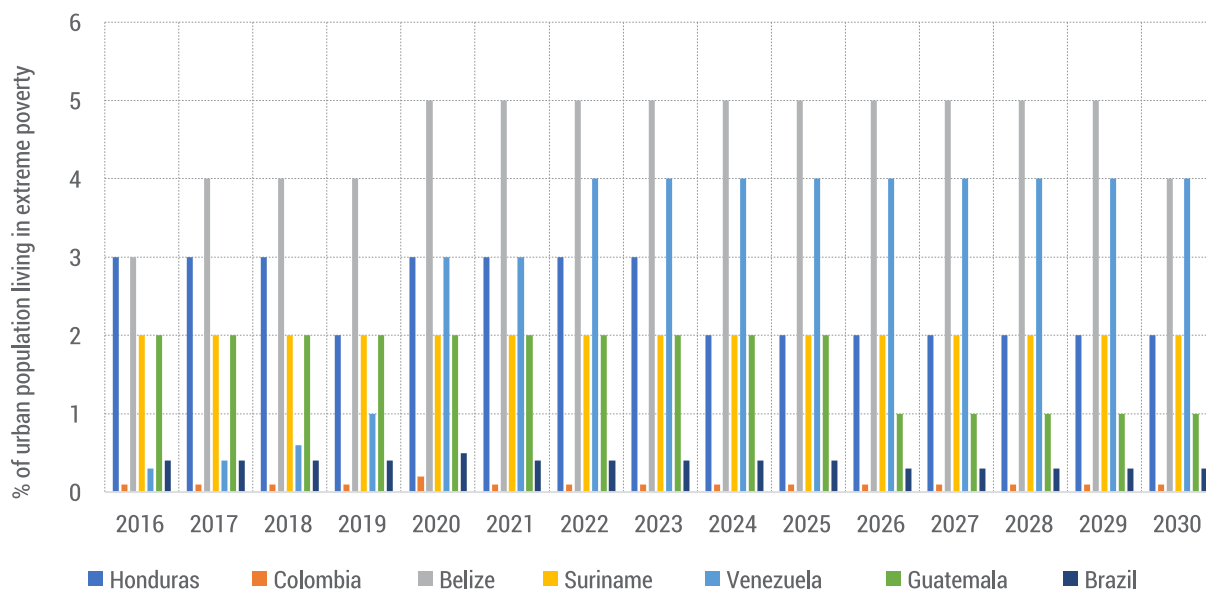
In Latin America and the Caribbean, the proportion of urban population living in extreme poverty is relatively low; with projections under 5 per cent from 2016 to 2030 (Figure 3.7). While Latin America countries have become

**Figure 3.6: Proportion of urban population living in extreme poverty in selected Asian countries (2016–2030)**



Source: World Data Lab, 2022.

**Figure 3.7: Percentage of urban population living in extreme poverty in selected Latin American and Caribbean countries (2016–2030)**



Source: World Data Lab, 2022.

more egalitarian over the last two decades, the last seven years have witnessed a gradual increase in poverty and the slowing down in the reduction of inequality. The COVID-19 pandemic has amplified urban poverty in most Latin American cities. In Bogotá, Colombia, urban poverty rates increased to 26 per cent in 2020 up from 15 per cent in 2019.<sup>43</sup> The exacerbation of urban poverty could cast a dark shadow on the achievement of SDG targets on poverty in the absence of decisive policy interventions. The reduction in the Gini coefficient dropped from an average of 1.1 per cent per year from 2002–2014 to 0.5 per cent per year from 2014–2019.<sup>44</sup> This slowdown occurred within the context of economic stagnation, huge public debt, public discontent and demands for social justice, all of which were further exacerbated by the impacts of the COVID-19 pandemic.

Despite the made significant strides made over the past decades, cities in Latin America and the Caribbean are still struggling to meet the infrastructure needs of their ever-growing population. Sluggish growth over the past few years has negatively affected investment in housing, water, sanitation



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and other urban services. Consequently, there are major gaps in infrastructure spending. The region will need to increase infrastructure spending from 3 to 5 per cent of GDP—about US\$180 billion a year—to bridge the gap. Latin American countries spend a smaller share of GDP on infrastructure than other regions, except for Sub-Saharan Africa.<sup>45</sup>

### 3.4.1. Slums and informal settlements: face of poverty in the future of cities

As the housing affordability crisis grows, the urban poor resort to living in slums and informal settlements. Over 1 billion people globally reside in slums and informal settlements and are subjected to the worst forms of deprivation and marginalization.<sup>46</sup> Slums and informal settlements are prevalent in Eastern, South-Eastern, Central and Southern Asia and in Sub-Saharan Africa. In Sub-Saharan Africa, 56 per cent of the region's urban population live in informal settlements, which is far greater than the average of other developing regions.<sup>47</sup>

The main drivers of slum growth in developing countries include rapid urbanization, ineffective planning, lack of affordable housing options for low-income households and poverty. Estimates demonstrate that a 1 per cent increase in urban population growth will increase the incidence of slums in Africa and Asia by 2.3 per cent and 5.3 per cent, respectively.<sup>48</sup> These dynamics demonstrate that urbanization



Poor family in, Dhaka, Bangladesh © Shutterstock

in African and Asian cities continues to occur in contexts characterized by unplanned urbanization, appalling urban poverty, weak governance structures and incoherent urban planning and housing policies. If current trends persist, the future of cities in developing regions will be accompanied by “mega slums” that will be vastly undeserved and whose residents will endure multiple deprivations, which will negatively impact on socioeconomic mobility.

Furthermore, slums and informal settlements perennially suffer from chronic underinvestment in infrastructure and basic services, which entrenches poverty and limits opportunities. For the millions of people living in slums and informal settlements, access to infrastructure and basic urban services remains elusive, without which a better urban future will be difficult to achieve. Inadequate access to water and sanitation is one of the key drivers of multidimensional poverty in slums, which has a greater impact particularly for women and children.<sup>49</sup> Slum dwellers also endure poor quality and overcrowded housing often built in environmentally hazardous locations, insecure tenure and risk of evictions, poor health, unemployment, food insecurity, unemployment, and stigmatization.<sup>50</sup> All these factors make slum dwellers highly vulnerable to external shocks and stresses like the current COVID-19 pandemic.



**slums and informal settlements perennially suffer from chronic underinvestment in infrastructure and basic services, which entrenches poverty and limits opportunities**

In developing country cities, refugees and migrants in informal settlements experience severe social, economic and environmental challenges, all of which worsened during the COVID-19 crisis.<sup>51</sup> While COVID-19 has made the challenges in slums more visible, they are a result of perpetual exclusion from urban services, reflected in acute health inequalities that were prevalent before the pandemic. For equitable urban futures, cities should prioritize extending basic infrastructure and services to slums and informal settlements. Inaction will be detrimental to the future of cities: slums and informal settlements will continue to turn into dense pockets of poverty and loci of cumulative vulnerabilities that will haunt the urban poor for decades. This will create a downward spiral of so-called “slumification,”<sup>52</sup> making it even more difficult for marginalized groups to escape poverty and thereby further entrenching the pessimistic scenario of urban futures described in Chapter 1.

Tenure insecurity in slums and informal settlements exposes households to forced evictions and displacements. The pandemic has amplified the urgency of strengthening tenure security in slums and informal settlements as one of the catalysts for equitable urban futures. Forced evictions and displacements disrupt livelihoods and social networks, which is linked to increased poverty and inequality. As we move into the future, strengthening tenure security in slums and informal settlements provides the rights that enable access to urban infrastructure and services.<sup>53</sup> Access to secure land enables slum dwellers to undertake home improvements and invest in their communities, which is often a path out of poverty for poor households.<sup>54</sup> These measures are a response to the

clarion call of the New Urban Agenda to promote equally the shared opportunities and benefits that urbanization can offer and that enable all inhabitants, whether living in formal or informal settlements, to live decent and dignified lives and achieve their full human potential. Without concerted efforts at all levels, residents of slums and informal settlements will always be left behind and endure the dire consequences of future shocks, especially on their livelihoods.

### 3.4.2. The tenuous nature of self-provisioning and the burden of poverty penalty

Without access to urban services, the poor resort to self-provision using alternative arrangements, which can be exploitative and thereby aggravate their already precarious condition.<sup>55</sup> Self-provision imposes crippling burdens for poor households residing in slums and informal settlements. Those that struggle to pay often spend the most for the same basic services. For example, residents of Mukuru, an informal settlement in Nairobi, bear the brunt of the “poverty penalty.” They pay more than four times more for drinking water compared to those that live in formal neighbourhoods of the same city.<sup>56</sup> The urban poor in Nairobi’s slums pay a much higher price for rental housing, water, electricity and other basic goods and services compared to middle- and higher-income residents in the city. Consequently, they have little income left for other necessities. This scenario traps families in a cycle of poverty and leads to intergenerational transmission of poverty, a trend that is increasingly evident in slums of various developing country cities.<sup>57</sup>



**Without access to urban services, the poor resort to self-provision using alternative arrangements, which can be exploitative**

The double jeopardy of inadequate services coupled with high fees must be tackled decisively to break the systemic barriers that continue to lock the urban poor in situations of endemic precarity and downward social mobility. The negative effects of self-provisioning can undermine economic prosperity of the entire city. To make matters worse, cities in developing regions are bedevilled by scarce financial resources and limited planning capacity. At the same time, these struggling cities are under tremendous pressure to meet the urgent needs of their ever-growing populations while avoiding decisions that lead to unsustainable urbanization.

