

Chapter 16

Urban Poverty

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16.1 Introduction

This chapter is addressed both to stakeholders engaged in countrywide poverty strategies and to local-level participants in such strategic exercises for their city.¹ The chapter is organized around two major themes:

1. Understanding urban poverty
2. Addressing urban poverty

Section 16.2 begins by addressing the nature of urban poverty and the ways to assess it. Section 16.2.1 discusses the frameworks for understanding urban poverty; section 16.2.2 sets urban poverty in context. Sections 16.2.3 and 16.2.4 outline some approaches to assessing urban poverty and the possible indicators corresponding to each of its dimensions.

Section 16.3 examines the public actions both national and local governments may take to address urban poverty, the options for program interventions, and the ways governments may reach consensus supporting the necessary decisions. Section 16.3.1 discusses the wider impacts of urban poverty reduction; section 16.3.2 summarizes the main policies and institutional elements for urban poverty reduction, both for supporting widely shared growth with equity and for sustaining poverty-targeted measures; section 16.3.3 describes key considerations for monitoring and evaluating existing projects, and presents a menu of program options; and section 16.3.4 suggests some ways to share roles and responsibilities at the national and city level, including the processes of decisionmaking and prioritization regarding public actions.²

16.2 Understanding Urban Poverty

16.2.1 Frameworks for understanding urban poverty

The overview section of this book sets out five dimensions of poverty: income/consumption, health, education, security,³ and empowerment. Table 16.1 summarizes the key features of poverty across these dimensions in the urban context. Urban poverty is often characterized by cumulative deprivations—that is, one dimension of poverty is often the cause of or contributor to another dimension. This is illustrated in figure 16.1. (See also technical note M.2, “Dimensions of Urban Poverty.”)

In the urban context, poverty and vulnerability (a dynamic concept whereby the “vulnerable” face the risk of falling into poverty) can be related to three distinctive characteristics of urban life: commoditization (reliance on the cash economy), environmental hazard (stemming from the density and hazardous location of settlements and from exposure to multiple pollutants), and social fragmentation (lack of community and of interhousehold mechanisms for social security, compared to those in rural areas) (Moser, Gatehouse, and Garcia 1996b).

Vulnerability is closely linked to asset ownership. The more assets people have, the less vulnerable they are; the fewer the assets held by households, the greater their insecurity. The types of assets fall under the headings of labor; human capital—health, education, and skills; productive assets—often, the most important of these is housing; household relations; and social capital.

The two analytical approaches (that is, examining poverty in terms of its multiple dimensions, and examining poverty with reference to vulnerability and asset ownership) in fact complement each other. For operational purposes, the multidimensional character of poverty needs to be analyzed both with reference to the framework of asset ownership and to the cumulative impacts of poverty in its many dimensions. Table 16.2 demonstrates how each dimension of poverty is related to ownership of assets. The table also indicates policies which can strengthen asset ownership (discussed in further detail in section 16.3.2).

Table 16.1. Urban Poverty Matrix

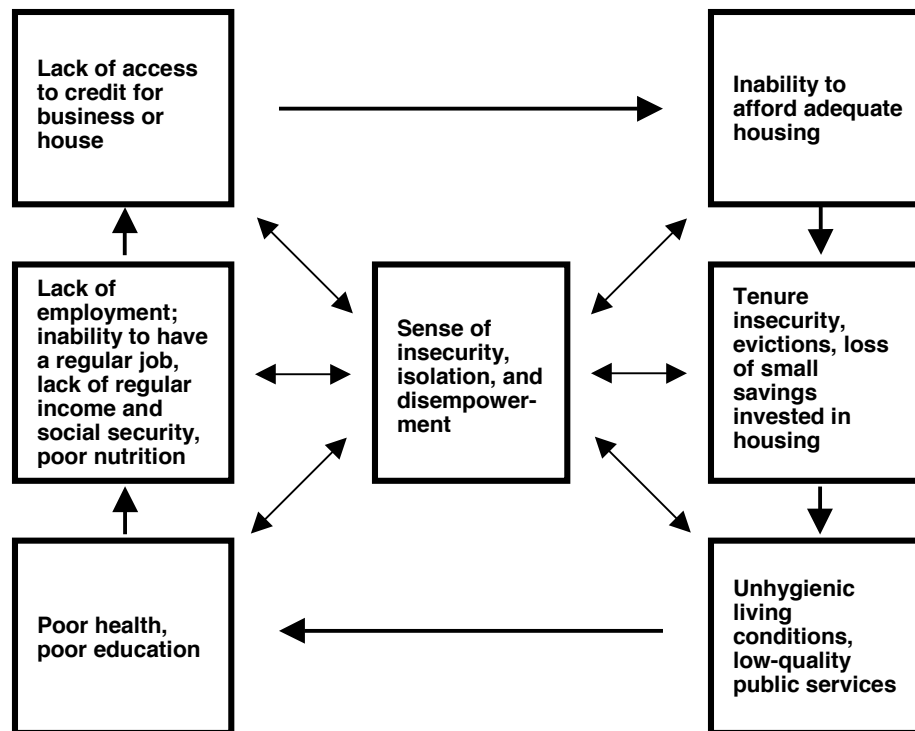
<i>Dimension of poverty</i>	<i>Visible causes or contributing factors</i>	<i>Policy-related causes</i>	<i>Impacts on other dimensions of poverty</i>
Income	<ul style="list-style-type: none"> • Dependence on cash for purchases of essential goods and services • Employment insecurity/casual work • Unskilled wage labor/lack of qualifications for well-paid jobs • Inability to hold a job due to bad health • Lack of access to job opportunities (urban poor often have to trade off between the distance to a job and the cost of housing) 	<ul style="list-style-type: none"> • Macroeconomic crises reduce real incomes • Failure of public services, such as education, health, infrastructure, and transport, to serve the urban poor • Regulatory constraints on small enterprises perpetuate “informality” of work available to the poor, discourage asset accumulation and access to credits, and increase vulnerability of workers 	<ul style="list-style-type: none"> • Inability to afford housing and land, resulting in underdevelopment of physical capital assets • Inability to afford essential public services of adequate quality and quantity (for example, inadequate water supply can cause unhygienic living conditions and ill health) • Poor human capital (for example, bad health and educational outcomes due to stress, food insecurity, and inability to afford education and health services) • Depreciated social capital resulting in domestic violence and crime
Health	<ul style="list-style-type: none"> • Overcrowded and unhygienic living conditions • When housing and industrial functions are juxtaposed in cities, residential environments become prone to industrial and traffic pollution • The poor in cities settle on marginal lands prone to environmental hazards such as landslides and floods • Exposure to diseases due to poor quality air and water and lack of sanitation • Injury and deaths arising from traffic • Industrial occupational risks (for example, unsafe working conditions, especially for those in informal-sector jobs) 	<ul style="list-style-type: none"> • Land and housing regulations can make proper housing unaffordable, pushing residents into disaster-prone and polluted areas • Bad policy frameworks and failure of public related services (water and sewerage, solid waste disposal, drainage, vector control) to keep pace with population growth • Lack of labor protection (worker safety) • Poor traffic management and pedestrian facilities • Lack of safety nets and social support systems for families and young people 	<ul style="list-style-type: none"> • Inability to hold a job • Inability to earn sufficient income • Reduced ability of children to learn due to illness (for example, lead poisoning) • Risk of injury and associated income shocks • Poor education outcomes
Education	<ul style="list-style-type: none"> • Constrained access to education due to insufficient school capacity in rapidly growing cities • Inability to afford school expenses • Personal safety/security risks deterring school attendance 	<ul style="list-style-type: none"> • Inability of public authorities to provide classrooms and schools of adequate size • Lack of safety nets to ensure ability to stay in school during family economic hardship • Insecure and unaffordable public transport 	<ul style="list-style-type: none"> • Inability to get a job • Lack of constructive activity for school-age youth, contributing to delinquency • Continued gender inequities

(Table continues on the following page.)

Table 16.1. Urban Poverty Matrix (continued)

<i>Dimension of poverty</i>	<i>Visible causes or contributing factors</i>	<i>Policy-related causes</i>	<i>Impacts on other dimensions of poverty</i>
Security	<p><u>Tenure insecurity</u> Land and housing in authorized areas are not affordable, so the poor typically build or rent on public or private property. Houses lack proper construction and tend to be in unsafe areas prone to natural hazards</p>	<ul style="list-style-type: none"> • Land policies do not make sufficient developed land available for the poor • Urban development policies are not conducive to regularization of tenure or providing other forms of tenure security in some unauthorized settlements • Inappropriate standards and codes make housing unaffordable • Regulations result in costly and cumbersome procedures to get registered or to obtain occupancy permits • Lack of access to credit 	<ul style="list-style-type: none"> • Evictions that cause loss of physical capital, damage social and informal networks for jobs and safety nets, and reduce sense of security • Inability to use one's home as a source of income (for example, through renting a room or creating extra space for income-generating activities)
	<p><u>Personal insecurity</u></p> <ul style="list-style-type: none"> • Drug/alcohol abuse and domestic violence • Family breakdown and reduced support for children • Social diversity and visible income inequality in cities increase tensions and may provide the temptation to commit crime 	<ul style="list-style-type: none"> • Lack of employment opportunities, services, and assets (both communal and personal) produce areas within cities that are centers of crime and desolation • Lack of safety net policies and programs 	<ul style="list-style-type: none"> • Diminished physical and mental health and low earnings • Damage/loss to property and increased costs for protection and health care • Depreciated social capital, such as loss of family cohesion and social isolation
Empowerment	<ul style="list-style-type: none"> • Illegitimacy of residence and work • Isolation of communities that are disconnected from jobs and services • Insufficient channels of information for obtaining jobs, learning of legal rights to services, and so forth • Not having the rights and responsibilities of citizens 	<ul style="list-style-type: none"> • Regulatory and policy frameworks for service provision, housing and land, and income-generating activities make the settlements and/or occupations of the poor informal or illegal," thereby denying the poor the rights of other urban citizens • Oppressive bureaucracy and corruption • Official or unofficial discrimination 	<ul style="list-style-type: none"> • Lack of access to urban services • Sense of isolation and powerlessness • Violence • Inefficient use of personal time and money to seek alternative forms of redress (for example, payment of bribes)

Figure 16.1. Cumulative Impacts of Urban Poverty



16.2.2 Context of urban poverty

There are a number of common misconceptions about urban poverty. It is important to correct these, and then to establish some basic premises about urban poverty:

Urban poverty is not necessarily an indication of economic failure. Urban poverty can to some extent reflect active rural–urban migration. This is because cities offer better opportunities for individuals to improve their welfare. Indeed, cities have historically served poor people as platforms for upward mobility. Efficient urban development can play a major part in combating national poverty, both by giving migrants the chance for a better life and—*even more importantly, from a country perspective*—by providing a marketplace where diversified industries and services become the engine of thriving national income growth. However, realizing the potential gains of rural migration to urban areas depends on how well cities and towns manage growth, provide good governance, and deliver services for households and private-sector enterprises.

Internal migration is not a major variable explaining urban poverty. Controlling migration is not a valid policy response to urban poverty. Studies of internal migration in many countries reveal that migrants are not necessarily among the poorest members of their original or receiving communities. Moreover, migration to cities from rural areas accounts for less than half of urban growth. In many countries, most urban growth is a result of two factors: natural population increases within cities, and the incorporation of formerly rural areas at the urban periphery. There are no simple relationships between migration and poverty. Policies that aim to restrict internal migration hurt the poor and the overall labor market and are usually ineffective (de Haan 1999 and 2000).

