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Urban Poverty: Some Thoughts About its Scale and Nature and About Responses to It

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This chapter reflects on the context within which urban poverty develops, the deprivations associated with it, and some of the ways in which it can be addressed. It has five sections. The first describes the different forms of deprivation associated with urban poverty and how conventional poverty definitions and measurements miss many of these. The second section discusses the influence of some key economic and spatial changes on urban poverty, especially economic growth, trade liberalization, and the pace of urbanization. The third discusses the effectiveness and limitations of community initiatives to address urban poverty. The fourth considers measures that increase access to jobs. The final section considers the complementary roles of the central government in supporting community initiatives to reduce urban poverty.

Defining Urban Poverty

Absolute poverty in an urban context usually involves five interrelated aspects, namely:

- Inadequate or unstable income, which translates into inadequate consumption of basic necessities
- Inadequate, unstable, or risky asset base for individuals, households, or communities, including those assets that are important for maintaining income, for coping with economic shocks, and for limiting environmental hazards that can have serious health and economic costs
- Limited or no right to make demands within the political system and to receive entitlements, often within a framework that does not guarantee civil and political rights, such as the right to representative government or the right to organize, make demands, and get a fair response
- Poor quality and/or insecure housing with inadequate provision of public infrastructure and services (piped water, sanitation, drainage, health care, schools, emergency services), which imposes a large health burden
- Inadequate protection from the law, for instance, for civil and political rights, for health and safety in the work place, for protection from pollution through environmental legislation, and for protection from violence.

Absolute poverty is also generally linked to discrimination or exploitation. Examples include the discrimination women face in labor markets, women's limited access to credit and services, and the discrimination certain groups face as a result of their ethnic origin or caste. These different aspects of urban poverty can be seen as a pyramid as shown in table 11.1. Obviously, there are strong links between these different aspects—for instance as poor quality, insecure housing with inadequate provision of 'public' infrastructure and services reflects the occupants' very limited capacity to pay for housing—but it is useful to stress each of these different aspects, because each highlights a different entry-point for interventions that can reduce poverty.

Table 11.1. *The Association between the World's Largest Economies and Largest Cities, 1990*

<i>Size of economy</i>	<i>City populations</i>		
	<i>10 million</i>	<i>5 million</i>	<i>1 million</i>
The world's five largest economies ^a	6	11	103
The following ten largest economies	5	11	67
The following ten largest economies	0	4	34
The rest of the world	1	7	77
Total	12	33	281

Note: Data on the 10 million plus and million cities from United Nations (1995) were adjusted based on new census data and UNDP (1993) data on the world's largest economies were based on real gross domestic product (purchasing power parity U.S. dollars).

a. In 1993, China, Germany, Japan, the Russian Federation, and the United States were the world's five largest economies.

Source: Satterthwaite (1996); UNDP (1993); United Nations (1995).

Although it may be difficult for those who are used to equating poverty with income alone to accept this broader view, and it is difficult to incorporate many of these aspects into the quantitative measurement of poverty, it is important for many reasons. The following are brief summaries of these reasons.

A growing number of case studies show how deprivations associated with low income can be reduced without increasing income by increasing assets or improving basic services. Political changes that allow low-income groups to negotiate more support or less harassment have also been shown to reduce deprivations. Regarding the right to make demands, the more successful poverty reduction programs—often with little or no funds from foreign interests or local authorities—feature groups of urban poor that successfully negotiate resources and room for autonomous action and end previous harassment from local authorities. If this is generally true, the scope of actions that can help to reduce poverty widens greatly.

Governments and nongovernmental organizations (NGOs) are often better able to address an inadequate asset base, limitations in political rights, inadequate basic services, and discrimination than the problem of limited income, which is, in any case, influenced by general levels of prosperity and growth (although recent experiences with microfinance may suggest a greater ability to address the problem of limited income). In addition, basic service provision can be important for income levels indirectly, because improved basic services can often greatly reduce loss of income resulting from earners having to take time off for their own or a family member's illness or injury or from the cost of treatment and medicines. Improved basic services may also increase income indirectly. For instance, a new piped water supply can lower the amount households have to spend on buying water from vendors. Safer and more secure housing protects households against loss of assets; it is almost always the poorer groups that lose their homes and other assets to floods, landslides, and earthquakes. Safer housing can also be a source of income, for example, by extending the house to rent out rooms or house a small enterprise or by using it as collateral for a loan. In some cases, poor people's capacity to pay for improved basic services and for safer housing is limited. Where this is the case, the ability to negotiate with local authorities for less harassment (for example, removal of the threat of eviction) and modest resources (for example, the loan of equipment to help dig or clear drainage ditches, weekly collection of solid waste) can provide considerable benefits.