### 3.4.3. Precarious urban livelihoods and the future of cities

Globally, the urban poor earn their livelihoods from the informal sector. Informal sector workers constitute 61 per cent of all workers, which translates to 2 billion workers worldwide.<sup>58</sup> In developing countries, slum dwellers, migrants, refugees and other vulnerable groups work in the informal economy, earning highly irregular incomes that are vulnerable to shocks. The COVID-19 pandemic disrupted livelihoods of an estimated 1.6 billion people, or 80 per cent of those in the informal sector.<sup>59</sup> The resultant losses in working hours in 2020 worldwide were about four times higher than the 2007–2008 global financial crisis with higher losses for women, youth and low-skilled workers.<sup>60</sup> Without access to any form of social protection, the pandemic has aggravated the economic vulnerability of informal sector workers. For example, in the favelas of Rio de Janeiro where residents typically make less than US\$5 a day, over 70 per cent of households reported an income decline.<sup>61</sup> In Khulna, Bangladesh, 70 per cent of slum dwellers had no savings when the pandemic started, which aggravated their economic insecurity once their livelihoods were disrupted.<sup>62</sup>

The COVID-19 pandemic also amplified the vulnerability of informal transport sector workers, particularly minibuses operators in paratransit systems. A majority of the minibus operators and motor-taxi companies in Douala, Cameroon, and Dakar, Senegal, discontinued service, resulting in large income losses.<sup>63</sup> Chapter 4 clearly notes that in the absence of social protection programmes, informal sector workers will struggle to rebuild their livelihoods, which is detrimental to the collective vision of equitable urban futures.

As we move into the future, recognizing and addressing the lack of social safety nets or social assistance for the informal workforce is essential for tackling the current pandemic and for cities to be more economically resilient to future crises.<sup>64</sup> Transforming cities globally for future resilience, inclusion and economic sustainability is more urgent than at any time in human history. The path to equitable urban futures is impossible without building the resilience of informal sector workers to economic shocks. If governments fail to act decisively, informal workers will be trapped in precarious conditions with limited prospects for economic mobility.

### 3.4.4. Climate-related vulnerabilities and impacts on the urban poor

Despite negative effects of climate change on urban infrastructure and livelihoods in rapidly growing cities as shown in Chapter 5, some urban leaders continue to turn



a blind eye to these realities.<sup>65</sup> Current projections indicate that a 2°C increase in global temperature in 2050 will expose 2.7 billion people, or 29 per cent of the global population, to moderate or high climate-related risks, with 91 to 98 per cent of the exposed and vulnerable population living in Asia and Africa respectively.<sup>66</sup> Sea-level rises, and storm surges often adversely affect the poor and those living in vulnerable communities. For example, in Ho Chi Minh City, Viet Nam, 85 per cent of the urban poor areas may be exposed to flood risk by 2050.<sup>67</sup> These risks are present in most low-lying coastal cities in developing countries.

The most vulnerable populations are migrants, refugees, women, the elderly and others who live in overcrowded and risk-prone informal settlements. These populations disproportionately bear the burden of environmental risks because of their physical, social and economic vulnerability.<sup>68</sup> Not only does climate change make it difficult for people to escape poverty, but it also creates a vicious cycle of deprivation that could be difficult to reverse; thereby trapping the poor in the high damage or disastrous scenario of urban futures. When hit by climate related shocks, the urban poor suffer relatively greater losses in terms of their lives and livelihoods. Such differential impacts further amplify existing inequalities and undermine the capacities of people to withstand, cope, adapt and recover from

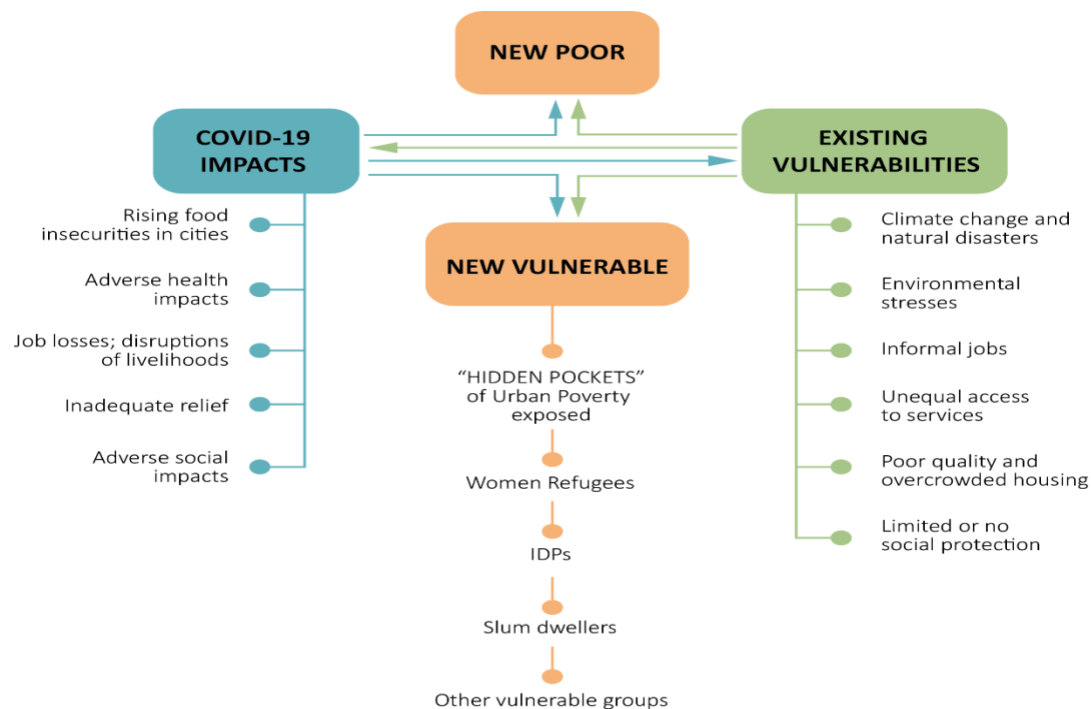
future shocks.<sup>69</sup> If cities and subnational governments fail to prioritize climate resilience for all, then the urban poor, especially those living in slums, will continue to bear the brunt of climate-related vulnerabilities that will undermine their well-being.

### 3.4.5. COVID-19 amplified urban vulnerabilities and the future of cities

The COVID-19 pandemic has exacerbated multiple deprivations and exposed structural fragilities that characterize cities in developing regions (Figure 3.8). The pandemic further exposed the stark urban services divide, particularly in cities of developing countries where there are limited egalitarian policies on service delivery.<sup>70</sup> The pandemic has inflicted unprecedented suffering on already marginalized urban populations—women, children, people living with disabilities, indigenous people and the homeless, among others.<sup>71</sup> These groups usually have limited access to basic services and precarious sources of livelihood, which make them highly susceptible to shocks. The pandemic also exposed hidden pockets of urban poverty and created a class of newly poor urban dwellers, as noted earlier.

The COVID-19 pandemic is also reinforcing pre-existing gender inequalities due to differentiated access to public services, vulnerability of informal sector jobs and the

**Figure 3.8. COVID-19 exacerbates pre-existing urban vulnerabilities**



additional responsibility of household and childcare imposed on women. Without significant policy and programmatic support, these vulnerable groups will struggle to bounce back and will be trapped in endemic precarity with limited prospects of upward social mobility. Cities have found themselves in an unprepared and difficult situation; they face unprecedented social, economic and health problems that must be urgently tackled if the vision of inclusive and equitable urban futures is to become a reality.

### 3.5. Urban Poverty in Developed Regions: Implications for Urban Futures

While cities in developing countries experience the most widespread effects of urban poverty, cities in developed countries are not immune. For example, London has seen a sharp rise in homelessness because of increasingly unaffordable housing prices.<sup>72</sup> In the US, deprived neighbourhoods in older cities are characterized by economic marginalization, social problems and underinvestment in key municipal infrastructure and services. In New York City, the urban poor, especially minorities, live in congested neighbourhoods and overcrowded housing stock, often in multi-generational families.<sup>73</sup> There are also worrying trends of urban services deprivation in Philadelphia, Baltimore and Detroit, where the urban poor have faced mass water shutoffs in recent years. The most affected are thousands of high-risk and at-risk households clustered in pockets of “water poverty,” disabled individuals, blacks and Hispanics.<sup>74</sup> If water rates increase at projected amounts, more than 35 per cent of US households will struggle to pay their water bills.<sup>75</sup> The exorbitant water bills not only expose the poor to shutoffs but affects their ability to meet other basic needs.



**The pandemic has derailed the European Union’s target of lifting at least 20 million people out of poverty by 2020**

The pandemic has derailed the European Union’s target of lifting at least 20 million people out of poverty by 2020.<sup>76</sup> The manifestation of urban poverty in the US has a strong class and racial character. It is predominantly black and other minority dominated neighbourhoods that endure deprivations together with high rates of crime, drug addiction and continued deterioration of physical infrastructure. In contrast, the privileged elites reside in relatively wealthy

neighbourhoods or suburban municipalities, where opportunities, good quality services and infrastructure are guaranteed. If governments fail to promote equitable access to urban infrastructure and services, urban poverty will become entrenched while disproportionately affecting specific groups of urban populations.