Urban conditions cannot be generalized across types of urban areas. Cities of different sizes tend to have different problems. Recent United Nations analysis of health indicators and of housing and basic services in large cities (more than 1 million population), small cities, and towns in 43 countries over the past two decades shows that welfare has been deteriorating for the residents of large cities—and particularly of fast-growing ones—in almost every region (Brockerhoff and Brennan 1998). This suggests that those

Table 16.2. Understanding Different Dimensions of Poverty: Asset Ownership and Vulnerability

<i>Dimensions of poverty</i>	<i>Distinctive aspects of poverty in cities</i>	<i>Assets</i>	<i>Policy areas to strengthen assets</i>
Income poverty	Dependence on cash for purchases of essential goods and services	Labor Productive assets such as housing	<u>Labor markets and employment</u> to support income-earning opportunities <u>Financial markets</u> to increase access to savings and credit schemes to improve their homes and businesses <u>Housing and land</u> to enable the poor to use housing as a productive asset <u>Health, nutrition, and education</u> to improve human capital (skills and health) for better jobs and income <u>Urban services</u> to increase the productivity of micro (and small-scale) entrepreneurs and street vendors
Education and health poverty	Residential environments are prone to industrial and traffic pollution due to juxtaposition of residential and industrial functions in cities Injury and deaths rising from traffic Industrial occupational risks—unsafe working conditions, especially for those in informal-sector jobs Overcrowded and unhygienic living conditions Constrained access to education due to insufficient school sizes in rapidly growing cities Inability to afford school expenses Personal safety/security risks deterring school attendance	Human capital	<u>Health, nutrition and education</u> to improve human capital <u>Urban services</u> to improve health, and access to education and health services <u>Environmental policies</u> to improve health and safety <u>Housing and land</u> to improve living conditions and thus human capital, particularly health <u>Labor and employment</u> for better working conditions <u>Social protection and safety nets</u> to increase the accessibility of the poor to health and education services
Tenure insecurity	Land and housing in authorized areas are not affordable, so the poor occupy land illegally and construct their houses without construction and occupancy permits	Productive assets such as housing	<u>Housing and land</u> to enable the poor to use their houses as productive assets and enable the poor to live in safe areas <u>Financial markets</u> to increase access to home ownership and tenure security
Financial insecurity	Dependence on cash income and lack of access to credits and safety nets	Human capital and labor	<u>Labor markets and employment</u> to support income-earning opportunities and decrease financial insecurity <u>Social protection and safety nets</u> to decrease financial insecurity <u>Financial markets</u> to decrease financial insecurity
Personal insecurity	Drug/alcohol abuse and domestic violence; family breakdown and reduced support for children; social diversity and visible income inequality in cities, which increase tensions and can provide the temptation for crime.	Social networks and household relations	<u>Social protection and safety nets</u> to support social capital (for example community-based organizations)
Social and political exclusion/ Disempowerment	Illegitimacy of residence and work Isolation of communities that are disconnected from jobs and services Insufficient channels to obtain information, for instance about jobs or legal rights Not having the rights and responsibilities of citizens	Social capital	<u>Social protection and safety nets</u> to strengthen social capital <u>Land and housing</u> to provide the poor with tenure security and legitimize their job and homes <u>Community-driven development</u> ^a to support empowerment of poor communities and provide them with citizen rights and responsibilities

a. Although Community Driven Development is not a policy area, but a model/tool of development, it is included in the above table since it is a primary means to empowerment of the poor communities

Box 16.1. Locating Urban Poverty in Brazil

A national urban poverty study in Brazil found that poverty is more severe the smaller the city size. This is true even in absolute terms; most of the urban poor live in small and medium-sized cities. At the same time, however, individual welfare outcomes in the bigger cities might be worse than income measures of poverty indicate (for example, due to the effects of crowding), suggesting that an increasing focus on smaller cities should not divert attention away from the persistent problems of the big cities, particularly in metropolitan peripheries. The study also confirmed high regional inequalities: poverty incidence (poverty headcount rate) was found to be higher for all settlement sizes in the northeast and northwest relative to other regions. In some city size categories, these two regions' poverty rates were higher than those in the rural areas of richer regions.

Source: World Bank (1999).

public policies that in the past seemed to favor certain cities are not counterbalancing the pressures of population growth on service capacities; nor are they addressing the failures of urban governance. Patterns also differ greatly by country (see box 16.1).

The concept of “city” is heterogeneous. Average welfare indicators presenting overall urban conditions cannot give a correct picture of poverty within a city. In cities, the poor and rich—with their different levels of assets—live together, and there are significant intra-urban differentials in social, environmental, and health conditions. Manifestations of poverty in urban areas can be strongly site-specific. It is important to know the social and physical conditions of different groups and neighborhoods within the city, the forms of deprivations that they suffer, and their numbers and characteristics. In Accra, Ghana, for example, death rates are as much as three times higher for those living in deprived urban areas than they are in other parts of the city. In São Paulo, Brazil, even noninfectious causes of death (chronic diseases, traffic accidents, homicides) have a much higher incidence in poor neighborhoods (Stephens and others 1997).

The urban poor is a diverse group. The urban poor comprise different groups with diverse needs and levels and types of vulnerability. These differences may be traced to factors such as gender, physical or mental disability, ethnic or racial background, and household structure; they also relate to the nature of the poverty itself (for example, long-term or temporary).

Urban poverty can be temporary or persistent. Poverty is a dynamic condition—people may move in and out of it, for example, due to major macroeconomic shocks. The economic crisis in East Asia in 1998, for instance, hit urban households especially hard, as demand for wage labor slackened and prices rose. The informal sector and the casual laborers are particularly vulnerable in times of economic recession. Increasingly, however, poverty in cities is found to be an entrenched, multigenerational reality for households that find their social and economic advancement limited even when household members have acquired basic education. In Brazil, for example, studies have found that the capacity for economic mobility of the poor has actually diminished over the past 30 years. Many families in Rio de Janeiro have been residents of slum neighborhoods for more than a generation (Perlman 1999).⁴

Poor urban governance and inappropriate policy frameworks contribute to the vulnerability of the urban poor. Corruption, inappropriate policies, and cumbersome regulatory requirements in cities lead to a variety of deprivations, such as inadequate infrastructure and environmental services, limited access to school and health care, and social exclusion. Better urban governance is therefore a necessary condition for empowering the urban poor and improving their opportunities and security.

Poor people are capable of helping themselves. They will successfully take proactive roles in development if they are allowed to participate in decisionmaking and are given the rights and responsibilities enjoyed by other urban citizens.

16.2.3 Assessing urban poverty

Income (or consumption) is the most frequently used proxy for poverty. Money-based poverty definitions and assessments provide a standard scale to compare different population groups. For comparisons across different types of settlements (such as between rural and urban areas), it is important that quantitative measures take adequate account of major differences in the minimum essential “consumption basket” and in the different prices faced for goods and services. Social indicators such as life expectancy and infant

mortality are also important. Definitions and benchmarks should allow comparison of the living conditions of different population groups. (Chapter 1, “Poverty Measurement and Analysis,” and chapter 7, “Participation,” provide guidance on relevant techniques.)

Assessing urban poverty nationwide is necessary to ascertain the overall level of poverty, as well as to understand differences in poverty trends within regions and within urban areas. Identifying such locational variations helps focus interventions on the cities or regions suffering the greatest levels of deprivation.

Local authorities need to assess the causes, characteristics, and location of poverty within their city in order to design appropriate poverty strategies and to make necessary regulatory changes. Up-to-date information on a city’s poverty and social development may be acquired through use of a city poverty assessment, a tool that uses various poverty indicators, such as those outlined in section 16.2.4 (Hentschel 1999; Moser, Gatehouse, and Garcia 1996a).

The components of a city poverty assessment are not unlike those of a national assessment. Various sources—including population censuses, household consumption surveys, public utility maps, and service records—can be used to structure an urban poverty profile. Governments and stakeholder participants should prioritize the indicators to be collected and used for producing urban poverty profiles at national and local levels. The analysis involves selecting the most relevant poverty indicators; determining at what intervals the indicators should be monitored; reviewing all available data sources; and selecting partners (for example, a national statistical institute) that can conduct data collection and possibly data analysis.

Differences both between and within cities need to be examined in constructing poverty profiles. National poverty assessments generally present a picture of differences among urban populations. For example, in Argentina a recent national poverty assessment demonstrated enormous differences among cities: while the share of population with unsatisfied basic needs was only 8 percent in the federal capital, the average for the 25 urban areas was almost 17 percent.⁵ In 14 of the 25 urban areas, the level of unsatisfied basic needs was shown to be more than twice the national average (World Bank 2000c).

Further, in a study undertaken by the city government of Buenos Aires, data on access to basic infrastructure were broken down into 21 districts within the city, revealing wide differences in access to services. In 13 of the districts in 1991, less than 8 percent of the population lacked basic services, but in four other districts that proportion was more than two or three times greater. In two districts in the south of the city, the basic needs of 20 and 26 percent respectively of the population were unsatisfied (World Bank 2000c).

A poverty profile at the city level provides a snapshot showing who is poor, where they live in the city, their access to services, and their living standards—a picture that contributes to the targeting of poverty measures. Table 16.3 shows the spatial distribution of urban poverty within Karachi.

The allocation of public expenditures among the urban population, particularly for infrastructure and social services, can also be examined. It is important to know the incidence of expenditures at both the national and city levels. Which cities, which type of households, and which areas in the city benefit from public expenditures? Incidence analysis by type of households requires the availability of household surveys. Incidence analysis by geographical location requires data from planning and budget offices asking where expenditures in the city are made and where taxes are raised (see chapter 6, “Public Spending,” for details).

In addition to providing a snapshot of poverty, it is important also to examine how city living conditions are changing, and therefore on whether or not the city is moving in the right direction. For example, poverty in the city may be low relative to that in other areas, but indications that it is increasing over time would alert policymakers and enable them to take preventative actions. Changes over time can also provide insights into the factors that help people grow out of poverty or fall into it. Measuring changes over time requires consistent definitions and measurement of poverty indicators.

Combining quantitative and qualitative analyses can help to capture the different aspects of poverty. Self-assessment methods, for example, reveal people’s perceptions of their own poverty and deprivation,

Table 16.3. Poverty Clusters in Karachi, Pakistan

<i>Zones</i>	<i>Poverty rate</i>	<i>Share of total poor households</i>	<i>Share of total population</i>
Old city	61	18	12
Old settlement	56	10	7
Korangi	49	12	10
Site	59	27	18
Serviced areas	54	11	8
Rural fringe	67	7	4
Total Karachi		16	41

Note: Figures are in percentages.

Source: Altaf and others (1993).

as well as their priorities for poverty-reduction measures (see chapter 7, “Participation”). Box 16.2 provides an example.

16.2.4 Indicators of urban poverty

Poverty diagnostics and the monitoring of results require appropriate indicators. Table 16.4 suggests a menu of indicators to assess and monitor both the visible causes and the policy-related causes of the various dimensions of poverty. Many of the indicators shown here, especially in the Impact/outcome indicators column, are essentially the same as those suggested in the Overview. Selecting indicators is an important basic task in strategy formulation.⁶ The chosen indicators should be used to assess the depth of problems over time and in relation to external benchmarks. Indicators need to be developed to facilitate stakeholder participation—indeed, the selection of indicators can be an essential focus of participation. Once validated, the selected indicators can be used to increase the accountability of the public and private sectors to poor people.

For assessing urban (and rural) poverty, and especially to identify policy interventions, it is desirable to collect indicators at the lowest practical level of aggregation. The indicators that derive from household survey data (such as data on expenditures and access to services) are often produced as averages for all urban areas of a country. However, this degree of aggregation often masks important differences among the different types of urban areas—for example, small or newly growing cities, compared with large and well-established cities (see also chapter 3, “Monitoring and Evaluation”). Differences between the residents of slum-type settlements and better-serviced neighborhoods in the same city can be dramatic. Identifying such differences—by mapping key indicators by location within cities or even by combining data sources with Geographic Information Systems (GIS)—can help target interventions to pockets of greatest deprivation.

Some of the indicators in table 16.4 are based on data collected by public agencies, including, for example, mortality and morbidity rates by disease, school enrollment rates, and utility connection rates. These can be good starting points for formulating a poverty-reduction strategy. But to identify better targeted policy responses, such data need to be differentiated by income group and/or by location within a city. Sample surveys can be a relatively quick and cost-effective way of refining general data to achieve such differentiation. The choice of indicators will vary with the urban poverty reduction strategy and should be decided by the stakeholders involved. A suggested minimum set of indicators that may be useful as basic instruments is suggested in table 16.4.

Box 16.2. Economic Crisis and Unemployment in Haiphong, Vietnam

The Haiphong city economy was badly affected by the Asian financial crisis and the deterioration of Haiphong port. Unemployment rose to 15 percent. Jobs are increasingly informalized. Rural-urban migration is continuing. The labor force is growing, but the technologically outdated industries and a shrinking service sector do not provide sufficient employment. In a city poverty survey, 42 percent of households rated unemployment as the most important factor leading to reduced living standards; 23 percent rated instability of income as most important. Not surprisingly, stable and secure employment was cited by 62 percent of respondents as the most urgent requirement to improve their living standards.

Source: Luan and others (1999).