Increasing income may not be enough to enable households to move out of poverty. In many urban centers, provision for urban infrastructure and services is so limited and the capacity of local governments to expand or improve it so weak that even middle-income groups cannot find housing with adequate provision for water and sanitation and protection against natural disasters. In such circumstances, the private sector often develops residential enclaves for the middle and upper classes

with privately provided and managed infrastructure and services, but rarely do these services reach more than a small proportion of a city's population.

Furthermore, an income-based poverty line has no validity unless it accurately reflects the income level that an urban household needs to avoid poverty. This income level varies very considerably within cities, between cities within the same country, and between cities in different countries. This is why the universal US\$1 a day or US\$2 a day poverty lines are so inappropriate. For instance, US\$1 a day may be enough to avoid serious deprivation in a small urban center in a poor region of India, but not in larger, wealthier cities. In some cities, US\$1 a day would not cover the cost incurred by going to and from work. In some low-income communities, it hardly covers the cost of water that has to be purchased from water vendors.

One of the great unknowns is the amount of variation from place to place in the level of income needed by a household to avoid poverty. A single income-based poverty line applied to a whole country assumes that there is no variation at all, which is known to be invalid. Certainly, many urban households need a higher cash income than many rural households to avoid poverty. The following list indicates some reasons why the urban poor may have a greater need for cash income.

- Public transport costs resulting from the need to get to and from work and essential services; various studies of urban poor communities reveal that public transport costs represent a significant part of total household expenditure.
- School fees and associated costs, including getting to and from school, are often higher in urban areas. Even if no charges are made for entry into schools, there are often other costs, such as school meals, uniforms, and examination fees that low-income households have difficulty meeting (see, for example, Kanji 1995).
- Housing costs include rent or greater expenses if living in a self-built house, because land for the house and building materials are expensive. Many tenant households spend more than a quarter of their income on rent (see, for instance, Barbosa, Cabannes, and Moraes 1997; Richmond 1997; UNCHS 1993; UNCHS and World Bank 1993). Households that rent rooms or live in illegal settlements may also be paying high prices for other services. For instance, low-income households frequently spend a significant proportion of their income on water, sanitation, and garbage collection. Payments made to water vendors represent a major item of household expenditure, often 20 percent of household income. Some case studies show even higher proportions spent on water (Cairncross 1990). Many urban households have no washing and sanitation facilities within their homes and have to pay fees to use communal or public latrines and washing facilities that can represent 5 to 10 percent of household income (see, for instance, the case of Kumasi described in Devas and Korboe 2000).
- Food is generally more expensive in cities. In addition, urban households generally have more limited opportunities than rural dwellers to offset this cost by growing food or raising livestock.
- Healthcare can be more expensive in urban areas. In some cases, no public or NGO provision is available, and private services have to be purchased. A study (Pryer 1993) of a slum area in Khulna, Bangladesh, highlights the large economic burden caused by poor health that is associated with poor-quality housing. The study also shows how the economic cost in terms of income lost from days off work and from medical expenses was greater than the cost of improving the infrastructure to eliminate the health problems. In Karachi, the low-cost sanitation system supported by the Orangi Pilot Project brought the cost of good-quality sewers down to the point where the installation cost per household is likely to be less than the savings from one year of less time off from work and reduced treatment costs (Orangi Pilot Program 1995).
- Childcare costs occur in households where all adult members have to find income-earning opportunities. Low-cost or no-cost solutions are seldom available, although this difficulty is often solved through reciprocal arrangements with other members of the community or by leaving older siblings in charge.