In Europe, countries such as Austria, Belgium, Denmark, Germany and the Netherlands, have witnessed higher poverty rates in cities than in rural areas over the years.<sup>77</sup> Data from the European Union Statistics on Income and Living Conditions reveal that 22.5 per cent of the population in the region were at risk of poverty and deprivation in 2017.<sup>78</sup> In Sydney, there are pockets of disadvantage concentrated in the western and southwestern suburbs where the manifestation of urban poverty has gender and racial dimensions.<sup>79</sup> Currently, the proportion of Aboriginal people on a low income in Sydney is 21.1 per cent, compared to 10.2 per cent of non-Aboriginal people.

Despite high economic growth in cities of developed countries, minority groups, migrants, refugees, the homeless and indigenous peoples, among others, experience structural barriers that perpetuate their marginalization. Failure to address these challenges will create conditions for cumulative deprivations that will lead to a vicious cycle of urban poverty for decades. In worst case scenarios, intergenerational poverty could worsen, as families struggle to break barriers that undermine their economic mobility. Failure to prioritize the needs of minorities and other vulnerable populations in developed country cities could forestall the drive towards inclusive and equitable urban futures.

### 3.6. Urban Inequalities in Developing Regions: Matters Arising for Urban Futures

The opportunities associated with urbanization in cities of developing regions are not equally shared. Increasing levels of inequality are becoming pervasive in these cities, which is where most of the population growth will occur over the next 30 years.<sup>80</sup> Despite a steady decrease in extreme poverty, inequality within cities has generally been growing. Cities of developing regions experience the highest levels of inequality, especially in Latin America and Sub-Saharan Africa.<sup>81</sup>

In addition to high levels of income inequality, millions of people in Latin American cities face spatial disparities and social segregation, which manifests through fragmentation

of social services: the wealthy, the middle class and the poor do not share the same facilities and amenities.<sup>82</sup> If not addressed, these alarming levels of inequality will create vicious circles that will be harder to reverse. Income and opportunities will be concentrated in the hands of the few urban elites, while the poorest bear the brunt of unequal income distribution.

Sub-Saharan Africa is second after Latin America with respect to income inequality in cities. Close to three-quarters of the cities in Sub-Saharan Africa have high levels of inequality as indicated by Gini coefficients exceeding 0.4, with South African cities being the most unequal in the region.<sup>83</sup> The astronomical levels of income inequality in Latin America and Sub-Saharan Africa reflect institutional and structural failures in the drive towards more equitable and just cities.



### Cities in Asia have the lowest levels of income inequality among developing regions

Cities in Asia have the lowest levels of income inequality among developing regions. There are significant regional variations in urban inequalities, with the largest disparities between basic and safely managed water services for urban populations in Central and Southern Asia.<sup>84</sup> Despite being the 12<sup>th</sup> richest city in the world, Mumbai is marked by extreme disparities where the city's wealth is concentrated in the hands of the few. People in the poorest districts of Mumbai earn only 25 per cent of what people in the wealthiest districts earn.<sup>85</sup> Chinese cities are characterized by increasing residential segregation because of the hukou household registration system. High income groups in Beijing and Shanghai reside in privatized neighbourhoods, while rural migrants congregate in urban villages and worker enclaves, sometimes with limited access to opportunities and social amenities. Failure to address these dimensions of inequalities could aggravate the exclusion and marginalization of the poor, with dire consequences for equitable urban futures.

#### 3.6.1. The urban service divide and its implications for urban futures

The urban services divide in cities of developing countries is a manifestation of urban inequalities.<sup>86</sup> Unequal access to high-quality, reliable and affordable essential infrastructure and services often results in poor health, inflicts environmental damage and locks people in cycles of poverty for generations. In absolute numbers, 63 million people in urban areas in

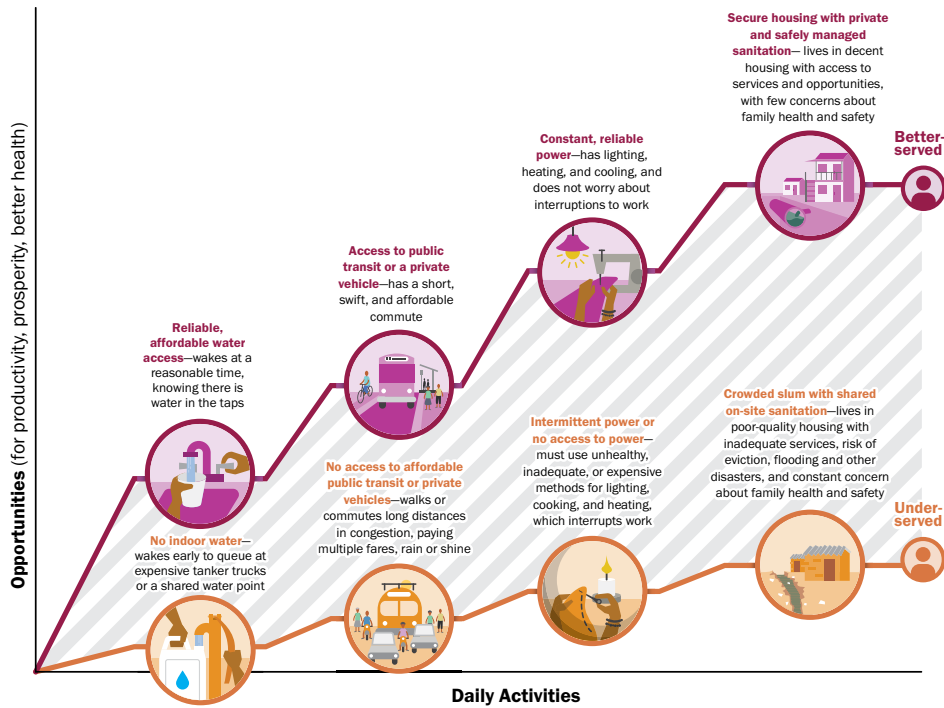
Sub-Saharan Africa have no access to safe water sources.<sup>87</sup> Currently, only 44 per cent of all Sub-Saharan Africa's urban residents have access to basic sanitation services.<sup>88</sup> In Sub-Saharan Africa, rich households in urban area are 329 per cent more likely to have access to improved water sources and 227 per cent more likely to have access to improved sanitation facilities compared to poor households.<sup>89</sup> This urban services divide is more pronounced in secondary cities, and this is expected to widen as these cities are often neglected in public infrastructure investment.<sup>90</sup>

Those living in slums and informal settlements are disproportionately affected by this urban services divide; they bear the brunt of disease outbreaks, economic shocks and environmental risks. Studies have demonstrated that disparities in accessing essential infrastructure and urban services can have greater impact on lives, livelihoods and long-term prospects compared with differences in earnings.<sup>91</sup> In developing country cities, relatively well-off communities are better served with core infrastructure and services compared to poor communities, thus creating a huge urban services divide (Figures 3.9 and 3.10).<sup>92</sup>

Figure 3.9 demonstrates a sharp contrast between better-served and underserved urban groups. While the urban services divide creates more opportunities for better served groups, it places higher burdens for poor communities in terms of cost, time and ill health, limiting their opportunities for prosperity. If the current urban services divide is not addressed, the long-term impacts on the future of cities will be dire, as it creates a vicious cycle of deprivation that will be hard to escape for millions of the urban poor.

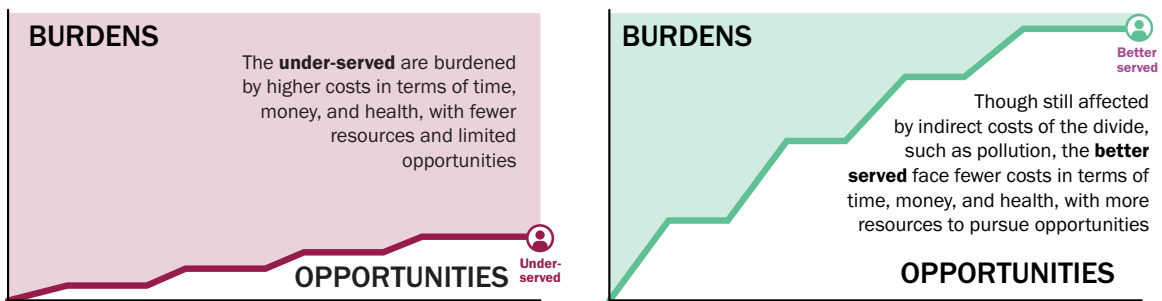
As indicated in Figure 3.10, the cumulative costs of this stark urban services divide are huge: worsening inequalities, lagging productivity and further environmental damage. More than 1.2 billion urban residents are underserved worldwide, which represents two out of every three city dwellers in low-income countries.<sup>93</sup> This divide poses a major challenge to attaining inclusive, sustainable and equitable urban futures in developing regions. Unequal access to infrastructure and services perpetuates a vicious cycle that becomes increasingly difficult to escape. The urban services divide encumbers cities in ways that weaken their economic vitality.<sup>94</sup> Without drastic and purposeful change, the rapidly expanding cities of developing regions will find it hard to escape this trajectory. Therefore, equitable access to urban services is a key lever for achieving inclusive and equitable urban futures and delivering on the optimistic scenario described in Chapter 1.