Table 16.4. Indicators of Urban Poverty⁷

<i>Poverty dimensions</i>	<i>Intermediate indicators</i>	<i>Impact/outcome indicators</i>
Income	<ul style="list-style-type: none"> • Access to credit (for example, percentage of the target population using or eligible for credits from formal finance organizations, including for housing and productive uses) or the share of credits used by the target group in the total loans offered by formal finance organizations)—C,I * Shares of informal employment—C,I • Share of household expenditures on housing (lowest two quintiles)—U,C,I * Model shares of transport for work trips—C,I • Share of household expenditures on transport (lowest two quintiles)—U,C,I • Mean travel time to work—C • Access to electricity—U,C,I * Regulatory delays (such as licensing burdens on small and microenterprises [SMEs])—C • Land development controls—C • Coverage of social assistance—C 	<ul style="list-style-type: none"> * Poverty headcount—U,C,I • Poverty gap—U,C,I • Extreme poverty incidence * Female-headed households in poverty—U,C,I • Income inequality (Gini coefficient)—C,I * Quintile ratio of inequality—C,I • Unemployment rate—U,C,I • Housing price/income ratio—C
Health	<ul style="list-style-type: none"> • Share of household expenditures on potable water and sanitation—U,C,I * Percentage of households connected to water/sewerage—U,C,I • Per capita consumption of water—C,I • Percentage of wastewater treated—C * Percentage of households with regular solid-waste collection—C,I • Percentage of solid waste safely disposed of—C * Crowding (housing floor space per person)—C,I • Air-pollution concentrations—C • Shares of sources of household energy—U,C,I • Access to primary health services—U,C,I • Access to nutritional safety net—C,I • Share of household expenditures on health care (lowest two quintiles)—U,C,I • Share of household expenditures on food (lowest two quintiles)—U,C,I 	<ul style="list-style-type: none"> * Infant and under-5 mortality—U,C,I • Maternal mortality rate—U,C,I • Life expectancy at birth—U,C,I • Female-male gap in health (under-5 mortality rate by sex)—U,C,I • Malnutrition rate of children—U,C,I * Morbidity and mortality rates from public health/environment-related diseases (for example, diarrheal, respiratory, malaria)—U,C,I • Death rates by violence—U,C,I • Injury/death rates by transport accidents—U,C,I • Mortality rates by disaster—U,C,I
Education	<ul style="list-style-type: none"> * Primary and secondary school enrollment rates—U,C,I • Access to vocational training—U,C,I • Share of household expenditures on education (lowest two quintiles)—U,C,I 	<ul style="list-style-type: none"> • Literacy rate—U,C,I * School completion rates—U,C,I • Gender gap in education attainment—U,C,I • Child labor—C,I • Street children—C,I
Security —Tenure —Personal	<ul style="list-style-type: none"> * Population in unauthorized housing—C,I • Population living in precarious zones—C,I • Scope of disaster prevention/mitigation measures—U,C • Access to police and legal system protections—C,I 	<ul style="list-style-type: none"> * Percentage of households with secure tenure—C,I • Deaths from industrial or environmental disasters—U,C,I * Murder rates (and rates of other crimes, such as domestic violence, child abuse, robbery)—C,I
Empowerment	<ul style="list-style-type: none"> * Extent of public consultation in local government budget decisions—C,I • Participation of residents in political or community organizations—C,I • Discrimination in access to services/jobs—C,I • Access to telephones and internet—U,C,I 	<ul style="list-style-type: none"> • Citizen involvement in major planning decisions—C,I • Public access to information about local government decisions, services, and performance—C,I * Satisfaction with city services—C,I

* indicates suggested basic or “core” indicators

Indicator can be collected at different levels of aggregation: U = nationwide urban average or total (all urban areas combined); C = city-specific (citywide rate); I = intracity (for example, neighborhood/ward level)

Among the Interim Poverty Reduction Strategy Papers (IPRSPs), there is some variation in terms of the availability and level of disaggregation of poverty indicators, ranging from a general description of the rural–urban distribution of poverty to more specific disaggregation between regions and groups. IPRSPs from Guinea, Ghana, Mozambique, Madagascar, and Guyana present disaggregated information on the incidence of poverty. Most notably, Guyana’s report refers to differences not only between rural and urban areas, but also within the urban areas. Although the lowest incidence of poverty is in the urban areas, there are also pockets of above average rates of poverty in cities.

Where to get help in collecting and using urban indicators

Many cities are poorly equipped to collect and track urban indicators, including poverty data. This poses a serious obstacle to poverty reduction efforts. To establish sustainable indicator systems at the national or local level, significant capacity-building inputs are required. The Urban Observatory System is a worldwide information and capacity-building network established by UNCHS (Habitat) to help governments, local authorities, and civil society improve the collection, management, analysis, and use of information in formulating more effective urban policies (see technical note M.1). The UNCHS (Habitat) Urban Indicators Program has developed a system of comparative urban indicators (see <http://www.urbanobservatory.org>). Examples of these indicators include the number of households below the poverty line; informal employment; child mortality; school enrollment rates; access to potable water; and floor area per person. Several other efforts to collect data and to develop indicators about different aspects of urban development are currently under way (e-mail urbanhelp@worldbank.org for further information).

16.3 How to Select Public Actions to Address Urban Poverty

16.3.1 Wider impacts of urban poverty reduction

Should national and local policymakers design public actions specifically to address urban poverty? The benefits to be gained, both for the poor and nonpoor, include:

- ***Reducing social inequality.*** Social and economic inequalities, which are particularly apparent in urban areas and are growing in many cities (Bump and Hentschel 1999), can lead to social and political clashes. Poverty reduction tends to decrease inequality and thereby social tensions.
- ***Avoiding large-scale health and environmental problems.*** Health and environmental problems due to lack of proper services in slum areas can affect a whole city, as evidenced by urban outbreaks of cholera and plague in recent years (see box 16.3). Problems of inadequate water supply, sanitation, solid-waste disposal, and storm-water drainage—which affect the urban poor first—also create negative spillovers, such as the reduction and deterioration of the groundwater table and of surface water bodies.
- ***Mitigating the impacts of disasters.*** The poor in many developing cities live on marginal land prone to environmental hazards such as landslides and floods because they cannot afford safe and well-serviced sites. Giving poor people better settlement options can mitigate the impact of environmental hazards. Furthermore, measures that build the poor’s physical, financial, and social assets (for example, better social protection policies, better-quality housing, and stronger community organizations) can help them to handle the effects of disasters such as floods, earthquakes, and industrial accidents.
- ***Supporting local economic development.*** Helping the urban poor to improve their living conditions and human capital can support a city’s productivity and economic growth. Residents of slum settlements constitute a large proportion of the labor force in many cities—frequently in the range of 40–60 percent. Unhealthy living conditions, lack of access to education, domestic and community violence, and social exclusion decrease the productivity of the urban labor force and hence, impede economic activity. Policies and programs to reduce poverty can not only increase the productivity of the poor, but can also raise consumption, thereby boosting local economic development for the benefit of all. Cities that are inhospitable to business and that deter investors usually represent even worse prospects for their poorest residents.

Box 16.3. A Mayor’s Concern: Health Problems Pose Larger-Scale Externalities

One metropolitan mayor in Turkey criticized the regulations preventing service provision to *gecekondus* (informal settlements) and explained his own approach: “Obviously I bring water and sewerage to *gecekondus*. We have to bring services to places where people are living. Legally it is a crime, but I use my own initiative. If there will be an epidemic in one of the *gecekondu* areas, it will affect not only the whole city, but the whole region. Then it will be my problem again, and it will be a huge problem.”

Source: Baharoglu and Leitmann (1998).

- **Promoting national economic growth.** Measures designed to create healthy and productive environments for the urban poor should bring about the lowering of transactions costs and the provision of local public goods. Such measures are essential also to the functioning of cities as effective marketplaces for the national economy.

In general, poverty reduction strategies do have a rural focus. This is particularly true for Africa, where (with the exception of a few countries) urbanization levels are low. Some IPRSPs, including Cameroon and Mauritania in Africa and Cambodia in Asia, also devoted attention to their urban areas, taking into consideration their ongoing rural–urban migration, the role of cities as markets and service centers, and the fact that rural and urban developments are interlinked. Niger’s strategy paper specifically mentions the integration of rural and urban economies through the development of small and microenterprises and investments.

16.3.2 Policy frameworks for responding at scale

The different dimensions of poverty and their causal factors underscore the need for policy and institutional reforms at the national as well as at the city level in order to improve the conditions facing the poor. Programs that can directly benefit the poor in the short- to medium-term (described in section 16.3.3) may be scaled up. Policy and institutional reforms can promote the longer-term scope for poverty reduction by fostering the broad-based economic growth of cities through the development of efficient and well-integrated markets for labor, land and housing, and finance, and through effective public finance and responsive urban governance. The suggested roles of central and of local governments in these policy areas are summarized in section 16.3.4.

Many of the related public policy issues are also discussed part 3, “Macroeconomic and Structural Issues” (chapters 12 and 13); part 5, “Human Development” (chapters 17–19); and part 6, “Private Sector and Infrastructure” (chapters 20–25); thus, they are not included in the policy framework of this chapter.

Labor markets and employment

Employment opportunities for the urban poor can be constrained by a diverse range of factors, including poor macroeconomic conditions, regulatory constraints on small businesses, insufficient infrastructure, inadequate education and training, and bad health. A range of issues concerning labor-market regulations and legislation—for example, employment protection rules such as minimum-wage laws and hiring and firing regulations—can also have a counterproductive effect on the poor by increasing labor costs and thus constraining job opportunities (see chapter 17, “Social Protection”).

Possible policy interventions discussed here include support to small enterprises and microenterprises (including street vendors); increasing access to job opportunities; supporting residual subsistence (urban agriculture); supporting home-based income-generating activities; and safety nets and social insurance.

Support to small enterprises and microenterprises

For the urban poor, small enterprises and microenterprises can be an important source of income and employment (including self-employment) where no other alternatives are available. In many cities, a substantial share of the working population—sometimes as high as 50 percent—is engaged in microenterprise activity (see box 16.4).

Box 16.4. Informal Enterprises in South Africa

Toward the end of the 1980s, at least 30 percent of the total South African labor force was engaged in informal work. A distinction can be drawn between two categories of informal enterprise. In the first category are those survivalist enterprises undertaken by people unable to secure regular wage employment. The second category is that of microenterprises, which are very small businesses. Microenterprises often involve only the owner, his or her family members, and a few paid employees. These enterprises usually lack the trappings of formality (such as business licenses, formal premises, operating permits, accounting procedures), and most have only a limited capital base. Their operators typically have only rudimentary business skills. Nonetheless, many microenterprises have the potential to develop into larger and more formal business enterprises. The major focus areas for policy interventions that would allow this potential to develop include financing and credit, infrastructure and service provision, training, and urban management.

Source: Rogerson (1996).

Vendors stay small and mobile because they cannot afford the start-up capital to establish themselves in a permanent market where they are subject to inspection and where they have to pay rent, fees, and taxes. Many governments claim they want to stimulate microenterprises. Despite that, governments often respond to these businesses by sweeping mobile sellers off the street into back alleys, subjecting them to strict regulations, or prohibiting selling altogether. They may also deny microenterprises the rights and permits to occupy permanent spaces.

Various activities to improve business environments should be considered. Regulations on hygiene, license fees, and area restrictions should be reviewed. Do they help small enterprises and microenterprises to improve their services and operate in a better way? Or do these regulations constrain their activities and prevent them from operating effectively? Land-use decisions, such as inner-city revitalization projects, often can disadvantage small enterprises and street vendors. Regularization efforts, such as high license fees, can also be detrimental for small and microenterprises. In Kumasi, Ghana, the informal sector represents around 70 percent of employment. When the Metropolitan Assembly tripled license fees, it provoked a major confrontation with traders whose livelihoods were threatened by the fee hike (Devas and Korboe 2000).

Identifying and addressing constraints may be best approached by working jointly with traders. In Senegal and Nigeria, local governments and the different types of traders were brought together by an independent body to jointly analyze their problems and to come up with solutions. Working closely, the traders and the governments identified two crucial issues: the need to build additional cleaner marketplaces in areas where traders want them, and the need for traders to organize themselves for development and enforcement of marketing rules (Tinker 1997).

Providing advice and infrastructure can increase the productivity of microenterprises and their ability to operate in accordance with safety and hygiene regulations. It can also foster networking and subcontracting opportunities. Local authorities can also collaborate with large companies and help to initiate training programs. For example, a network of local service centers is planned in the Pretoria Witwaters-Vereeniging region, the economic hub of South Africa, to provide information and business-advice services, including training, mentoring, business plan preparation, marketing, and subcontracting support, to small and microenterprises.

National governments and/or city authorities may need to develop simple and appropriate taxation policies for small businesses and the banks that serve them. For instance, small enterprises and microenterprises should not be required to provide detailed invoices, since this may be beyond their capabilities.

A number of IPRSPs, including Sao Tome and Principe, Mauritania, Zambia, Kenya, Niger, Mozambique, Cameroon, Nicaragua, and Guyana refer to support for small and microenterprises as a means to tackle unemployment and poverty in urban areas, or as an approach to the integration of rural and urban economies. For example, Kenya's IPRSP refers to the growing microenterprise and small enterprise sector in cities, and envisages the development of the sector's technical and management capacity. An action plan is being designed to assist street vendors, who represent 70 percent of these microenterprises and small-scale enterprises. Zambia's IPRSP cited increasing access to job opportunities, both formal and informal, as a means of achieving urban poverty reduction. Increasing the productivity of urban microenterprises and the informal sector is identified as one of the four main pillars of the country's poverty reduction strategy. Nicaragua's PRSP declares that the generation of employment and income by small businesses,

particularly in towns close to urban centers, as a priority for economic growth. The Ministry of Development, Industry and Trade and the National Institute for Small and Medium Enterprises have jointly developed a plan to foster the competitiveness of small businesses.