- Most low-income urban households have other costs that go unrecognized by those who define income-based poverty lines, including payments to community-based organizations, bribes to the police, fines for illegal street vending, and payments for energy (for cooking and heating water, lighting and electrical appliances, and space heating where necessary).

Low-income households vary considerably in the proportion of income they spend in these different categories. For instance, many low-income urban households choose to live in peripheral areas because accommodation costs are lower, space is more plentiful, and greater possibilities of home ownership exist, but this means higher transport costs. Others chose more central locations, for instance, renting a room in an inner city tenement, which means they generally pay less transport and more for housing (through rent).

Most governments set income-based poverty lines and use these to determine or estimate the proportion of urban and rural populations that are “poor.” However, few income-based poverty lines recognize the scale and diversity of nonfood income needs for urban households, such as those listed. Most poverty lines are based on the cost of a food basket with some minor upward adjustment for nonfood items—typically a 15 to 30 percent increase above the cost of food—yet in many urban centers the cost of nonfood necessities is much higher than this. This upward adjustment is sometimes based on data from household surveys of what the poorest 20 percent of households spend on nonfood items, but this is not the same as the income level they need to avoid deprivation. It is hardly appropriate to say that households need incomes that allow food to be purchased plus 20 percent to cover other costs simply because low-income households who live in poor-quality housing lacking basic services pay 20 percent of their income for such housing.

Some countries have recognized that the income needed to avoid poverty in urban areas is generally higher than in rural areas, and so set income-based poverty lines for urban areas that are slightly higher than those for rural areas (see, for instance, Jonsson and Satterthwaite 2000; Tabatabai and Fouad 1993). However, the scale of this adjustment is generally too small in relation to the income needed to avoid poverty in most urban areas, especially the larger or more prosperous cities.

In response to the differentiations made here, in subsequent discussions of associations or links between poverty and other factors we will use terms such as income poverty and basic services poverty.

Seeking to Explain the Influence of Key Economic and Spatial Trends on Urban Poverty

The different aspects of poverty listed in table 11.1 do not necessarily go together. For instance, many Latin American nations faced serious economic declines during the 1980s, with a considerable proportion of the low-income population getting poorer and a considerable proportion of the nonpoor becoming poor (Minujin 1995). However, at the same time, many of these countries’ governments became democratic, resulting in much less abuse of human rights, including less repression of civil society organizations that represented groups of the urban poor. In those countries whose political structures became more decentralized and democratic, the scope for local government action and response to urban poor demands expanded. Constitutional changes like these took place in countries such as Brazil, Colombia, and Peru, increasing the scope for local democratic governance with more programs and policies that were favorable to the poor.¹

The precise impact of such political changes on urban poverty is difficult to estimate. In discussions within international development organizations, such changes are usually not considered as part of poverty reduction, partly because the framework for defining and discussing poverty has borrowed too heavily from Western concepts of poverty, which tend to focus on income only (Beck 1994; Chambers

¹ A growing number of case studies of specific initiatives or of new policies implemented by local authorities have been documented. See, for instance, Balvín Díaz, Follegatti, and Hordijk (1996) and Follegatti (1999) on the Peruvian city of Ilo; Davila (2000) on Cali, Colombia; Vélasquez (1998, 1999) on Manizales, Colombia; Souza (forthcoming) on the Brazilian city of Porto Alegre).

1995; Wratten 1995), and partly because the changes are difficult or impossible to measure. However, using one of the most extreme cases to emphasize the point, the transition to democracy and a nonapartheid government in South Africa has clearly brought benefits to the urban poor. These benefits take the form of dramatic reductions in repression and contravention of human rights and improvements in political structures in which the poor have more influence. In addition, some services have improved, even though the real incomes for many of the urban poor in South Africa probably have not changed much. Similarly, in much of Latin America, the transition or return to democracy during the 1980s reduced harassment of the poor. For instance, the scope of large-scale eviction programs that were common under nondemocratic regimes was reduced, as was repression of the urban poor (Audefroy 1994; Hardoy and Satterthwaite 1989). These changes are important to the lives and survival strategies of many of the urban poor, yet go unmeasured and unconsidered if poverty is only considered as inadequate income.