**Figure 3.9: The differential consequences of the urban services divide on the poor**

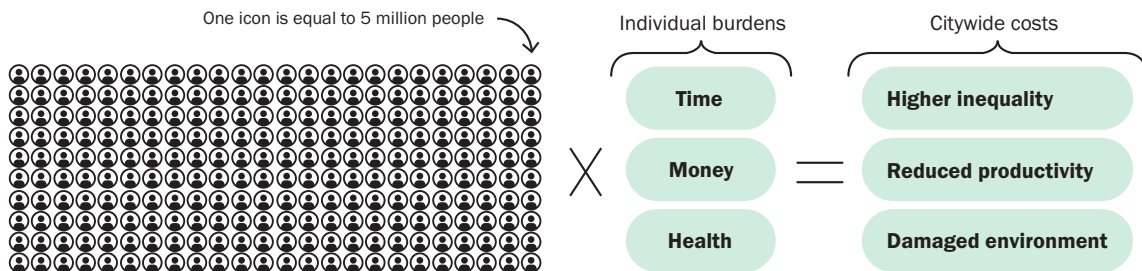


Source: Adapted from Mahendra et al, 2021, p. 14.

**Figure 3.10: Urban services divide leads to higher burden for the underserved**



**The cumulative costs of the urban services divide impact everyone in the city**



Source: Adapted from Mahendra et al, 2021, p. 15.

### 3.7. Urban Inequalities in Developed Regions and the Future of Cities

Generally, urban inequalities are relatively lower in developed regions because of the prioritization of egalitarian policies. Nonetheless, income inequality, socioeconomic disparity and spatial exclusion are becoming rife in cities in developed countries. Cities in developed regions generate over 60 per cent of jobs and economic growth, but not all cities have managed to grow inclusively.<sup>95</sup> The most unequal cities in the US have become more unequal, as eight of the ten most unequal cities experienced an increase in their Gini coefficients between 2010 and 2018.<sup>96</sup> This trend has been further exacerbated by the COVID-19 (Box 3.1).



**income inequality, socioeconomic disparity and spatial exclusion are becoming rife in cities in developed countries**

The Gini coefficient does not capture the multiple dimensions of urban inequalities. However, in some situations the Gini index correlates with socioeconomic data. For instance, due to high income inequality, Miami was ranked 265<sup>th</sup> out of 274 cities by the Urban Institute's overall inclusion rankings—along with high levels of racial segregation.<sup>97</sup> This demonstrates that income inequality measured through the Gini coefficient can interact with other socioeconomic dimensions of inequality to produce highly unequal and divided cities, where wealth and urban opportunities become concentrated in the hands of a few.

Failure to address the above challenges could be detrimental to the goals of inclusive and equitable urban futures. Cities in the US could see a massive increase in the number of highly segregated neighbourhoods where minorities face chronic underinvestment in basic infrastructure and services, deteriorating job opportunities, increased crime rates, poor health delivery systems and downward economic mobility.

In European cities, there is mounting evidence of growing inequalities. In 2017, 112 million EU inhabitants or 22 per cent of the total population were at risk of poverty or social exclusion.<sup>98</sup> While EU cities are characterized by high standards of living, they are also places of moderate to high levels of income inequality. In recent years, wealth has increasingly become concentrated in the hands of the few, and this polarization of wealth is most concentrated in urban areas (Figure 3.11).<sup>99</sup>

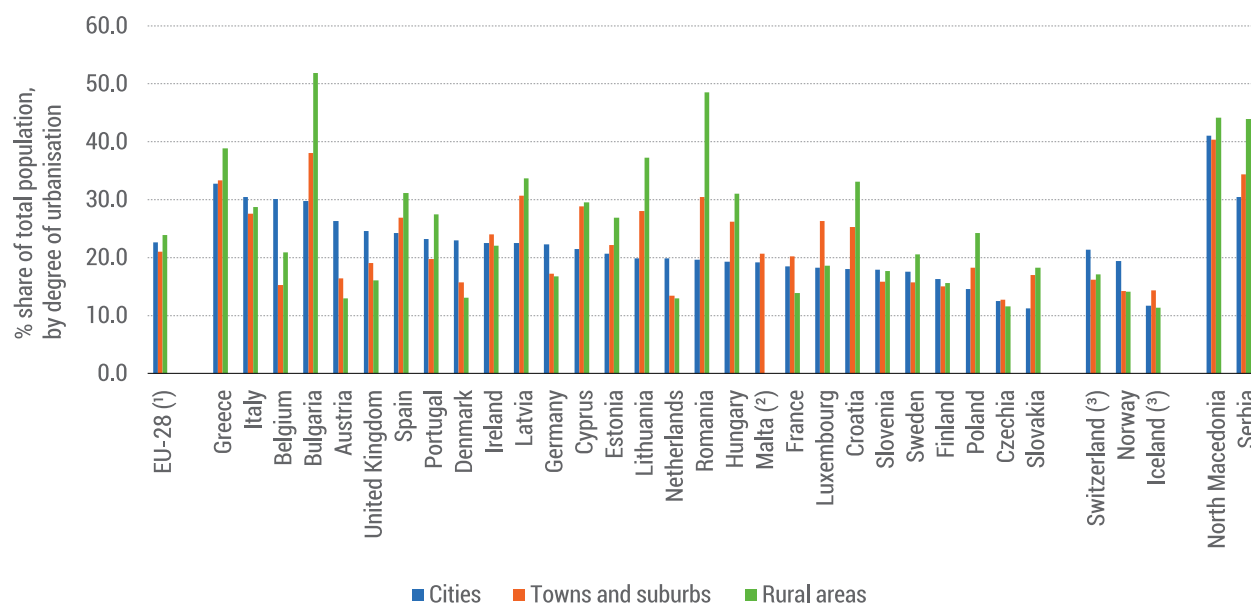
In most European cities, welfare programmes, housing markets, place-based policies and migration dynamics play a major role in shaping socioeconomic segregation at the neighbourhood level. For instance, the high levels of socioeconomic segregation in Brussels are the outcome of a small share of social housing, limited place-based interventions and territorial processes that have created a divided city.<sup>100</sup> Naples, Italy, is a city deeply marked by socioeconomic inequalities have been driven by urban segregation and the lack of financial instruments to bridge the gap.<sup>101</sup> The spatial concentration of deprivation in European cities is closely linked to other dimensions of inequality such as inadequate education, poor health and limited employment opportunities.

#### Box 3.1: The “troubled spots” of residential segregation in United States cities

In US cities, consumer-oriented modes of production have created separate and unequal landscapes or urban neighbourhoods, with negative impacts on health, social mobility and economic prosperity for racialized communities. The current COVID-19 pandemic has laid bare these structural inequities and their differential impact on the people of colour. Nationally, black people are dying from COVID-19 at 2.4 times the rate of white people because of the inequitable living conditions, underlying structural conditions and unequal access to health services that characterize segregated neighbourhoods. Residential segregation has made it possible for government authorities to implement discursive measures such as withholding resources from minority communities through a host of negative policies and practices, including over-policing and underinvestment in urban infrastructure. These are forces that impede wealth accumulation and halt social mobility. As of 2016, the median net worth among white families was 10 times that of black families, and more than eight times that of Latino or Hispanic families.

Source: Loh et al, 2020.



**Figure 3.11: People at risk of poverty or social exclusion in European cities (2017)**

Source: Joint Research Centre, 2019.

### 3.8. Responding to Poverty and Inequality in Cities

Tackling poverty and inequality remains one of the key global priorities for creating equitable and inclusive cities that provide opportunities and prosperity for all. Without inclusive cities, the impacts of future shocks and stresses may be even more acute than the current COVID-19 pandemic.<sup>102</sup> Achieving this vision of a more egalitarian society that leaves no one behind is not guaranteed; it requires bold actions to break the structural barriers that trap people in cycles of poverty and inequality. Currently, cities are experiencing multiple crises (health, financial, political, economic and environmental), all of which complicate responses to poverty and inequality. The levels of urban poverty and inequality, coupled with the devastating impacts of the COVID-19 pandemic, send a clear message that governments must act now to create conditions that nurture inclusive and equitable urban futures. Without decisive action at all levels, the current situation will only worsen.