Increasing access to job opportunities

Improving physical access to jobs and markets can be facilitated through better and more affordable transport services to low-income settlements (see chapter 22, “Transport”).

Land use and zoning decisions should allow poor households and firms to have spatial mobility. Such regulations should not oblige households to reside far from employment opportunities, and should also avoid creating incentives for businesses to locate to areas far away from their workers (see box 16.5).

Specific ways in which governments can improve employment opportunities for the urban poor include:

- **Revising regulations that discourage employment.** For example, high payroll taxes and other charges can make formal labor contracts rigid and expensive. Niger’s PRSP refers to the revision of the labor code to increase wage flexibility and worker mobility in order to improve the business environment and to support private sector development.
- **Facilitating the flow of information on jobs and markets for products.** For example, government may create publications and support NGOs and other organizations that provide such services (see also chapter 8, “Governance”).
- **Providing practical job training.** The ability of the poor to benefit from growth requires good basic education and can be enhanced through job training programs. Cities can organize job training programs and workshops in collaboration with the private sector and central government to enhance the skills of the labor force.
- **Facilitating child care to enable women to work.** Governments can initiate simple and cost-effective programs with the help of NGOs and community-based organizations (CBOs) and support them with modest subsidies. Cities must ensure basic hygiene and safety through advisory services and minimal regulations. One example of such programs is the community day-care centers started in Latin America. Under one approach, a woman from the community is selected to take care of a number of neighborhood children in her home. Usually parents and the government (central and/or local) share the cost of supplies and of the salary of the day-care provider. Food donations are often provided for feeding the children. The caretaker also receives training in basic hygiene and in early-childhood stimulation activities. The extent of program coverage varies widely between countries; in Latin America, for example, 3,500 children are served in Guatemala City, compared with 800,000 in the urban areas of Colombia. Little information is available on the costs and benefits of these programs, but the high demand for the program and its popularity in Latin America suggest that this can be a successful approach to providing child-care arrangements for working parents, and especially for single women (Ruel and others 1999).
- **Supporting the sectors that have the greatest capacity to generate employment.** For example, the construction sector (including housing and infrastructure) accounts for between 40 and 70 percent of gross fixed-capital formation in developing countries. It also tends to be labor intensive (UNCHS/ILO 1995). But lack of financing mechanisms for both developers and homebuyers and undeveloped land markets can impede construction activity (see “Land, housing, and urban

Box 16.5. Zoning Decisions and Job Access

In Jakarta, Indonesia, the pattern of industrial growth is resulting in the movement of low-skill manufacturing jobs to distant suburban locations. Jakarta has already made street vending illegal by severely restricting the informal food-processing and service industry. Many low-income residents in Kampung settlements would be financially better off selling their land and moving to the suburbs where job and business opportunities are located, but the system of land rights prevents migration: since Kampung residents typically lack secure title to their land, they cannot sell it to developers for new uses. Many workers must therefore make a long commute to the suburbs each day, and many others remain under- or unemployed. The result is a no-win situation for both workers and the city.

Source: World Bank (2000b).

services” subsection under section 16.3.2). Governments can also support labor-intensive construction methods, such as self-help housing. Support for formal and self-help construction can boost employment and investment (Gilbert 1992). Georgia’s IPRSP aims to decrease unemployment both by strengthening the housing and construction sectors and supporting small enterprises and microenterprises. Cambodia’s IPRSP similarly sets as a priority job creation for surplus rural labor migrating to the cities, specifically supporting labor-intensive manufacturing such as garment production; by attracting labor from rural areas, this plan would increase rural productivity as well as urban employment.

- **Creation of short-term employment**, for example, through public works programs. Such programs typically address urban infrastructure deficiencies through small works investments (see “Land, housing, and urban services” subsection under section 16.3.2). Although the jobs created are only short term, such programs provide temporary supplements to income and support small-scale entrepreneurs. Mauritania’s IPRSP provides an example of commitment to small public works. It calls for new urban infrastructure programs to be carried out using labor-intensive activities. The stated goal of these programs is to improve living conditions in poor neighborhoods while at the same time creating jobs and temporary incomes for the urban poor.

Senegal’s 1989 Public Work and Employment Project was designed to address an urgent unemployment situation in an innovative way, by setting up a public works contracting agency (known as an AGETIP, Agence d’Execution de Travaux d’Interet Publique) with not-for-profit status. (See also technical note M.3: table M.5 and box M.23.) Senegal’s AGETIP has gained success through its businesslike way of undertaking small public works. The first operation created a significant number of temporary urban jobs in the construction sector: about 8,700 person-years as compared to the 7,000 estimated at the time of appraisal. Over a three-year period, the AGETIP executed more than 400 microprojects, such as roads, sidewalks, drainage, schools, clinics, and other public buildings. Ninety percent of the projects cost less than \$200,000 and were built by small and medium-sized enterprises. Operations based on similar principles were also undertaken in Benin, Angola, Mauritania, Burkina Faso, and Mali. Stakeholders evaluating these projects noted their favorable impact on employment, with all groups reporting a high impact also on income and local capacity building. The projects quickly created many jobs, most of them benefitting unemployed urban males. However, the jobs that were created were mostly temporary (Frigenti and others 1998).

Supporting residual subsistence (urban agriculture)

The poor often diversify their income sources. Common strategies among the urban poor include receiving food support from their rural place of origin, using their homes as a work place, and engaging in urban agriculture. Studies estimate that as much as 40 percent of the population in African cities and up to 50 percent in Latin America are involved in urban agriculture. Many of the producers are women (Ruel and others 1999).

Urban agriculture enables the poor to meet their subsistence needs and can provide extra income. It can also improve nutrition and health. Many municipalities, however, discourage or prohibit urban agricultural activities, primarily because of the associated health problems that may be caused by parasites, pests, and waste disposal. For example, in Nairobi, Kenya, livestock and horticulture activities within the city are illegal. In Kampala, Uganda, land-use and health laws forbid urban agriculture. More than one-fourth of the city’s farmers face harassment by property owners and eviction threats from the city council. Urban agriculture has nonetheless been quite successful in some countries, and in recent times some governments have come to acknowledge this. For decades, city authorities in Lusaka, Zambia, enforced laws against crop production in the city. However, in 1977, faced with serious economic decline, the president urged urban dwellers to grow their own food. The Lusaka City Council stopped enforcing the anti-urban agriculture laws and government stores subsidized seeds for fruits and vegetables (Ruel and others 1999).

Frequently urban farmers do not own the land they farm; rather, they use public space or privately owned vacant lots, with or without the owner’s permission. Land owners and farmers may enter into informal agreements, but because of inadequate laws governing tenancy, lease, and appropriate use,

private land owners do not formally lease their land. With low tenure security and questionable legality, the farmer therefore is not motivated to invest in the land.

The larger picture is complex. Because governments do not recognize the legal existence of urban farming, planners often do not think about how to provide city farmers with water and drainage infrastructures. Governments also make little provision for research and the extension of urban farming techniques. For example, Tanzania's National Urban Water Agency has strongly opposed the use of water for urban farming, imposing a fine on such use. The situation is even more difficult for women, who face both legal and cultural biases against owning or even leasing land.

Municipalities can remove obstacles to urban agriculture by reviewing land-use planning and zoning decisions and adopting more flexible regulations. Regulations may need to be reviewed for relevance within the city's economic and social context. In cities where urban agriculture is a common subsistence strategy, more flexible regulations could help the poor develop their efforts at agriculture rather than prohibit them. Municipalities should also provide basic infrastructure and develop and implement environmental/public health measures against parasites and pests. At the same time, promoting and coordinating access to information on cropping patterns, use of fertilizers, and access to credits and marketplaces could support poor urban farmers. Efforts of this nature were made in Dar-es-Salaam, Tanzania, and delivered by NGOs and cooperatives; and in Lota, Chile, support for urban agriculture has led to a 30 percent increase in family income (Wegelin and Borgman 1995).

Supporting home-based income-generating activities

Like urban agriculture, home-based production (cottage industry) is also an important income-generating activity among the poor. Not only can housing space be used to earn rents, but homes also can accommodate commercial and manufacturing activities (Gilbert 1992; Kellett and Tipple 2000). Planning policies and land-use regulations tend to be based on the principle of maintaining the separation of housing and productive activities. City authorities often prohibit cottage industry to avoid health and safety hazards.

In view of the potential importance of home-based production for the urban poor, regulatory frameworks could be adjusted to permit such activity while maintaining safety. They could also support the provision of necessary infrastructure. City authorities could provide:

- infrastructure services (electricity, telecommunications, water, and sanitation) that would increase the efficiency and productivity of home-based activities;
- information and advisory services relating to potential markets for the products made, and provide access to credit for small and microenterprises;
- information and training on safety measures and labor rights;
- practical vocational training courses; and
- basic health care.

These points are important to stimulate economic activity and to prevent urban hazards. But they have another value. Home workers are often isolated and invisible, and fall prey to exploitation by factories and middlemen. A sound pro-cottage industry framework would overcome such exploitation (Kellett and Tipple 2000).

Safety nets and social insurance

Social insurance benefits include pensions and unemployment insurance. Safety nets/social assistance interventions include various cash and in-kind transfers programs that supplement income, such as child feeding and vouchers for schooling and housing (see chapter 17, "Social Protection").

A major issue for the urban poor is that they are usually self-employed, often in unregistered (informal sector) activities, or that they have only occasional wage employment. Social insurance benefits that depend on workers' contributions rarely provide adequate income replacement for workers in the informal sector or for workers whose employment in the formal sector is occasional. This underscores the importance of measures (as noted above) to better integrate the poor into the

regular labor market as registered small firms and employees, so that they can have basic benefits and legal protection. In the absence of such measures, workers must rely on safety-net interventions that supplement their income through a variety of cash or in-kind transfers. Social assistance programs are often financed by the national government but administered by local government. Capacity building of local governments (see section 16.3.2) therefore is also important to ensure the effectiveness of these programs. NGO programs could also be fostered by government to assist the poor who remain outside formal employment.

Land, housing, and urban services

The vulnerability of the urban poor is exacerbated by the inadequate provision of basic public services, as well as by the policy and regulatory frameworks that govern land and housing supply and property rights.

This section discusses policy reforms in the areas of tenure security and property rights; land and infrastructure development regulations; and planning procedures, building codes, and construction permits. Mauritania's PRSP comprehensively considers urban poverty. It cites three factors as the primary causes of the insufficient provision of services and the illegal occupation of urban land: the inadequate regulatory structure of urban development; insufficient coordination between various actors (that is central government, local communities, and professionals); and the inadequate capacity and tools of urban planning. Honduras' PRSP, in referring to settlements prone to environmental hazards in and around cities, indicates that the problem is exacerbated by poor urban planning and land shortages.

Tenure security and property rights

Illegal occupation of public or private land is often the only option for most of the urban poor. Lack of secure tenure is therefore a common problem in many low-income countries. In transition countries, illegal occupation is not a common practice (except in Tirana, Albania) but unclear property rights remain a serious problem. Furthermore, in these countries, widespread public ownership of urban land and vague transaction rules constrain land transactions and thus limit individuals and small-scale developers from accessing urban land. Armenia is one such example (see box 16.6)

Public authorities need to establish systems to provide tenure security—for example, freehold titles or use rights—that take into account their country's culture and the particular circumstances of its different communities. The aim should be to incorporate common practices into a formal system (see box 16.7). Should the majority of land acquisition practices and tenure systems not fit into the existing legal system, the regulatory and policy frameworks should be adjusted to incorporate those practices.

Systems need not be restricted to freehold titles, but can be flexible. For example, protected-use rights can be gradually upgraded to full ownership rights. In general, public authorities need to establish and publish guidelines for property registration and development, and property rights should be designed to allow the free transaction of property. Owners should also be allowed to use their property as collateral.

Box 16.6. Land Supply in Armenia

More than half the land in the major cities of Armenia is controlled by municipalities. This restricts land choice and acquisition, distorts real estate prices, and prevents the development of land markets. Mechanisms through which municipal land and other publicly owned real estate are made available are murky, and the authorities have been conservative in privatizing urban land stock. When the new land code was passed in 1991, it allowed only plots of 400 square meters or larger to be privatized and registered to owners—a size well above that most of the populace could afford.

Urban housing is the prime responsibility of the Ministry of Housing and Urban Development, but urban land is still under the responsibility of the Ministry of Agriculture. This confusing situation often leads to delays and gaps in decisionmaking and implementation regarding urban land matters.

Source: Informal sector note on American Housing and Earthquake Zone Issues. World Bank (1997).

Box 16.7. Legalization of Tenure in Peru

In the mid-1980s in Lima, Peru, there were an estimated 320,000 lots located in *barriadas* (illegal squatter settlements), about half of which were registered. To develop the housing market by integrating informal cities, a large-scale “system for regularization of ownership” (PROFORM) was set up. This was a departure from the generally accepted thinking whereby regularization equals individual incorporation into the formal sector. Instead, PROFORM attempted to establish a link between informal practices and the legal system. Approved in 1988 by legislative decree, this revision of the legal framework integrated certain informal standards that defined relationships within the sector. It also created the *Registro Predial*, where regularized urban and rural plots are registered.