This illustrates the difficulties of measuring many aspects of urban poverty. There are comparable difficulties in understanding the links between major economic and spatial changes and urban poverty. Discussion of some of these follows.

Inadequate Data on How Income Poverty Has Changed

For most countries, no data exist on changes in incomes in different urban areas and changes in the prices for basic necessities or the cost of avoiding poverty. Data on income changes for urban populations without data on changes in the costs of basic necessities can not tell us much about how poverty has changed. Even where data on the price of a basket of basic goods exists, this basket usually fails to include many of the key basic household necessities such as water, sanitation, rent, transport, health care, and keeping children at school.

Inadequate Data on Changes in Service Provision

It would be interesting to see how the provision of water and sanitation has changed in urban areas in different countries and to get a sense of whether improvements have been associated with economic growth. However, the data on basic service provision in urban areas are patchy. For example, official statistics on the provision of water and sanitation in urban areas are known to have many inaccuracies, with many national figures for provision in urban areas greatly overstating the proportion of people with adequate provision (Hardoy, Mitlin, and Satterthwaite 2000; Satterthwaite 1995,). Among the main reasons for this are inappropriate criteria set for what is adequate and limited capacity among the international agencies that publish these statistics to question the validity of statistics provided by member governments.

According to the water and sanitation statistics published by the World Bank and the United Nations Development Programme, in many of the poorest African and Asian nations virtually all the urban population have piped water and adequate provision for sanitation (see, for instance, UNDP 1996; World Bank 2000). However, detailed city studies within these countries show this is not the case (Hardoy, Mitlin, and Satterthwaite 2000). These conflicting results are partly due to the criteria used to define what is adequate in terms of provision of water and sanitation being too vague. For instance, squatter settlements with hundreds of people per standpipe and irregular and often poor-quality water supply to the standpipes are considered adequately served because people have a standpipe within 200 meters of their homes. Similar problems exist for criteria that define adequate sanitation. For example, governments often classify people living in areas served by communal latrines as adequately served; however, the number of latrines relative to people is often far too small and the latrines are poorly managed; as a result many people are forced to defecate outside (Satterthwaite 1995; WHO 1996). Thus, we do not have data on how provision of water and sanitation in urban areas has changed in most countries.

Diverse Trends between Cities

Any attempt to consider how the scale and nature of urban poverty has changed in a country must also consider that circumstances can vary enormously between cities, and even within cities, for different groups. For instance, in countries with large populations, great diversity is likely to exist between cities. These differences may not be seen so much in incomes as in the quality of basic service provision. An example of this can be seen in the 20 year difference in life expectancy between the wealthier, well-managed and the poorer, poorly managed cities in Brazil (Mueller 1995).

Some governments have sought to improve the information base about urban poverty. For instance, in various Latin American countries this is accomplished by using a measure of unsatisfied basic needs, but this approach has been introduced too recently to provide much information on how basic service provision has changed.

In countries with well-managed censuses, there is a large potential for examining in greater detail the quality of basic service provision for each city (and for each district or municipality within larger cities). In some countries, examining how the quality of basic service provision has changed between censuses is another possibility. In this case, the problem is not that data do not exist, but that these data are not published. For instance, census data frequently show the proportion of urban and rural populations that is served by piped water and by different forms of sanitation, but no disaggregation into different urban centers or different districts within urban centers is shown. Contacts with census offices or government statistical offices can often produce this information, although doing so is time-consuming. In some countries and cities such information is available and could be used to illustrate qualitative changes in basic service provision. However, the range of information about basic service provision that most censuses collect is limited. For instance, the data collected about water supply for most of the censuses held around 1990 did not include data about cost, reliability, or quality.

Inadequate Data on the Pace of Urbanization

One particular interest of the authors of the 1999/2000 *World Development Report* (World Bank 1999) was whether there were links between the pace of urbanization and the scale or rate of change of urban poverty, but the data to allow much discussion of this do not exist. As if the data problems that have been outlined were not enough, we do not know how urbanization levels have changed for most countries since 1990, because this is the last date for which census data are available. It will be 2002 or 2003 before enough data are available from the new round of censuses to know what the pace of urbanization was during the 1990s. For some countries, especially in Sub-Saharan Africa, the data problem is more severe because there has been no census for 15 to 20 years. No other data source is reliable for urbanization levels. Without census data, the estimates and projections made by the United Nations Population Division as to how nations' urbanization levels are changing cannot be used as a substitute, because this simply builds the assumptions used for making estimates and projections into any analysis of linkages between urbanization levels and economic or social data. When new census data become available, they often show the inaccuracies of previous estimates, for instance, the great overestimations of the scale of population growth in the world's major cities (Hardoy and Satterthwaite 1989; Satterthwaite 1996).