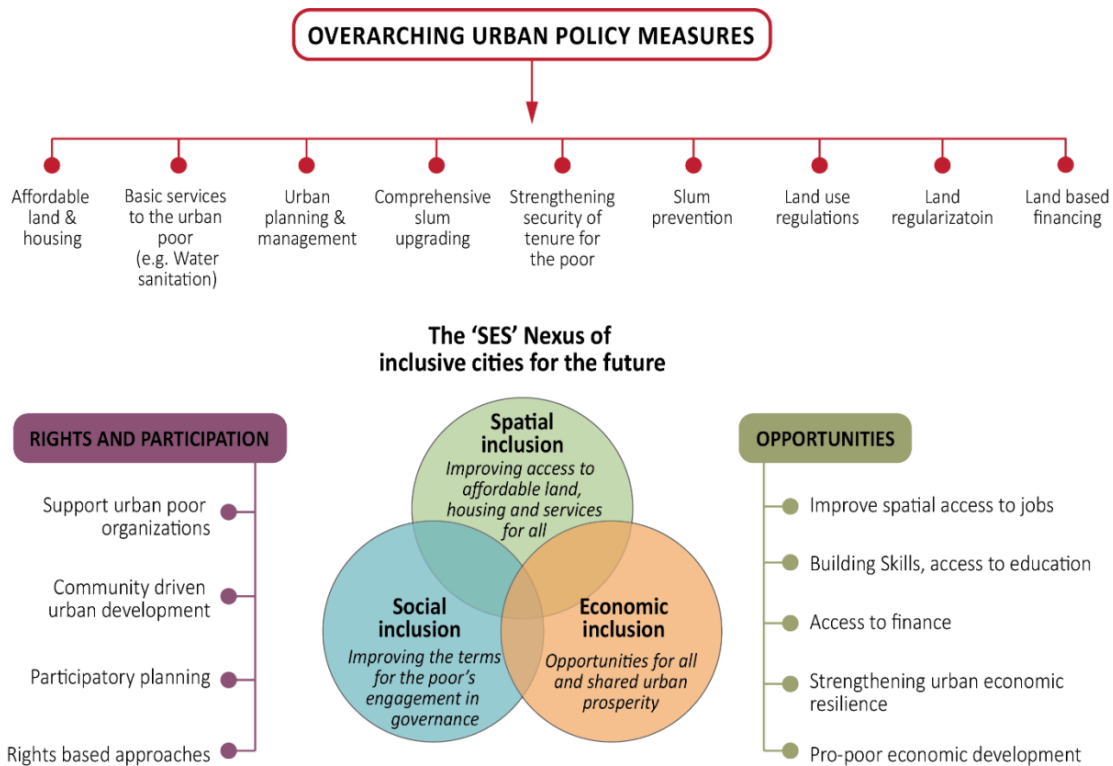


**Tackling poverty and inequality remains one of the key global priorities for creating equitable and inclusive cities that provide opportunities and prosperity for all**

#### 3.8.1. A multidimensional approach to an inclusive and equitable urban future

The urgency of new approaches for transformative change in cities cannot be overemphasized; the time for short-lived, piecemeal solutions should be a thing of the past. Urban poverty and inequality are increasingly becoming persistent and complex challenges, which call for new approaches. Narrow, sectoral approaches are not effective amid the social, economic, political and environmental crises that trap most residents in poverty. Within the Decade of Action window, it is pertinent for cities and subnational governments to adopt a multidimensional approach to addressing poverty and inequality. Such approaches must extend beyond conventional hard infrastructure programmes and look at the multiple spatial, social and economic factors that lead to exclusion and marginalization.

The spatial, social and economic dimensions of cities are crucial to building sustainable and equitable urban futures (Figure 3.12). These dimensions are interrelated. For instance, affordable public transportation provides access to jobs; jobs increase access to housing and basic services; and access to housing and services increases participation in urban governance and decision-making processes. Given the multiple deprivations facing the poor in cities, a multidimensional response could generate significant gains in marginalized urban communities. The integration of spatial,

**Figure 3.12: Multidimensional approach to equitable urban futures**

Source: Adapted from World Bank, 2015, p. 13

social and economic dimensions of urban development can break structural barriers that create vicious cycles of poverty.

### 3.8.2. Extending infrastructure and services to under serviced communities

Another priority action for tackling urban poverty and inequality is extending infrastructure and basic services to the most deprived neighbourhoods. The current COVID-19 pandemic is a vivid reminder that access to basic water and sanitation facilities can be a matter of life and death. Cities are uniquely positioned to develop urban infrastructure to improve the quality of life for the most vulnerable urban populations while at the same time responding to threats that exacerbate inequalities, such as climate change. Targeting improvements in quality, coverage, and affordability to disadvantaged neighbourhoods often results in citywide transformations. The cities of Colombo, Sri Lanka; Kampala, Uganda; and Nairobi have shown that extending piped water and sewer networks in low-income neighbourhoods improves public health, protects the environment and allows citizens to be more productive.<sup>103</sup>

Extending infrastructure and basic services to deprived neighbourhoods can galvanize action towards building inclusive, thriving and resilient cities. Making these transformations does not only enhance equitable access to urban services but can also yield large dividends and cascading benefits for the entire urban economy.<sup>104</sup> It is estimated that every dollar invested in developing water and sanitation infrastructure generates between US\$4–34 in benefits by improving health outcomes and boosting urban productivity.<sup>105</sup> The revitalization of water and sanitation infrastructure in targeted neighbourhoods in [Afghanistan](#) led to a 6.4 per cent annual increase in private investments in land, housing and real estate.<sup>106</sup> Moreover, extending basic infrastructure and services to slums is critical to building livelihoods, improving quality of life and strengthening public health (Chapter 7), as well as stimulating the local economy.

The cumulative effects of equitable access to urban services to poverty reduction can be significant. Equitable access to urban services is a necessary, but not sufficient

condition. Cities must be transformed at a deeper level in their governance and decision-making structures, planning approaches, institutions and priorities of political leaders. These ingredients are vital for addressing poverty and promoting urban prosperity for all.

### 3.8.3. Recognizing and supporting the urban informal employment

The COVID-19 pandemic is an opportunity to better recognize informal sector workers for their legitimate contribution to urban economies. The informal economy must be supported not only because it provides livelihoods for the working poor, but also because it supplies goods and services that keep the city's formal economy running (Chapters 4, 6 and 10). The implementation of pro-informal sector urban policies can unlock the hidden value that this segment of the economy carries as well as transform the livelihoods of millions of people that are employed in this sector.<sup>107</sup> This issue is addressed in the SDGs, particularly through SDG 8: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all." Prioritizing the informal sector in urban programmes will help achieve the SDGs on poverty, gender equality and equality.

Looking into the future, cities must stop the exclusion and harassment of informal workers. The harassment and penalization of street traders, waste pickers and market vendors must be halted, and their rights respected (Figure 3.14).<sup>108</sup> These rights include legal recognition, social and economic rights, access to essential infrastructure and services and better representation in urban governance and

policymaking processes. In the Indian cities of Surat and Ahmedabad, the Mahila Housing Trust negotiated with city authorities and leveraged city funds on behalf of informal sector workers.<sup>109</sup> These funds were used to upgrade housing conditions and access solar energy technologies to run refrigerators, soldering irons and sewing machines for home-based workers.



**Looking into the future, cities must stop the exclusion and harassment of informal workers**

For these priority actions to materialize, there are key roles which key urban stakeholders can play in supporting informal employment (Table 1.1). For inclusive urban futures, it is important for cities and subnational governments to acknowledge that informality is the dominant mode of contemporary urbanization in developing countries; therefore, urban policies and programmes should be developed from this perspective. Thus, cities must rethink and review the current exclusionary urban planning approaches in ways that are responsive to the needs of informal activities (Chapter 6). Cities cannot eradicate poverty or become more equal and economically productive if they continue to exclude or harass large populations of the informal workforce. Urban planning and policymaking that considers informal workers is difficult but not impossible. It requires a shift in the mindset of policymakers and city planners to recognize the contribution of informal economies to the livelihoods of the urban poor.



Crowds outside railway terminus during a nationwide lockdown in Mumbai/India © Shutterstock

**Table 3.1: Roles of specific actors in supporting informal sector workers**

Key Actors	Specific roles in supporting informal sector workers
City governments	<ul style="list-style-type: none"> <li>Recognize the challenges of different types of urban informal workers and their contribution to urban economies in different sectors</li> <li>Improve access to essential urban infrastructure and services</li> <li>Enhance access to public spaces, procurement opportunities and social protection programmes</li> </ul>
Civil society, social movements, and non-governmental organizations	<ul style="list-style-type: none"> <li>Defend social and economic rights of informal workers</li> <li>Collaborate with urban governments to increase the access of informal workers to public spaces, public services and public procurement opportunities</li> <li>Advocate for a more inclusive vision of economic prosperity, so that it is shared across all who contribute to the workforce</li> <li>Ensure equal employment rights and security for informal workers, including social and fiscal safety nets in times of crisis and disasters</li> <li>Support and facilitate participation of informal workers groups in urban decision-making that affects their lives and livelihoods</li> </ul>
National governments	<ul style="list-style-type: none"> <li>Create incentives for cities to offer public procurement contracts for services such as waste management to informal worker organizations with a path to formalization and benefits</li> <li>Engage informal worker organizations when setting policies in sectors in which they are employed, and support them in negotiations with local governments</li> </ul>
Private sector	<ul style="list-style-type: none"> <li>Partner with informal small entrepreneurs to invest in local innovations</li> <li>Comply with wage laws and offer paths to formal employment and reliable livelihoods with benefits and insurance schemes</li> <li>Include informal workers in supply chains for goods and services and provide reliable business to support their livelihoods</li> <li>Create and operationalize innovative credit instruments in the banking sector for informal workers and businesses investing in informal settlements, thus fostering financial inclusion</li> </ul>
International community, including development finance institutions	<ul style="list-style-type: none"> <li>Develop financing programmes that help cities integrate informal workers into formal employment and service delivery systems, with social and fiscal safety nets, health benefits and secure livelihoods</li> <li>Incentivize a change in mindset to acknowledge the implications and contributions of the informal economy</li> <li>Design programmes that ensure economic gains are distributed for shared prosperity, ensuring access for all citizens to the full range of opportunities the city offers</li> </ul>

Source: Adapted from Mahendra et al, 2021, p. 129.