The principles of the system are as follows:

- a) Proof of property is recognized, as in the informal sector, through such criteria as permanence of occupation, electricity bills, and census data. This allows for the transmission, transfer, and mortgaging of registered plots. Various laws were brought under one standard and the bottlenecks of regularization procedures were eliminated.
- b) A single body is in charge of regularization, the sole objective of which is to give titles and register property.
- c) The procedure integrates communities, rather than individuals. The new system verifies using private lawyers and engineers rather than public servants. It also involves the community for information gathering, and introduced a simple but efficient accounting system.

By June 1995, official figures indicated that more than 220,000 plots had been registered through this procedure.

Source: Durand-Lasserre and Clerc (1996).

It may often be possible to sell occupied public lands to resident communities or individuals, although such initiatives may require the involvement of community groups to prevent exploitation through illegitimate claims by people who have not established residence on the land in question. For example, the National Community Mortgage Program of the Government of the Philippines made it possible for squatters to buy the land they had occupied for an extended time.

A number of PRSPs examine the use of property rights as a means of reducing the vulnerability of the poor. They often envisage improving legal frameworks and registry systems, but fewer make specific reference to the urban context of property-rights reform: Mauritania, Bolivia, Guinea, and Kenya do focus on tenure security and property rights in cities. Bolivia’s PRSP indicates that the lack of title deeds, especially in peri-urban areas, is an important factor increasing the vulnerability of the poor, and declares that steps will be taken to update urban property cadastres and real-estate registry systems to establish and improve the registration of urban property, and to establish a municipal appraisal system. Kenya’s IPRSP indicates that a Presidential Commission is examining the country’s Land Law. It also states that about 30,000 plots will be apportioned under the squatter regularization program to provide tenure security, and that some 300,000 titles will be issued following adjudication/settlement procedures. An overall reform of the legal framework also is envisaged, with particular reference to the ownership rights of women.

Land and infrastructure development regulations

Several factors may limit urban land supply. These include extensive public ownership of land and unclear land transfer procedures (most common in transition countries); unrealistic standards for land and infrastructure development; complex procedures of urban planning; and unclear responsibilities of public agencies.

Regulations both at the national and city level should support:

- **Transparency in land provision**, by establishing a clear division of authority among public agencies and simple rules and mechanisms (which are accessible to all), and by establishing private property rights.
- **Easy market transactions** through clear and simple sales and registration procedures and taxation policies. In some countries, high rates of sales taxes constrain official transactions, which lead to illegal transactions. This perpetuates the lack of clear ownership.
- **Better utilization of public land while improving access for the poor** through practical and transparent methods (see box 16.8). Public land owned by national authorities, such as treasury or crown land, can be a major problem since cities may not have planning or development rights to such land. In many countries, including Pakistan, Turkey, and Egypt, such land is often occupied and subdivided by informal agents and sold to the poor.

Box 16.8. Government-Promoted Squatting in Pakistan

In 1986, the Hyderabad Development Authority (HDA) began investigating the low occupancy rate of government land in the city and the functioning of the informal housing sector. As a result of its findings, HDA decided to carry out an experiment in government-promoted squatting. HDA adopted a strategy of using *dalal* (private informal entrepreneurs) to provide the poor with plots at an affordable price. State officials, police, and other relevant agencies gave tacit recognition to the *dalals'* informal occupation of land; the *dalals* subdivided the occupied land, to the extent permitted by government planning regulations. Some plots were held for speculation and sold for commercial use, thus cross-subsidizing the price of plots for low-income customers.

The plots thus provided to the poor were regularized, though initially unserviced. The procedure began with the earmarking of an open plot as the “reception area.” Families in immediate need of shelter were required to begin by bringing their belongings to the reception area, where they had to erect a makeshift house. Later they were moved to a plot of their own, measuring 80 square meters, where they could erect a more permanent shelter. The *dalal* have not been completely replaced, but they continue to provide construction materials and advisory services and to locate and move people to the site. HDA has taken over the role of the subdivider. It also has taken over the role of lobbyist. In illegal subdivisions, settlers often must pay large sums of money to lobbyists working on their behalf; now HDA provides that service at no charge; furthermore, HDA as a government agency is better placed than any private operator for this role.

Source: Durand-Lasserre and Clerc (1996).

- *Increased access to serviced land*, by reassessing unrealistic standards and regulations that impede entry (see also chapter 23, “Water and Sanitation”). In the state of Uttar Pradesh, India, for example, the minimum standards established under the Regulations of Building Operations Act specified minimum plot sizes and infrastructure standards that only the top 5 percent of households could afford (World Bank 1993). Infrastructure standards should be made relevant to the effective demands and incomes of the poor. Households can make their own tradeoffs between the cost and quality of services.

National poverty reduction strategies often do recognize inadequate basic infrastructure, particularly in slums, and seek to increase water and sanitation services to alleviate poverty in cities. Countries where rural–urban migration is increasing the pressure on urban services—including Albania, Mauritania and Cambodia—plan to increase the supply of services to squatter settlements through community participation and labor-intensive infrastructure projects. These are appropriate responses, but it is also vitally important to revise infrastructure standards and evaluate them against the needs and affordability of the poor to ensure that such programs are replicable at larger scales. Burkina Faso's PRSP calls for simplified water-supply systems in secondary cities and seeks a regulatory framework to cover all the principles of service provision, including standards and rates. Another example comes from the Philippines where, in 1982, legislature enabled the liberalization of land development and building standards. This allowed both the National Housing Authority and private developers to undertake subdivision projects with smaller plots (Durand-Lasserre and Clerc 1996).

Planning procedures, building codes, and construction permits

Complex planning and construction permit procedures, and unrealistic building codes constrain the supply of land and housing. Some suggestions:

- Policies at the central level should set out a broad framework, and more detailed planning policies should be designed at the local level. For example, density levels in different parts of a city and infrastructure standards should be decided at the city level, in consultation with local communities. Lengthy and complex planning procedures also delay the provision of serviced land and housing production, leading to increases in land and housing prices.
- Building standards, construction material standards, and codes should allow for some flexibility. Regulations that can be eliminated without jeopardizing safety should be eliminated in order to keep construction costs down.
- Procedures to apply for and acquire construction and occupancy permits should be simplified, making them accessible to poor people with limited education and time.

Financial markets

Lack of access to credit increases the vulnerability of the urban poor by constraining their ability to improve their homes, which in some cases is also their workplace and the venue of any new businesses. Credit underwriting is a major problem since the poor do not have property to use as collateral and often lack regular incomes.

It is also very hard for the poor to accrue savings, in part because they typically have little access to formal savings programs. In many developing and industrial countries, banks do not perceive the poor as worthwhile clients, and in some countries, discrimination is blatant. Banks are often located so that they are out of reach of the poor, for example, and their treatment of potential clients who are poor can be openly discriminatory. The ability of NGOs or other microcrediting organizations to collect savings and to mobilize other private and public funds is also limited. The poor therefore tend to accumulate savings in inefficient ways, such as by participating in informal credit unions and in rotating savings and credit systems, which yield very low or no interest, or by buying tradable goods.

Interestingly, experience shows that once banks begin servicing savings accounts among low-income communities, they become more willing to make credit available to the poor. This underscores the need for regulatory and policy changes in financial systems to overcome these bottlenecks and allow the poor to obtain credit and other services. (The strengths and weaknesses of microcredit for home improvements and home ownership are discussed under finance-based programs in section 16.3.3). There are a number of possible policy interventions that can be instituted to open access to financial services to the poor (see also section 15.3.5 in chapter 15, “Rural Poverty”). These include:

- Promoting microenterprises by encouraging financial organizations to lend to them.
- Supporting local NGOs, and banks in making credit available by providing seed funding and/or guarantees.
- Monitoring and regulating the performance of financial intermediaries who collect from the general public.

Similarly, governments need to consider a number of regulatory changes to improve the access the poor have to financial services. Some suggestions include:

- Regularize tenure; develop use rights or other forms of tenure security (in cases where it is not possible to assign legal ownership) to facilitate credit underwriting; and make the necessary changes in collateral law and related regulations so that use rights can be accepted.
- Review the licensing criteria—and avoid strict standards—governing the authorization of NGOs and private intermediaries to collect savings and extend credits. Allow NGOs and financial intermediaries that meet the standards for prudent savings mobilization to take deposits from borrowers and from the general public (Ferguson 1999).
- Apply liberal interest regimes to enable financial intermediaries to cover their costs.

Several poverty reduction strategies seek to improve the access of the poor to financial services, without making the distinction between rural and urban areas. Almost all the strategies emphasize the need to develop credit facilities, rather than to increase savings schemes for the poor. The IPRSPs of the Central African Republic and Guyana were exceptions, referring also to savings services. Malawi mentions an ongoing program to (1) issue land tenure to residents of low income areas; (2) establish a discount facility to serve housing finance institutions that lend to poor people, and (3) establish a mortgage bank to improve the access of low- and middle-income people to housing.

Public finance

The policy agenda pertinent to urban poverty reduction strategies reaches into a number of areas. These include cost recovery, tariffs, and subsidies (see also chapter 20, “Private Sector and Infrastructure: Overview”; chapter 21, “Energy”; and chapter 23, “Water and Sanitation”); and decentralization and intergovernmental relations (see also chapter 8, “Governance”).

Cost recovery, tariffs, and subsidies

Poverty-oriented programs should not aim to achieve full cost recovery from beneficiaries—that would defeat the underlying redistributive objectives. But programs do need to be financially sustainable, and one way to achieve this—cost recovery—is often not explored to its full potential. Cost recovery may be achieved by utilizing a combination of resources, including contributions from beneficiaries.

The rationale behind financing should reflect first of all the nature of the service—that is, whether it benefits the community or the individual. Users can be expected to pay for private goods and services such as land title, electricity connection, and housing improvements. Responsive service delivery and convenient payment options are among the preconditions for fee collection. When programs work with the lowest income groups, it may become necessary to subsidize individual households that are provided private products and services. On the other hand, public or communal services where the benefits of the service are confined to a local area—such as storm drainage, urban roads, and footpaths—are more appropriately financed by general taxes or by beneficiary taxes, such as property taxes. The public sector also plays an important role in funding activities that have major externalities (spillover effects on the general population), such as public health, environmental cleanliness, and disaster protection.

Public actions to exploit available financing options include:

- **Taxes, tariffs, and user fees.** Consumer payments of tariffs and user charges for the infrastructure services that they use should cover as much of the investment costs as possible. Households can be charged property taxes, or ground fees/use-right fees once freehold ownership or any other form of tenure security is issued for the land that they occupy. Payment procedures should be simple and flexible.
- **Interest rates.** These must not be set too low, because very low or negative interest rates deplete available funds, making programs financially unsustainable, and because they turn credit schemes into lotteries that benefit only a few fortunate households.
- **Targeted subsidies.** Even when costs are kept low by appropriate codes and standards, the lowest income groups may not be reached. That is when it becomes necessary to provide essential services through subsidies. These should be transparent and clearly targeted to those in need. Transition economies have inherited a legacy of inefficient subsidies. In Latvia, for example, 70 percent of households were receiving rent subsidies of between 10 to 15 percent of their income. Cumulatively, these rent subsidies were more than double the amount of GDP allocated to housing investment, rather than being a fraction of housing investment as in OECD countries. Housing subsidies in Latvia were also nontransparent and were regressive in distributive impact because so many households benefited (Buckley 2000). Demand-side housing subsidies based on income eligibility criteria, in the form of vouchers permitting households to purchase (or rent) housing units in the market, are generally more efficient than supply-side subsidies (for example, state-subsidized housing construction programs).

Decentralization and intergovernmental relations

Unclear responsibilities and conflicting incentives within intergovernmental fiscal relations are among the major causes of failure in service provision. Whatever the motivating forces behind political decentralization, in practice it does not necessarily improve service delivery, especially when intergovernmental fiscal relations do not support clear accountabilities, as shown by experience in several countries. In Hungary, the concession of local political autonomy preceded the separation of local budgets from the central government budgeting system (Bird and Wallich 1992). As a result, local governments have lacked a financially sustainable revenue base, so that the social safety net, for which local governments bear major responsibility, risks being inadequately financed. Another example is Brazil, where decentralization took the form of a substantial increase in revenue sharing and in the taxing powers of local government (Shah 1991). It was not, however, accompanied by a corresponding delineation of local expenditure responsibilities. Thus, although local governments have more money to spend, they are no more accountable for the quality of their services than they were before the reforms. And, in Ghana, political decentralization was not accompanied initially by a commensurate transfer of significant decisionmaking authority to local government. The national government continues to appoint

the municipal executive and the heads of municipal departments, and effectively continues to control local spending decisions (World Bank 1995a).

Various elements of intergovernmental relations that may warrant review include the current or proposed assignment of functions, sharing of revenues, and borrowing powers. Decentralization should not shift the responsibility for the provision of basic services to local governments without providing a corresponding resource base. But while central governments may find it more difficult to decentralize the revenue side of budget than the expenditure side, it is important that both be done, since shifting central government budget deficits to local levels would merely exacerbate service failures. Stability in revenue sharing is also important. Many national governments decrease transfers to local governments when confronted with national budget deficits. This kind of instability makes investment planning at the city level difficult.

While intergovernmental transfers are important, the mobilization of local resources through locally based taxes and fees is also needed to alleviate service deficits. It is important that local authorities increase local revenues in progressive ways that permit redistribution to lower income groups. One of the best means for this is through property taxation, and local authorities must be given the authority to levy taxes—they must also have the knowledge and political will to use that authority appropriately, however.

Reforms may also be needed to provide municipal governments with access to credit for financing capital investment. In addition to improving the allocation of grants and revenues to create sound incentives for responsible municipal performance, finance institutions (including public finance organizations) should increase loan financing as a replacement for grant financing as local authorities become creditworthy. Municipal credit institutions, or municipal development funds (MDFs), are one important source of financing (see section 16.3.3 and technical note M.3).

Several poverty reduction strategies, including those for Honduras, Nicaragua, Ghana, Senegal, Niger, and Mauritania, refer to decentralization by indicating that legal frameworks have already been changed to devolve responsibilities and rights to local authorities. But current assessments point to a lack of financial and human resources at local levels, meaning capacity-building programs and resource mobilization plans are required before decentralization can be fully implemented.

Urban governance and capacity building

Designing appropriate policy frameworks for urban poverty reduction and implementing them fairly and effectively requires good urban governance (see also chapter 8, “Governance”). Policy actions for good urban governance include accountability and responsiveness to the public, anticorruption policies and practices, and measures to build capacity.

Local as well as central authorities should be accountable to the general public. Authorities must consult with the public about their needs, requirements, preferences, and satisfaction with services. One example of this occurs in Seoul: every Saturday, the city’s mayor and top administrators make themselves available at citizen complaint centers for a “day of dialog with the citizens.” This sort of engagement can help governments prioritize public expenditures (see also box 16.9).

It is very important to oversee financial aspects of urban government operations. Corruption is inefficient and inequitable—its costs are disproportionately borne by the poor. Governments can take various steps to reduce the scope for corruption, including public disclosure, more transparent rules, and privatizing the provision and management of services (see chapter 8, “Governance”). In some country contexts, a strong central-audit function can bring to light information that increases accountability. In France, for example, as decentralization has proceeded, auditing local government contracting has proved a useful tool in avoiding abuses by local authorities.

However, audits function primarily as an input to a broader system of accountability. Unless the government system clearly articulates the public interests that are meant to be served by the audit function, the discipline that audits are supposed to impose can easily be subverted (World Bank 1995a).

Box 16.9. Developing Communication Channels with Citizens

In Tijuana, Mexico, the city's rapid population growth, accelerating environmental deterioration, and the difficulty in enhancing tax yields from its citizens led the mayor to take a boldly innovative approach to change. His administration developed an Urban Activation Plan, the largest integrated plan for priority infrastructure investments ever proposed by a municipality in the state. The government of Mexico was to fund 25 percent of the cost, the business sector 15 percent, direct beneficiaries 20 percent, and the community at large the remaining 40 percent. The city held a public referendum (Consulta Publica) to find out if its citizens were willing to pay their share of the cost. The referendum passed with 66 percent of the vote.

Source: The Urban Institute (1995).

PRSPs generally refer to anticorruption efforts at the national level. Nevertheless, most of them do not examine the requirements necessary to implement similar efforts at local government levels.

Local capacity building is needed for several reasons. Municipalities may have relatively little experience with participatory planning; decentralization and the consequent new responsibilities are major challenges for local authorities; and a lack of experience and management capacity can also impede their struggle against poverty. By the same token, many NGOs are also not equipped to deal with the public authorities.

Capacity can be built by training local personnel and community leaders and giving them more access to national and international experience; increasing the exchange of information among international, national and local organizations and communities (for example, through professional associations of local governments and NGO networks); through direct experience; and by better management of information. The establishment of knowledge networks to enhance learning and institutional memory that can be shared by public and private sector and community agents should be a part of capacity-building strategies.

Most poverty reduction strategies do refer to capacity building at the local level for authorities and NGOs, and to the need for participation of civil society. Their plans or proposals, however, do not convey any details of methods which need to be developed to enable implementation.

New planning and management techniques, such as action planning, can be effective as part of the effort to build capacity for participation (see subsection "What can cities do to reduce poverty" of section 16.3.4). Support should be given to communities and community-based organizations to facilitate access to information and to interact with public agencies (see box 16.10). Encouraging the urban poor to organize (for example, through citywide slum associations) can help them to exchange experiences and to negotiate effectively with public authorities and the private sector, including landowners. (See also chapter 7, "Participation.")

The Habitat Agenda adopted at the second United Nations Conference on Human Settlements in Istanbul in 1996 commits UNCHS (Habitat) to work toward the establishment of good urban governance. The agenda also initiated the Global Campaign for Good Governance, which is designed to promote accountable and transparent urban governance, which responds to and benefits all sectors of society, particularly the urban poor, and which strives to eradicate all forms of exclusion.⁸

Box 16.10. Capacity Building of Community Development Councils (CDCs) in Sri Lanka

Elected community development councils (CDCs) were introduced in the mid-1980s in Sri Lanka to promote participation and to encourage local government to interact with communities. However, lack of a clear mandate and capacity issues made institutional and functional endurance impossible. Political problems, both local and national, further hampered the CDCs.

A pilot scheme to upgrade low-income settlements set a number of primary objectives, among them building community capacity and giving communities access to public organizations. This plan strengthened the positions and roles of the CDCs. Japan Overseas Cooperation Volunteers (JOCV) formed a team with a local NGO to activate the CDCs. The independence of JOCV from local political pressures was one of the key reasons this effort succeeded. At the first pilot site, Badowita, the CDC developed a water supply system, drainage system, and sewerage scheme for the site's 1,000 households. The community contributed to the capital investments. Based on the success of this first pilot project, the CDC involved has since become active in other upgrading projects and in assisting other CDCs and community-based organizations.

Source: Japan Bank for International Cooperation, Sri Lanka Office.

16.3.3 Interventions at the project/program level

Before proceeding to design projects and programs to reduce urban poverty, it is important to understand the impact of existing interventions. Then a menu of possible actions can be reviewed in this light.

Monitoring and evaluating existing projects and programs⁹

We need to assess and monitor the impacts of project results for several reasons: to see if programs reach their intended beneficiaries, to determine if resources are being spent efficiently; to understand if the program or project could be better designed to achieve its intended outcomes. Monitoring and evaluation provide feedback, allowing policy makers and practitioners to design better and more effective interventions that yield more successful results and use scarce resources more efficiently. One of the truths of the design and implementation stages also holds firm for monitoring—beneficiaries must be included whenever possible.

This section highlights issues to be taken into consideration in monitoring and evaluating the effectiveness of urban projects or programs in terms of their impact on the poor.¹⁰ It begins with a list of basic questions and key considerations, followed by an example of the monitoring and evaluation of one type of project, slum upgrading (see box 16.11).

- ***What are the objectives of the project?*** The dimension(s) of poverty that the project will tackle should be identified clearly, so that the relevant indicators can be used. Objectives should be monitorable so that project outcomes can be evaluated.
- ***How well are the target groups identified and reached?*** Urban poverty is heterogeneous, and different groups in the city may suffer from different types of deprivations. Projects should involve the clear targeting and monitoring of the differential impacts on the target groups.
- ***How to use indicators?*** Each dimension of urban poverty has “visible causes/contributing factors” and “policy-related causes” (see table 16.1). Both intermediate and outcome/impact indicators should be traced. For example, in a job-creation and income-generation program, increased access to credits¹¹ and to practical/vocational training¹² would be intermediate indicators; changes in the unemployment rate and in income inequality, and so forth, would be outcome/impact indicators. The relevant indicators need to be collected at the appropriate level of disaggregation to capture the effects of the project. Additional indicators (tailor-made) are required in particular cases, depending on the project and on the characteristics and expected risks and outcomes of the project.

Menu of selected project/program options

Programs in this section are discussed under three headings: integrated urban-development projects; land and housing projects; and finance-based interventions.

Urban project/program interventions have not always been designed with poverty reduction as a major aim, but they can be and increasingly should be. The following summaries draw on experiences with these interventions. Detailed descriptions of each of these types of programs, and examples, are provided in technical note M.3. They particularly note the lessons learned that support improved poverty impact and sustainability, including, for example, that these programs need to be worked out through partnerships with communities and the private sector. Assessment of past experiences provides lessons for decisionmakers in selecting and combining interventions in the context of specific city and national poverty strategies.

Integrated urban development projects (a typical example: slum upgrading)

In one form of upgrading, a package of services (generally comprising clean water supply, sewerage, street lighting, improvements in streets and footpaths, solid waste collection, and drainage) is provided to raise the well-being of a targeted community, as defined by geographical area or neighborhoods. Not only physical improvements but also income-earning opportunities, health clinics, school facilities, and community centers can be included in such packages.¹³ An alternative and less comprehensive approach to upgrading involves targeting residents that lack one or more basic services—the target groups thereby defined by its lack of basic services rather than by neighborhood.

Box 16.11. Designing Project Monitoring and Evaluation: The Caracas Slum Upgrading Project

Three main factors have led to poor living conditions in the barrios of Caracas, Venezuela: (1) a lack of adequately defined property rights; (2) the absence of proper mechanisms to resolve the problem of providing local public goods; and (3) lack of credit to facilitate housing construction. The slum upgrading project targeted two separate agglomerations of barrios in Caracas. Together, these two agglomerations contain 12 distinct barrios and a population of 184,000.

<i>Project objectives</i>	<i>Expected output</i>	<i>Intermediate indicators</i>	<i>Outcome/impact indicators</i>	<i>Monitoring and evaluation activities*</i>
<p>To improve the living conditions of the target population through a package of services that include:</p> <ul style="list-style-type: none"> • Titling • Access to home improvements through credits • Water, electricity, sanitation, drainage, and public lighting (lack of proper service provision was a major problem) 	<ul style="list-style-type: none"> • Constitution of local co-management groups • Development of barrio improvement plans • Execution of barrio improvement plans • Provision of legal title and registration of titles in targeted barrios • Improved capacity to carry out and coordinate upgrading projects at the community, municipal, and metropolitan levels • Increased access to housing improvement credit by low-income households in barrios 	<ul style="list-style-type: none"> • Number of co-management groups constituted in first year of project • Number of implementation-ready barrio improvement plans constituted at the end of the first year • Number of legal household water, sewer, and electricity connections • Percentage change in public lighting coverage in barrios • Kilometers of drainage constructed or rehabilitated • Percentage change in conduction capacity of drainage • Kilometers of new and/or rehabilitated primary and secondary access roads constructed • Number of new property titles issued 	<ul style="list-style-type: none"> • Measured change in property values and land market activities in the targeted barrios • Measured comparison in perceived quality of life (measured against baseline Social Assessment Survey) • Measured/observed changes in productivity and solidarity of communities in the target barrios at years three and five • Measured improvements in quality of life due to physical investments • Measured change in capacity to target and coordinate investment in metropolitan Caracas 	<ul style="list-style-type: none"> • Monitoring of land values and activity in the targeted barrios in comparison with a control group • Focus groups and household surveys to determine perceived quality-of-life changes, ex-post evaluations, using Social Assessment baseline data as a point of comparison • Collection and processing of data on access to and quality of services • Mid-year and ex-post independent evaluation of project executing agency

*To be conducted by the Project Executing Agency's quality control teams, including the project management unit and the technical and control units for different barrios. All project information will be fed into the central management information system, and all requisite data on project execution will be shared among all levels of project administration. This will include the monthly generation of management reports and periodic impromptu site visits to ensure quality control.

Source: Project Appraisal Document (report no: 17924 VE)

The two approaches are not always entirely distinct. Neighborhood upgrading may involve a sequenced provision of services over time, or provision of only a partial package of services, depending on community demand. The appropriate approach is determined by various factors, including community demand, community willingness to pay for a particular service, cost and design issues (for example, location, geology, and the physical layout of settlements), and institutional issues (for example, capacity of municipalities, NGOs, or other agencies to manage an integrated improvement program). (See also technical note M.3, table M.1; for principles of scaling up slum upgrading, see box M.15 and, for slum upgrading examples, boxes M.16 and M.17.)

Land and housing projects

Provision of affordable housing to low-income households mostly takes the form of site and services projects and core housing projects. Beneficiaries develop serviced plots and core housing units depending on their needs and the availability of savings and credit. Target groups are generally households that need to relocate from unsafe areas or residents currently without tenure security. Loans may be made available to beneficiaries either by formal credit organizations or by NGOs (see technical note M.3, table M.2 and box M.18). The key issue facing such housing projects is the need to effectively target poor households by keeping design standards modest so that units remain affordable.