### 3.8.4. Inclusive and gender transformative approaches for equitable urban futures

It is paramount for cities to develop inclusive urban governance systems and processes that promote transformative resilience to multiple crises by using local knowledge in the face of uncertainty. The quality of local governance and use of local knowledge strongly influence access to shelter, services, infrastructure and emergency response.<sup>110</sup> These approaches have been instrumental as part of the COVID-19 response strategies.

Urban leaders must draw on grassroots, civil society and private sector efforts to build local alliances to deliver more effective strategies of addressing poverty and inequality. If cities harness local knowledge, they can effectively understand how complex risks are experienced. This

perspective becomes the basis for developing forward-looking strategies that build the resilience of the poor in the face of multiple risks.<sup>111</sup> Cities should therefore support inclusive, gender-transformative responses that are co-produced with marginalized urban populations, including attention to intersecting inequalities as noted in Chapter 1. These strategies will require working closely with specific urban groups such as:

- Women and girls who bear the brunt of care burdens and underrepresentation in urban governance structures
- Ethnic minority groups who are often disproportionately burdened by shocks and bear the brunt of discrimination and systemic exclusion from urban development processes

- Migrants, refugees and internally displaced persons who face heightened risk of socioeconomic exclusion and marginalization
- People with disabilities and the elderly who may have pre-existing health conditions and may struggle with accessing infrastructure and urban services

### 3.8.5. Place-based interventions to build resilience in “urban weak spots”

Cities should prioritize efforts to build resilience in their “urban weak spots” so that they can withstand future shocks and stresses (Box 3.2). Urban weak spots are areas such as slums and informal settlements that are characterized by poor services, overcrowding, hazardous locations, high risk of eviction and multiple vulnerabilities. By amplifying these vulnerabilities and creating new ones, the COVID-19 pandemic send a strong message on the need to address the structural inequalities in cities. Failure to do this will trap millions of people in zones of deprivations with limited prospects of

upward mobility. Cities and subnational governments should therefore develop and implement citywide upgrading and renewal strategies based on need and disadvantage that prioritize investment in urban weak spots.

City leaders should think creatively about improving housing options for the poor. Existing evidence shows that in situ upgrading is preferable to relocation, except in cases when people need to move for their safety or to serve an overwhelming public need.<sup>112</sup> Implementing upgrading strategies in partnership with local communities helps cities harness untapped skills and the lived experiences of these communities. This collaborative approach will improve access to basic infrastructure and services, economic productivity, and overall quality of life for the marginalized.

There are emerging models of best practices in participatory slum upgrading, which provide important lessons on how slums and informal settlements can act as entry points for place-based interventions. In Nairobi and Windhoek, Namibia, there have been strong alliances between local governments and community groups in slum upgrading interventions. These cities are changing urban planning and land-use regulations to improve infrastructure quality and access as well to enable incremental building over time.<sup>113</sup> In Thailand, cities have partnered with community-based organizations and NGOs to upgrade informal settlements through the Baan Mankong programme, creating a model that has been scaled up to over 215 cities in 19 Asian countries.<sup>114</sup> These grassroots, bottom-up housing and slum upgrading programmes tapped into local knowledge, while combining with government funds and approvals to serve as an innovative model throughout the region.

#### Box 3.2. Building the resilience of “urban weak spots” to future shocks

In the long term, international and regional financial institutions like the World Bank, the Africa Development Bank and the Asian Development Bank can support the scaling-up of slum-upgrading interventions to strengthen investment in infrastructure and services for underserved communities. Funding from development banks can be mobilized through grants and/or low-interest micro-loans (or a combination) for housing improvements. This approach would quickly get cash to households to make needed shelter improvements that would build resilience to future crises and serve to stimulate the formal and informal construction industries, on which many informal, urban poor workers rely. Investing in homes can serve to reduce the spatial inequalities that exist within cities between the formal and informal sector, as well as build longer-term household wealth. Improvements in housing could also reduce overcrowding and thus vulnerability to future health crises. This kind of investment is important for building longer-term resilience and reducing the social disparity that exists in cities.

*Source: World Bank, 2020*

#### The success of place-based interventions depends on the existence of political will to pursue pro-poor urban development

The success of place-based interventions depends on the existence of political will to pursue pro-poor urban development. This approach to urban policymaking empowers poor communities to demand and realize their rights and entitlements, matched by financial, human and technical capacity to create conditions for socioeconomic changes on the ground. Community-led slum upgrading interventions, like those in Bangkok, Thailand, have produced well-serviced and affordable housing for the poor.<sup>115</sup>



### 3.8.6. Bottom-up urban resilience building for sustainable urban futures

The COVID-19 pandemic and the looming climate crisis have demonstrated the urgency of building resilience in the planning, governance and management of cities. Chapter 10 notes that building resilience for sustainable urbanization requires linking in an integrated way the various pillars of the 2030 Agenda for Sustainable Development. The COVID-19 pandemic presents an opportunity for urban leaders to prioritize building long-term resilience of cities against all forms of shocks.<sup>116</sup> The pandemic has intensified the pattern of emergencies, with urban areas bearing the brunt. In the same vein, almost two-thirds of cities with

more than 500,000 residents are at high risk of exposure to floods, droughts, earthquakes and other natural disasters.<sup>117</sup>

The Moving Urban Poor Communities in the Philippines Towards Resilience (MOVE UP) model provides important lessons for the future of cities with respect to pro-poor resilience interventions (Box 3.3). Specifically, the urban poor and at-risk communities must be at the centre of interventions targeting the institutional, social, economic, environmental and infrastructural dimensions of resilience.<sup>118</sup> The MOVE UP model demonstrates that the participation of at-risk communities strengthens their capacities and engenders a sense of ownership over projects.

#### Box 3.3: Moving Urban Poor Communities in the Philippines Towards Resilience (MOVE UP) Model

##### Urban context in the Philippines

Cities in the Philippines are characterized by rapidly expanding informal settlements, the majority of which are situated in environmentally hazardous areas. Most of the 1.5 million informal settlement residents do not have access to essential infrastructure and basic urban services such as water and sanitation. Residents of informal settlements are highly vulnerable to climate-related impacts. The COVID-19 pandemic has worsened the situation by disrupting livelihoods of thousands of poor households.

##### How does the MOVE UP Project help build resilient communities?

The MOVE UP Project envisions resilient communities as those that can prepare and bounce back from shocks and stresses because: they have the resilience capacities to do so; the society they live in is inclusive and equitable; and good governance provides an environment that enables them to participate in public life and decision-making. The MOVE UP project places urban poor communities at the centre. The project was designed based on the idea that communities become more resilient if they have strong resilience capacities, and if the society they live in has well-developed social, economic, environmental, institutional and infrastructure sectors. To help achieve this ideal, the project employs three main strategies—building resilience capacities, improving social positions and creating an enabling environment.

**Building resilience capacities** entails increasing urban poor communities' capacities to anticipate, respond to, adapt to and transform risks. Aside from bolstering these resilience capacities, livelihoods and livelihood assets may also be made more resilient by strengthening, diversifying and protecting them. This is particularly important in the context of COVID-19 where livelihoods of informal settlement dwellers have been eroded due to lockdown measures and lack of social safety nets from governments.

**Improving social positions** means advancing social inclusion relating to gender, ethnicity, age and disability; increasing organizational capacity; and pushing for the equitable distribution of capital and assets.

**Creating an enabling environment** consists of promoting participatory and inclusive governance processes that follow the rule of law.

The project was a collaborative effort between different stakeholders such as communities, civil society and non-government organizations, private sector, local government units, and the national and subnational levels of government. By focusing on improving shelter conditions during emergencies and making livelihoods more resilient to shocks and stresses, MOVE UP hopes to strengthen the resilience capacities of urban poor communities and their respective local governments.

*Source: Resilience and Innovation Learning Hub, 2020.*

As cities recover from the pandemic, their resources should be directed towards collaborative resilience building with poor urban communities (Chapter 8). If cities are planned and managed using such innovative and bottom-up approaches, new opportunities for tackling poverty and inequalities will be unlocked. No urban intervention will succeed without putting the poor communities at the centre. Failure to invest in urban resilience can reverse development gains by pushing millions back into poverty.<sup>119</sup>

### 3.9. Transformative Policies for Inclusive and Equitable Urban Futures

The COVID-19 pandemic provides a unique opportunity to reimagine transformative urban policies that redress poverty and inequalities in cities. The UN-Habitat report *Cities and Pandemics: Towards a More Just, Green and Healthy Future* advocates for a “new social contract” in the form of universal basic income, universal health coverage and universal housing and basic services (Chapter 1).<sup>120</sup> The COVID-19 pandemic has exposed the gaps in social protection coverage, given its disproportionate impact on the livelihoods of the urban poor and low-income workers.<sup>121</sup> Policy interventions by both national and local governments are important for bolstering the resilience of vulnerable groups to future shocks. There are increased calls global for universal social protection on the grounds of both efficiency and equity.

#### 3.9.1. Social protection for the most vulnerable groups

Social protection is a potentially powerful policy tool for redistributing wealth and addressing urban poverty and inequalities, which have become defining features of cities especially in developing countries (Chapter 1). The need to reform social protection programmes has never been this urgent. Social protection programmes have the potential to contribute to the achievement of several SDGs. If social protection covers some form of basic income, housing and health, then it can contribute to achieving several SDG targets. For instance, SDG target 11.1 seeks to ensure access for all to adequate, safe and affordable housing and basic services; thus, social protection can directly enhance

**Social protection is a potentially powerful policy tool for redistributing wealth and addressing urban poverty and inequalities**

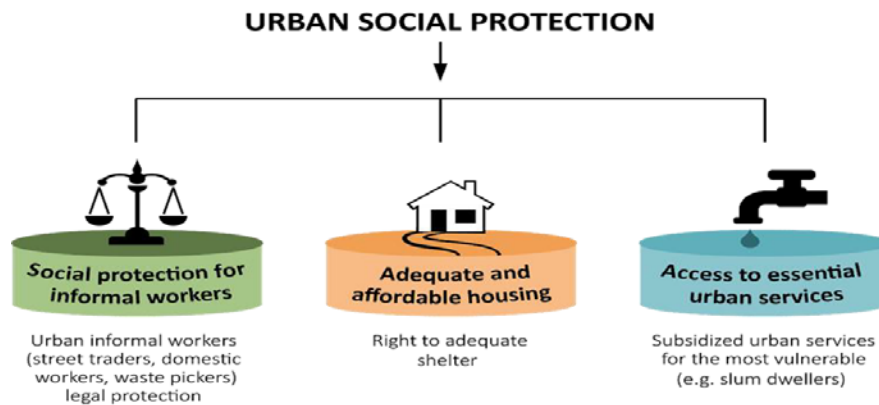
access to these basic needs.<sup>122</sup> Prioritizing the poorest urban households in social protection interventions could generate more progress in addressing poverty and inequality. Transformative social protection is hinged on the notion that poverty and vulnerability have social and economic dimensions, which call for more than income support. What potentially makes such interventions transformative are efforts to dismantle structural barriers such as discrimination against marginalized and vulnerable groups.<sup>123</sup>

Formal social protection assistance coverage is generally higher in rural areas. The COVID-19 pandemic has amplified the urgency of urban social protection programmes. A key lesson from implementing social protection programmes in Latin America and Asia is that replicating rural models in urban settings will not work. This experience calls for adapting or redesigning social protection interventions to make them appropriate for urban-specific vulnerabilities.

#### 3.9.2. The critical pillars of social protection in cities

There are three key pillars of urban social protection that should be prioritized (Figure 3.13). The first is social protection for informal workers.<sup>124</sup> Workers in the informal sector endure precarious livelihoods, unpredictable incomes, and difficult working conditions. During the COVID-19 pandemic, street traders’ vending markets were destroyed in the name of public health measures, which contributed to massive loss of livelihoods and incomes, thus deepening poverty. These informal workers rarely have unemployment insurance, social assistance or any form of safety net. If cities are to serve as engines of inclusive growth, then social protection and dignified work should form related policy elements of equitable urban futures. A transformative approach to social protection would include implementing regulation and monitoring to ensure the health and safety of all urban workers. In fact, the COVID-19 pandemic has demonstrated the urgent need to strengthen the links between social protection and livelihoods.

Going forward, governments should ensure strong linkages between social protection and livelihoods to help the most vulnerable workers build more resilient livelihoods.<sup>125</sup> In the Indian cities of Bengaluru and Pune as well as in Brazil, Colombia and Argentina, local governments have signed contracts with previously informal waste picker cooperatives for door-to-door waste collection.<sup>126</sup> Cities should also recognize informal sector workers as legitimate economic actors through integration of their livelihoods activities into urban policies and plans.

**Figure 3.13: Pillars of urban social protection**

The second pillar of social protection is adequate urban housing for all, as millions of the urban poor, especially in developing countries, live in slums, informal settlements and various forms of inadequate housing. Measures to achieve adequate housing for all not only entail financial resources, but also involve legal claims on tenure and an assertion of the right to the city. The housing affordability crisis in cities of developed and developing countries is a grave concern. For instance, in Australia, there is a constant rejection of the view that social housing should be expanded to ensure all households are able to access decent, affordable housing.<sup>127</sup> This view is incompatible with the current global goals of promoting access to decent and affordable housing for all.

To address the current housing affordability crisis, governments at all levels should prioritize targeted social housing programmes. Latin American countries have been at the forefront of housing subsidies.<sup>128</sup> In Chile, the ABC programme (ahorro or “savings,” bono or “subsidy” and credito or “loans”)<sup>129</sup> uses the savings of residents as a financial basis on which to offer loans and subsidies to make housing more affordable.<sup>130</sup> In Brazil, pragmatic public-private partnerships involving the three levels of government are used to redevelop city land and create space for affordable housing in the centre of São Paulo.

Cities could promote rental housing by converting underutilized urban land to affordable housing<sup>131</sup> and invest in public transport to connect housing with employment centres. Subsidized housing programmes should be carefully designed as poorly structured incentives can have negative outcomes. Ambitious social housing programmes that are insensitive to location have been an important driver of urban expansion without access to basic services and have created a mismatch between where houses are built, where people

want to live and where services are available.<sup>132</sup> National governments should create decentralized frameworks that empower cities to implement an appropriate housing policy mix best suited to the needs of their local population.

Access to essential public services constitutes a third area of convergence between social protection and urbanization. The COVID-19 pandemic demonstrated the centrality of essential services—water, sanitation, transport and energy, among others, for the well-being of urban dwellers. However, a majority of the poor including those living in informal settlements, refugee camps and migrant dormitories do not have access to these services, making them highly vulnerable. Social protection can alleviate access constraints by giving poor households subsidized or free access to these services. City governments could experiment with innovative models of social protection for urban services provision by designing well-structured, targeted subsidies for affordability and social returns.<sup>133</sup> Providing targeted subsidies for electricity and water connections for the neediest residents has proven effective and affordable, allowing residents to pay the upfront costs over time. Several cities across Chile, Colombia and South Africa subsidize water for households below a certain income threshold, using existing socioeconomic classifications.<sup>134</sup> However, such programmes will need to be carefully designed to ensure that the most vulnerable derive the intended benefits.

Poorly designed interventions can have unintended consequences, with the low-income and poor households paying more for inferior services and the publicly-funded subsidies going to higher-income groups. In Asia, China has experimented with urban social protection and demonstrated that it is practical to implement such measures by adopting an integrated system that recognizes the need to go beyond

### Box 3.4: China's integrated urban social programme *Dibao*

The Chinese government introduced the Regulations on Minimum Subsistence for Urban Residents, abbreviated as *Dibao*, which is a formal poverty-oriented measure to support low-income urban working households. In addition to *Dibao*, China's urban social protection regime includes education, health, employment, housing, disaster relief and temporary assistance programmes targeted at *tekun* people (those destitute, in extreme difficulty and poverty), urban residents with no labour capacity, no income, and no legal guardian. The primary target beneficiaries of these urban social protection programmes are the working poor, older persons without pensions, needy children and persons with disabilities. In terms of housing, local governments give priority to low-income families in urban areas facing housing insecurity priority in the allocation of public rental housing, rental subsidies and home renovation schemes.

There are several important lessons emerging from the *Dibao* programme:

- i. Social programmes designed for urban areas should target the most marginalized groups, especially those that struggle to access urban labour markets.
- ii. The design of social protection programmes must consider the multiple dimensions of urban vulnerabilities such as lack of access to basic services like education, health and housings.
- iii. Social protection programmes should form part of the multilevel governance response to urban poverty and inequalities, providing a framework through which cities can promote inclusive and equitable urban futures.

Source: Lixiong, 2018.

income support measures (Box 3.4). The country's locally designed *Dibao* programme integrates a fragmented system within a planned framework and establishes a security net to meet basic needs of all people towards social justice and inclusive cities.

### 3.10. Success Factors for Social Protection Policies in Urban Areas

The implementation of successful urban social protection policies and programmes will not happen by chance. It depends on factors such as consideration of urban-specific vulnerabilities, governance and institutional reforms, data-driven targeting, rights-based approaches, comprehensive and integrated design of interventions, and political marketing, among others.