Land regularization and tenure security programs can make an important contribution. There are two basic approaches to deal with informally occupied urban land: (1) provide property rights (ownership through a legal title); or (2) provide use rights (to individuals or communities), without changing the legal tenure status. In the first approach, in addition to providing tenure security, the objectives include supporting the development of land and housing markets, and thus increasing the local revenue base. In the second approach, the basic objectives are integration of informal settlements and their populations into urban fabric, providing tenure security and mobilizing community resources for home improvements. Authorities need to decide which approach is appropriate by considering local social circumstances, land ownership structure, and the priorities of residents (see technical note M.3, table M.3, and boxes M.19 and M.20).

Finance-based interventions

A number of finance-based interventions are available. These include municipal development funds, social funds and AGETIPs, and microfinance.

Municipal development funds (MDFs) are parastatal institutions that lend to local governments for infrastructure investments. MDFs usually start as an intergovernmental approach to municipal credit supply, structured as parastatal organizations, but then evolve to become financial intermediaries focusing on municipal credit. MDFs do not provide credits exclusively for poverty-alleviation programs. However, they are included in this menu as a financing tool since they can be used for poverty reduction objectives, such as basic infrastructure investments in low-income areas and the development of marketplaces, schools, and clinics for poor residents (see technical note M.3, table M.4 and boxes M.21 and M.22).

Social funds and AGETIPs are nongovernmental entities that select and finance projects where formal government institutions are weak—for example, in countries emerging from a period of civil or economic crisis. Their political independence can be their primary advantage. Social funds are intermediaries that channel grant resources to small-scale projects for poor and vulnerable groups, based on proposals prepared and implemented by such organizations as CBOs and NGOs (see chapter 9, “Community-Driven Development”). AGETIPs are delegated contract managers for public works that prepare and implement subprojects, usually for municipal governments (see technical note M.3, table M.5 and box M.23).

Microfinance schemes target low-income and moderate-income households that do not qualify for formal or traditional credit. Government funding and small savings of households, coupled with foreign donor assistance, are the typical sources of funding. NGOs can help in packaging small loans and mobilizing small savings. Loans can be given to communities or individuals for a variety of specific purposes. Loans for housing/home improvement can have multiple benefits because the poor often work

out of their homes and rent out extra space as a source of income (see technical note M.3, table M.6 and box M.24).

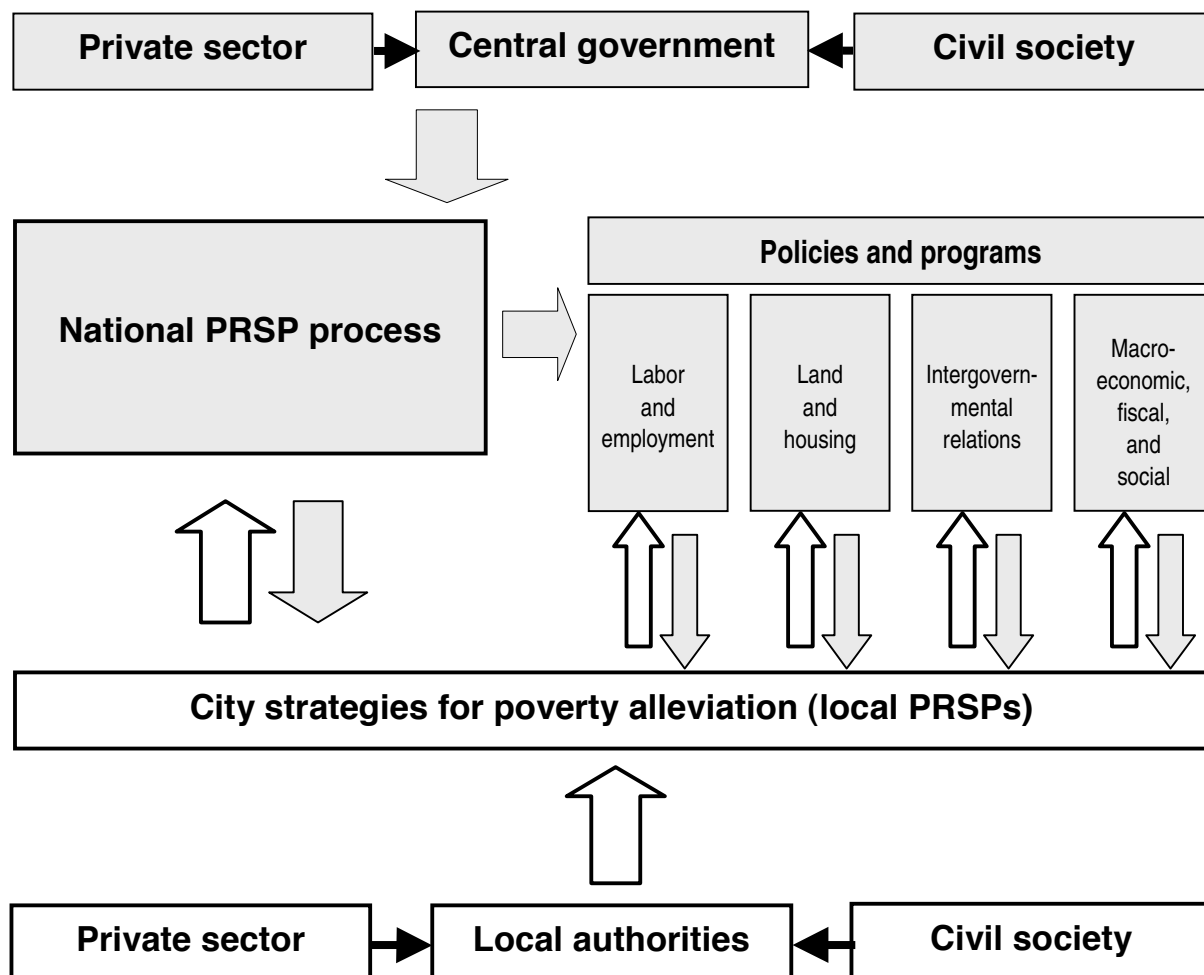
16.3.4 How to determine priorities and develop consensus for urban poverty reduction strategies

Urban poverty reduction strategies need to be grounded and implemented at the local (city) level. The scaling up of such strategies, however, requires both the national and local government to act simultaneously, eliminating impediments at both levels. While the central government is working on a nationwide scale, addressing policy matters and regulatory impediments and initiating new programs, the local authorities should be designing strategies to make appropriate interventions and regulatory changes in the city. Local experiences should be fed back to the national government to influence its support of cities and to assist the redesign of national programs (see figure 16.2).

What can national governments do to reduce urban poverty?

When designing a poverty reduction strategy at the national level, governments need to consider how urban poverty reduction can contribute to progress overall and to complementarities across regions and sectors. City and national governments could focus on three priority areas, for their high payoff in urban poverty reduction: (1) employment/labor markets (including safety nets); (2) land, housing, and infrastructure (including private financial markets); and (3) intergovernmental relations (including municipal finance and capacity building). At the same time, interventions in other areas—including

Figure 16.2. National–Local Feedback Process for Urban Poverty Reduction Strategies



education, health, transport, and energy, as well as macroeconomic and fiscal stability—are also important to reduce poverty in cities. The three priority areas identified here are suggested as the primary themes for agencies working on urban and local government issues.

Perceiving urban poverty reduction in a wider context and with reference to the many dimensions of poverty and its cumulative impacts (see table 16.1) would help national authorities design their policies and strategies in a more effective way. Much of what has been discussed about urban policy would also help other sectors improve their poverty impact. To cite only a few examples: reducing the incidence of

Table 16.5. Summary of Actions that Can be Taken by National Governments for Urban Poverty Reduction Strategies

<i>Policy-level decisions</i>	<ul style="list-style-type: none"> • Develop urban poverty reduction measures as a component of national development plans and sectoral policies • Develop instruments to help local governments respond to the demands placed on them in alleviating poverty at the local level—for example through fiscal transfers and matching grants • Ensure stability in revenue sharing with local authorities • Synchronize the elements of decentralization—for example by balancing the transfer of decisionmaking and revenue-generation authorities to local authorities • Take action against corruption by supporting the privatization of service provision, ensuring transparency and accountability • Remove disincentives to the hiring of low-income workers • Support equal opportunities and policies against discrimination against gender, ethnic origin, and so forth • Review constraints on sectors with high employment-generation capacities, such as housing construction • Design policies and support actions to remove bottlenecks in the supply of developed land • Give local authorities the freedom to establish land use and zoning regulations • Support tenure regularization and transferable property rights • Ensure political and economic stability
<i>Programmatic innovations</i>	<ul style="list-style-type: none"> • Initiate and promote national programs such as Indonesia’s national governmental support for the Kampung improvement (slum upgrading). Central government support is one of the underlying factors of this program’s success and replicability • Promote microenterprises by encouraging financial organizations to lend to them and by making funds available as seed funding or guarantees to facilitate resource mobilization • Transfer or sell unoccupied government land (treasury land) to local authorities for local use
<i>Regulatory framework</i>	<ul style="list-style-type: none"> • Identify/diagnose national policy impediments to improving the living conditions of the urban poor in sectors such as land, housing, infrastructure, health, and education • Liberalize interest rates to facilitate operations and cost recovery by microfinance organizations • Develop simplified and appropriately designed taxation policies for small businesses, banks, and financial institutions • Permit paralegal practices that facilitate collateral and credit underwriting for small-scale enterprises • Establish standards of public accountability for local authorities, such as municipal auditing requirements • Clarify the responsibilities of different levels of government agencies • Make worker protection measures and social benefits affordable and accessible to low-income groups; reduce barriers to the inclusion of informal sector workers
<i>Monitoring and coordination</i>	<ul style="list-style-type: none"> • Support and monitor poverty outcomes in cities through national agencies such as statistics institutes, based on agreements with local authorities on appropriate and realistic benchmarks • Coordinate intercity efforts at sectoral level • Support training and dissemination of municipal experiences; for example, through national associations of local authorities. Foster intermunicipal cooperation

communicable diseases through better housing and infrastructure services; reducing crime and strengthening governance through community involvement in improving neighborhoods; increasing employment and savings through efficient housing markets; and supporting macroeconomic stability through sound intergovernmental fiscal relations and fiscally responsible local government.

What can cities do to reduce poverty?

City stakeholders, whether in industrial, transition, or developing countries, can take an active role in defining a shared vision of their city's future and improving the quality of life in the city, particularly for the urban poor. A menu of possible actions that could be considered by city authorities is set out in table 16.6. A city development strategy (CDS) is a process devised and owned by local stakeholders that seeks to formulate a holistic vision for their city. The process involves analysis of the city's prospects for economic and social development, identification of priorities for investment and development assistance, and implementation of the strategies identified through partnership-based actions.¹⁴

This section briefly presents the strategic planning (or action planning) method to illustrate how cities can get started and how they can proceed in the development of poverty reduction strategies.¹⁵ It should be noted that strategic planning is not an attempt to blueprint the future: strategic planning looks at the cause-and-effect consequences over time of an actual or intended decision. Nor is strategic planning merely a set of wishful thoughts: it should relate actions to resources that are available or that can be mobilized realistically. Finally, like a national poverty reduction strategy, strategic planning should not involve the preparation of massive and detailed plans but should concentrate on a few issues on which there is consensus regarding priority.

Strategic planning is designed to overcome the typical shortcomings of traditional statutory planning tools. That is not to say that strategic planning and traditional methods of planning are mutually exclusive: the strategic planning method can be used without first abandoning conventional methods. Strategic planning can be used both at the city and at the neighborhood/community level for decision-making and strategy design (see boxes 16.12 and 16.13).

Steps in the strategic planning process can be set out as follows:

- ***Identifying problems, their causes and consequences, and their relation to other problems.*** For example, this may involve working with stakeholders to design a problem tree to identify multiple problems and how they are linked. Problem identification requires the collection and analysis of data. Information gathering, that is, encompassing factual and quantitative data as well as observations/qualitative analysis for a rapid assessment of the poverty situation and an overview of policies and programs addressing poverty, is best initiated before problem analysis with stakeholders.
- ***Formulating objectives, which should be specific, measurable, realistic, and time-bound.*** The objectives have to be appraised against the constraints and opportunities that would work against and in favor of the realization of those objectives. This analysis, which is also known as a SWOT analysis (strengths, weaknesses, opportunities, and threats) is the basis for determining options for actions. It may be necessary at this point to return to step one, to reassess the problem and to analyze further its visible and policy-related causes.
- ***Developing strategies and formulating options for influencing the key forces.*** Coordination and integration to avoid overlaps and the waste of resources is necessary. The chosen options should be compatible.
- ***Defining tasks.*** The strategies or action plans should be broken down into tasks to be undertaken by specific responsible agents, including the monitoring of progress, and time frames should be defined. Ensure stakeholders will receive feedback on progress.