#### 3.10.1. Addressing urban-specific vulnerabilities

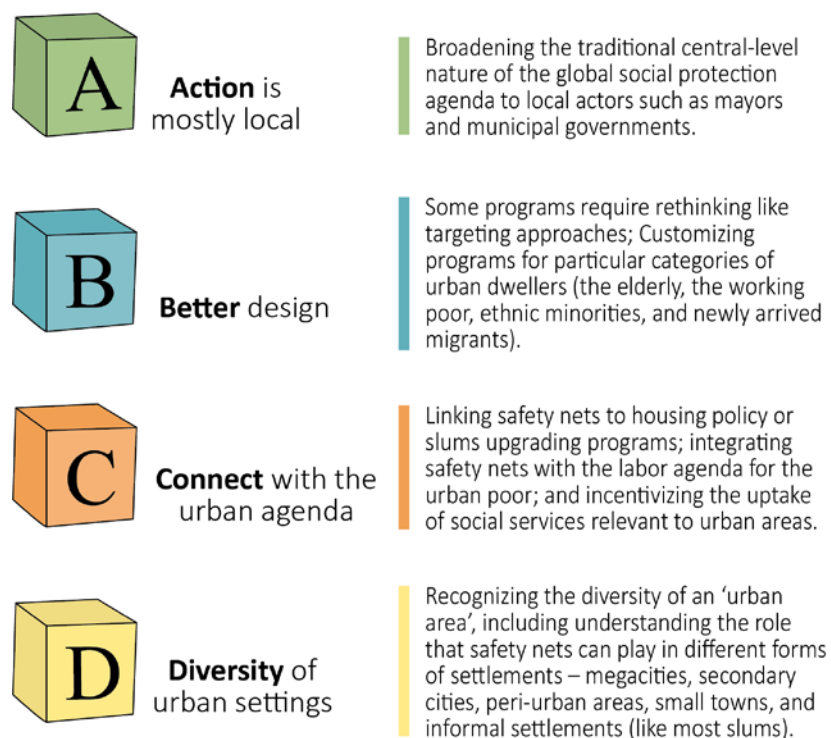
A key lesson from the implementation of social protection policies in Asia and Latin America is that simply replicating rural models in urban settings does not work because urban-specific vulnerabilities are complex and multidimensional, which necessitates adapting or re-imagining the design of

these programmes.<sup>135</sup> Social protection interventions that fail to consider urban-specific vulnerabilities such as higher living costs, high levels of informality and unemployment, and unequal access to urban services, among others, will have limited success.

Urban vulnerabilities manifest differently in different geographical contexts; therefore, a one-size-fits-all approach will not work. Figure 3.14 shows some of the key design considerations for urban social protection given that urban poverty and inequality across cities are highly differentiated—factors which determine the design of urban social protection interventions. Cities should tailor strategies that respond to different form of vulnerabilities. Social protection interventions should be nuanced and wide-ranging to ensure the different risks and vulnerabilities associated with gender, age, ethnicity, migratory status and other characteristics are effectively identified and tackled in urban welfare programming.

#### 3.10.2. Comprehensive and integrated design of urban social protection is key

The complexity, multidimensionality and interconnectedness of urban poverty and inequality require a comprehensive

**Figure 3.14. The A, B, C and D of urban social protection design**

Source: Adapted from Gentilini, 2015.

social protection system that goes beyond income. Cities and subnational government must invest in comprehensive social protection systems, which guarantee income security and a wide range of services for vulnerable groups. Additionally, cities should see themselves as part of a continuum of national social protection systems where they are part of the broader and interconnected interactions between rural, peri-urban and urban areas of various sizes. The COVID-19 crisis has exposed the dangers of not having social protection systems that cushion vulnerabilities across territories, thus demonstrating the need to integrate social assistance, insurance and labour market interventions in coherent and connected ways across the urban-rural continuum.<sup>136</sup>

### 3.10.3. Innovative financial mobilization and revenue generation

Transformative and ambitious policy interventions require huge financial commitments. To successfully implement social protection programmes, city governments in many countries will have to increase their revenue streams. Depending on the context, city governments will need to diversify their portfolio of revenue, improve capacity for revenue

generation and harness innovative financing mechanisms. Chapter 4 provides insights on how cities can diversify their economies and expand their fiscal opportunities. Cities can also pay to extend basic services and infrastructure to marginalized communities by tapping into fees paid by the rich. For instance, in Ouagadougou, Burkina Faso, the municipality uses fees paid by high-income households to improve wastewater infrastructure and support safe on-site sanitation for low-income households.<sup>137</sup> Cities should also develop appropriate incentive schemes to engage with the private sector and underserved markets in order to adopt new financing mechanisms that can fund the projects cities need most urgently. For cities to mobilize innovative revenue sources, they will require fiscal autonomy within an effective decentralized framework.

### 3.10.4. Governance and institutional reforms

Cities do not exist in isolation; those in poor countries lack the capacity, jurisdiction and resources to implement these bold and transformative measures. The transformative power of cities should be strengthened through a sustained, shared vision among diverse local stakeholder groups, including



representatives of international or multilateral agencies operating locally. A governance challenge facing urban-specific social protection is that the New Urban Agenda devolves much of the responsibility for delivering services to local governments, while social protection is usually implemented at a national level. A multilevel governance approach is therefore crucial for the implementation of urban social protection. National governments should promote policies and institutional reforms that enable the fiscal capacities of cities to implement these ambitious transformative measures.<sup>138</sup> Additionally, the design and implementation of social protection programmes and policies should meet specific urban needs in a coordinated national protection system.<sup>139</sup>

### 3.10.5. The role of political marketing

Political marketing is critical for successful urban social protection. It is important to frame social protection within an optimistic urban development narrative to facilitate policy uptake in the future. Policymakers at the city and subnational levels are sometimes sceptical about cash transfers or other forms of social protection in urban areas. Proponents of urban social protection programmes must address opposing views such as concerns that these programmes will create a dependent class disincentivized to work and induce urban congestion by encouraging migration to cities. Such biases pose a key challenge for the institutionalization of urban social protection programmes. Thus, it is important to frame these policy measures differently. For example, designating social protections as part of a broader suite of urban public works can draw support from local political leaders.<sup>140</sup>

### 3.10.6. Investment in evidence-based targeting

Successful urban social protection programmes target key constituencies, but such efforts must be evidence driven to reach the most vulnerable urban populations. Targeting eligible urban populations raises challenges that are often not present in rural areas. Geographical and categorical targeting can be complicated by the varying spatial dimensions of urban poverty and inequalities, and lack of current information on the spatial distribution of poverty. The poor are usually clustered in specific geographical areas in some cities and widely dispersed in others. Local governments should identify so-called “pockets of poverty” so that geographical targeting becomes effective in reaching the most vulnerable populations.<sup>141</sup>

Cities cannot adequately address challenges that are poorly understood when they have limited data on the needs, priorities and vulnerabilities of the local population. These

data gaps often lead to poorly designed and ineffective policy responses. Cities should utilize new technologies, such as satellite imagery and geospatial mapping, for better and more nuanced local insights on poverty and inequality.

### 3.10.7. A rights-based approach to urban social protection

Social protection systems are most likely to deliver on their transformative potential if they are rooted in foundations of human rights.<sup>142</sup> Adequate legal and institutional frameworks help social protection to be seen as an inherent social entitlement or right, rather than as mere charity, for the most vulnerable populations. A rights-based approach to social protection that follows two basic principles is important. First, universalize social assistance to highly vulnerable urban populations; and second, universalize social protection insurance to all workers including those working informally. For example, Austria’s comprehensive system of social security, which includes both contributory and non-contributory social protection programmes, is rooted in international and regional human rights instruments. Austria considers social policy “a key instrument in tackling poverty and improving chances in life.”<sup>143</sup>

### 3.10.8. Mainstreaming social policy objectives into national and local policies and plans

The design and reform of social protection programmes should be complemented with comprehensive review of macroeconomic policies to mainstream socioeconomic objectives such as urban poverty and inequality reduction into city development plans and policies. Until recently, urban poverty and inequality have hardly featured in the macroeconomic policy of many developing countries. Governments should have poverty reduction and economic development plans that set priorities for cities. Furthermore, cities should strengthen the link between urban policy and social protection; for instance, most of the risks faced by informal sector workers stem from their exclusion in urban development policies and plans.

## 3.11. Concluding Remarks and Lessons for Policy

This chapter has shown that poverty and inequality could become persistent features of the future of cities in both developed and developing countries if governments and stakeholders at all levels do not take decisive actions. The COVID-19 pandemic laid bare the structural inequalities inherent in urban areas, exacerbated poverty, exposed

hidden pockets of poverty, amplified existing vulnerabilities and created new ones and in ways that have placed additional burden on already overstretched local governments, especially in developing countries. The impacts of the pandemic were severely devastating for the marginalized and most vulnerable groups including the homeless, indigenous peoples, refugees and migrants and internally displaced persons, slum dwellers and those working in the informal economy.

Whether urban poverty and inequality will become entrenched and pervasive features of cities will undoubtedly be determined by decisions and actions taken by city leaders today. Without urgent and transformative policy action at all levels, the current situation will only worsen. The long-term costs of each incremental policy choice may not be clear, but each decision could shape the future of cities for generations to come. Wrong decisions by city leaders could entrench poverty, deny opportunity for millions and widen urban disparities in ways that will become increasingly difficult to reverse or rectify.

For inclusive and equitable urban futures to be realized, the chapter emphasized the following key policy areas:

- Adoption of a multidimensional approach to addressing urban poverty and inequality through investing in both hard and soft infrastructure can address the multiple spatial, social and economic barriers that lead to exclusion and marginalization.
- Extending infrastructure and basic services to underserved communities can be a catalyst for inclusive and equitable urban futures.
- Recognizing and supporting informal sector workers through tailored social protection programmes and responsive urban planning and policies is critical for tackling poverty and inequality.

- Inclusive and gender transformative approaches are urgent for building equitable urban futures.
- Urban sensitive social protection is a potentially powerful policy tool for redistributing wealth and addressing poverty and inequalities.
- Place-based interventions can build the resilience of “urban weak spots” such as slums and informal settlements.
- The New Urban Agenda provides a framework for all facets of sustainable urbanization to promote equality, welfare and shared prosperity. Cities should mainstream these commitments in their local development plans with deliberate focus on addressing urban poverty and inequality. Eradicating poverty and reducing inequality in all forms remain a cornerstone to ensure that cities are better prepared for the next crisis.



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