Table 16.6. Summary of Actions that Can be Taken by Municipalities for Poverty Reduction Strategies

Policy issues	<ul style="list-style-type: none"> • Make poverty reduction a part of the city development strategy. Ensure a completely transparent process that is open and shares all information fully and freely. • In countries where the poor have the vote, hold referendums about key issues—referendums will both inform the public and produce a clear mandate about future actions. • Be sure to enlist all stakeholders in projects. The participation of such entities as resident associations, neighborhood groups and specific forces within the community, notably women, is vital to the success of any policy. • Rather than relying on intergovernmental transfers, increase revenue generation via progressive taxation.
Program Innovations	<ul style="list-style-type: none"> • Initiate programs at the city level. (See menu in section 16.3.3.) • Provide poor communities with access to information on potential jobs and markets, and collaborate with the private sector to organize training programs.
Regulatory framework	<p><u>Land</u></p> <ul style="list-style-type: none"> • Increase tenure security within the scope of cultural possibilities and community priorities. • Try to make land rights tradable to facilitate land market transactions. • Simplify registration procedures. • Recommend and encourage better use and supply of developed land, especially in underutilized areas. <p><u>Housing</u></p> <ul style="list-style-type: none"> • Simplify construction and occupancy permits. • Apply realistic standards regarding minimum plot size, building materials, and construction codes. • Accept multiple use of dwellings. <p><u>Infrastructure and services</u></p> <ul style="list-style-type: none"> • Simplify subscription procedures and allow subscribers to pay fees in affordable installments. • Apply realistic and affordable standards of service. • Cooperate with water vendors and other informal providers to serve the poor. <p><u>Employment/labor markets</u></p> <ul style="list-style-type: none"> • Alleviate constraints on small and microenterprises, such as high license fees. • Allow urban agriculture and home-based income-generating activities.
Monitoring and evaluation	<ul style="list-style-type: none"> • Carry out city poverty assessments to update information on poverty and its causes. Such assessments can be a basis for a city poverty strategy. • Develop and use indicators and measurement benchmarks to evaluate achievements. • Monitor implementation of strategies and impacts of policies and programs on the poor. • Disseminate results to stakeholders.
Financial issues	<ul style="list-style-type: none"> • Avoid relying entirely on budget transfers from central governments or other entities—rather, look to local resource mobilization, including levying local taxes. • Introduce cost recovery: complete cost recovery cannot be expected, but it is not unreasonable to expect contributions from a program’s beneficiaries, through labor or through cash. • Target subsidies to well-defined groups for better cost recovery and effective utilization of scarce resources.

Consensus building is needed to define shared goals, priorities, and strategies over a medium-term horizon and to mobilize resources. The consensus needs to include a broad range of stakeholders, including citizens, civil associations, the private sector, regional authorities and local representatives of central government (who can fulfill an important role in creating conducive conditions and providing support for city strategies). Maintaining a flow of clear, accurate, and complete information among stakeholders should be a part of the strategy from the beginning.

City consultations are a primary means of reaching consensus among stakeholders. There are various ways to arrange city consultations. For example, in Vitebsk, Belarus, an action plan was developed for inner-city revitalization, and meetings were held on different platforms with different stakeholder groups (see box 16.12). In Cali, Colombia, consultations for a city development strategy were organized as an extensive event, including interactive software (see box 16.13). Local media can be a primary channel to invite stakeholders to discussions, to inform the general public about the purpose of those discussions, and to disseminate decisions and strategy choices.

Urban financial and organizational audits: A complementary approach for city strategizing

One method to prepare municipal investment programs is the urban financial and organizational audit. These audits set out the priority investments to be financed and the improvements or reforms the municipality intends to make in its management, and can complement city poverty assessments. The urban audits method has recently been used in World Bank-supported projects in Senegal and Burkina Faso to determine priority investment programs.

An urban audit is a diagnostic tool that can help a municipality establish a priority investment program. It should diagnose a city's needs and then propose a coherent set of priority projects that can be undertaken given existing financial constraints. Such an audit should have several expected outcomes. These include identifying needs and priorities; understanding the municipality's financial capacity (which should be defined by a financial audit conducted simultaneously); then listing the investments suitable for funding.

An urban audit can consider the following factors:

- Urban site and location: assessing the municipality within its region and the city within its natural setting, and considering such factors as slopes, flood risks, erosion, and water table.
- City organization: describing municipal boundaries, divisions into districts and neighborhoods, physical growth, land occupancy; and looking at recent municipal projects and future commitments.
- Urban economy: presenting economic activities and employment.
- Demographics and land needs: describing population trends for the city and the region since the last census, population by district and type of housing, population density per district (according to infrastructure and services inventory), and the people's need for serviced sites.

Box 16.12. Action Planning in Vitebsk, Belarus

Stakeholders' different, yet complementary interests: The municipality's interest was to promote the inner-city area as the core of cultural and commercial activities and to support economic development. The private sector was interested in finding vacant premises in the center. The residents of the inner-city area, especially those with ground-floor apartments, wanted to improve their housing conditions. Most of the ground-floor apartment owners are lower-income households living in damp and unventilated conditions. Neither the households nor the municipality have sufficient financial means to renovate these units. One option was to enable people to shift their residential space to commercial use by selling or renting to the small-scale private sector. Such a strategy would also lead to more jobs.

Participation of stakeholders: In Belarus, the state is still large and pervasive and there is no tradition of grassroots activity. It took a lot of time and effort to get different interest groups to participate. The first step was to enlist local media to invite residents, NGOs and the private sector to open discussions. Although people were attracted to the idea of discussing and tackling inner-city problems, they still hesitated to speak, lacking experience and doubting that much could be done. It also became clear that media invitations would not convince many people to become involved. This was when the municipality decided to take a more personal approach. The city's chief architect began contacting residents and NGOs personally.

Achievements: Lines of communication were forged between the local authorities and the general public. The municipal planning department, the main authority for inner-city revitalization, rehabilitation of housing stock, and the issuance of construction permits and land use changes, additionally managed to get its own budget account in 1999. It is now a separate legal entity, able to raise funds and disburse them more or less at its own discretion, which is an important step toward decentralization in the same year. The municipality started issuing permits for commercialization, and a couple of shops opened in the center. Although the national government has since passed a decree against changing the functions of residential premises, it should be noted that there is intense debate surrounding this legislation.

Source: Baharoglu and Lepelaars (Forthcoming).

Box 16.13. Consensus Building in Cali City Development Strategy

Several factors motivated a city strategic process: Cali, a city in southwest Colombia, has suffered a general decline of the trust of its citizens and stakeholders. In the late 1990s the city was in the midst of the worst economic crisis in its recorded history, with GDP falling since 1995 and unemployment exceeding 20 percent. The latest figures on poverty show a doubling from 1994 to 1998 and rising inequality levels. The education system is not closing the gap between social classes; it is not providing young people with the skills to enter and participate successfully in the labor market, and its quality and coverage have worsened. Violence—particularly homicide—has become one of the most serious problems for Caleños and is the most tangible symptom of the decline of city livability. The financial situation of the municipality was critical, with a large debt and debt financing obligations. Intensive collaborative work to revive the city began in early 1999.

City consultation and prioritization of problems: The first step was a participatory consultation process to identify and rank the city’s problems. About 250 people from different sectors and groups in Cali were invited to participate in the consultation meetings. The participants represented many different groups, including NGOs, citizens, the private sector, academia, sectoral professional associations, youth organizations, sectoral departments of government, municipal government, and central government, and there was also good representation by gender and age. This was not intended to be a statistically representative survey, however, but rather a poll of opinions to gauge the level of agreement around the most important problems. The consultation was made using computer software that permitted anonymous group feedback.

The results: There was a significant consensus among participants in the selection and ranking of issues. Economic reactivation and employment generation emerged as the main issue in five of the six sessions, placing well above other problems identified. Social development, poverty alleviation, and attention to vulnerable groups and peaceful coexistence, safety, and prevention of urban violence virtually tied for second place. This consensus provides a good basis for formulating strategic priorities for action that will attract broad support from stakeholders.

Source: World Bank (2001).

- Urban infrastructure and services: taking inventory of neighborhoods and classifying them by their needs and their existing services.
- Priority projects: prioritizing possible projects in view of finances available; and taking an inventory of the projects each locality submits, by location, cost and urgency, then classifying each area’s needs with an execution schedule.
- Project sheets on priority investments: providing economic justification for proposed projects as well as listing the possible social and environmental impacts of the investment (Farvacque-Vitkovic and Godin 1998).

The financial audit establishes the municipality’s financial resources, and thus how much capital expenditure the city can expect to commit to under the project. This audit generally covers the following areas: the municipality’s financial situation; its revenues and expenditures; its arrears and risks; its monthly cash flow; investments in past years; the dimensions of the priority investment program (including such factors as sources of finance, average and projected revenues, and monthly payments); a projection test; assessment of the city’s financial equilibrium; and performance indicators. The organizational audit identifies the reform measures the municipality decides to undertake. This audit can lead to negotiation of a contract between the municipality and the national government.

Notes

1. This chapter uses the terms “cities” and “urban areas” interchangeably. It is understood, however, that “city” is a legal designation given to a specific administrative or local government structure and that many large urban areas consist of more than one city jurisdiction. The chapter also uses “local governments” or “local authorities” mainly in reference to municipalities. Although their legal status differs among countries, municipalities are understood here to be the lowest organized units within the administrative apparatus of the state.
2. For an updated collection of guidelines and case studies on urban poverty assessment techniques and poverty reduction policies and programs, see www.worldbank.org/urban/poverty.
3. Insecurity as a dimension of poverty is defined as vulnerability to a decline in well being. The shock triggering the decline can occur at the microeconomic (household) level, at the meso (community) level, and/or at the national or international level (World Bank 2000b). Since lack of tenure security is among the key factors that can trigger decline in the well-being of the poor in cities, both at the

household and community levels (see also technical note M.2), it is considered in this chapter to be a specific dimension of urban poverty. As discussed in section 16.3.2, tenure security needs to be addressed, in accordance with community priorities, to complement other measures to reduce poverty.

4. In this chapter, the terms “slum,” “informal,” “illegal,” and “spontaneous” are used interchangeably to refer to settlements built (1) on public or private land without the land owner’s permission; (2) on land that is not legally approved to be developed; and/or (3) without occupancy and construction permits—even if the land belongs to the occupant and is approved for development.
5. The index of unsatisfied basic needs consists of a composite index that includes access to water, crowding, housing quality, sanitation, school attendance, and subsistence capacity.
6. Indicators to be chosen should be decided locally and with respect to policy objectives (that is, those aspects of poverty to be analyzed). The success of policies needs to be measured in terms of relative changes in the chosen indicators as well as with respect to the locally established benchmarks.
7. There are many ongoing efforts to develop indicators. The objective here is to provide a set of illustrative indicators, rather than a definite list and definitions. There are some points noted here—for example, disaster mitigation and discrimination in access to jobs and urban services—where specific measurable indicators need to be worked out. Such items were included to attract the attention of policy makers and professionals to those issues that should be taken into consideration in assessing, monitoring, and evaluating poverty in cities.
8. More information on the good governance campaign can be obtained from UNCHS (Habitat), P.O. Box 30030, Nairobi, Kenya (<http://www.unchs.org/govern>).
9. See chapter 3, “Monitoring and Evaluation,” and also “Evaluating the Poverty Impact of Projects: A Handbook for Practitioners,” Judy L. Baker, World Bank (2000).
10. The terms “projects” and “programs” are used interchangeably here, although projects often refer to activities whose duration and coverage are more limited than under programs. When projects are expanded to cover the large majority of potential target beneficiaries and have sustainable financing over a long term, they would usually be deemed programs.
11. Indicator examples: the percentage of the target group using or being eligible to get credits from formal credit organizations, or the percentage of formal loans given to the target group in the last two or three years.
12. Indicator examples: the availability of vocational training for target groups at the local level or the percentage of the target group attending training programs.
13. For more information, contact the Thematic Group on Services to the Urban Poor: The World Bank (email: urbanhelp@worldbank.org). A compact disc on urban upgrading can be accessed online at: <http://web.mit.edu/urbanupgrading>.
14. To learn more about city development strategies, see http://www.worldbank.org/html/fpd/urban/city_str/cds.htm and the home page of the Cities Alliance, a multidonor partnership launched by UNCHS (Habitat) and the World Bank in 1999 (<http://www.citiesalliance.org/citiesalliance/citiesalliancehomepage.nsf>).
15. This type of planning is a widely used technique in various urban development and capacity-building programs carried out by multilateral and bilateral donor organizations, including the UN; the Cities Alliance (initiated by the World Bank and UNCHS); the German Technical Assistance Program (GTZ), where the approach is referred to by the acronym ZOPP; and the Institute for Housing and Urban Development (IHS–The Netherlands), among others.

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