These problems make most of the following analysis tentative, or even speculative. However, a number of subthemes emerge from the original question, which focuses on the core relationships among economic growth, poverty, and urbanization.

Pace of Urbanization and Economic Growth

Clearly, the higher the per capita income of a country or a region within a country, the higher the level of urbanization generally is. However, many wealthy nations have stopped urbanizing, and the levels of urbanization in high-income countries are diverse. In general, the countries with the highest economic

growth rates in the 1960s and 1970s were usually the countries with the largest increases in levels of urbanization. This association probably continued in the 1980s. Note that our analysis is limited to those countries for which census data on levels of urbanization exist.

Most of the world's largest cities are in the world's largest economies. This should not be surprising, but this fact does add weight to the idea that rapidly growing large cities and increased urbanization levels are generally associated with economic growth.

There are important exceptions to the expected association between increased levels of urbanization and economic growth that usually center on political circumstances. For instance, South Africa urbanized less during the 1960s and 1970s than might have been expected if one considers only its economy and its economic growth. However, the less than expected urbanization of South Africa during these decades can be understood when we consider the apartheid state's restrictions on labor movement and its denial of the right of most of the population to live in urban areas.

Sub-Saharan Africa is often held up as an example of a region that urbanized rapidly without economic growth. At least for the 1990s, we do not know whether it urbanized because there has been no census since 1990, or if there has, the data are not available. Most Sub-Saharan African countries urbanized more than might be expected in the 1960s to 1980s given their generally low levels of economic growth. In addition, this region also had some of the fastest growing cities in the world. However, for most nations, we have little or no census data from the last 10 to 15 years to indicate how much they urbanized in recent years. Perhaps the most immediate reason for the rapid growth of cities in this region was the small urban base that they started with. Among the 18 cities in Sub-Saharan Africa with more than 1 million inhabitants in 1990, half had fewer than 200,000 people living in them in 1950, while five of them (Abidjan, Conakry, Dar es Salaam, Maputo, and Nairobi) had fewer than 100,000. Because these began with such a small base, their population growth rates starting in the 1950s are much higher than those of major cities in most other regions of the world that were already much larger in the 1950s or 1960s. Note that the population growth rates of these cities are certainly not historically unprecedented; many cities in the southern United States that started with small bases and grew to be major cities in the first half of the 20th century had high average population growth rates (Satterthwaite 1996). Some of Latin America's largest cities experienced a similar growth pattern in the late 19th and early 20th centuries (Satterthwaite 1996).

One of the main reasons for Sub-Saharan African cities' small initial base was the deliberate urban population control that European colonial powers had implemented by imposing restrictions on the rights of local people to live and work in urban centers. Thus, these cities' populations grew rapidly just before or after the end of colonial rule because the colonial apartheid-like controls on population movements were removed or weakened. This allowed women and children, who had been forced to live separately in rural areas, to join their husbands and fathers who were working in the city (see, for instance, Bryceson 1983; Potts 1995).

Another reason many Sub-Saharan African cities grew so rapidly during the 1960s and 1970s was the achievement of political independence by the nations in which they were located. These cities saw the development of the institutions associated with an independent state and of a higher education system, which had remained undeveloped under colonial rule. A third reason for rapid growth was the division of what under colonial rule had been one country into two or more. As a result, each new country needed a capital that subsequently experienced rapid growth (Bairoch 1988). If much of the in-migration into Sub-Saharan Africa's largest cities can be explained by the movement of women and children and by the expansion of higher education and the institutions associated with independent nation states, it cannot be said that this was urbanization out of control. No Sub-Saharan African city appears as one of the world's 20 fastest growing cities in the 1950s, 1960s, or 1970s if its growth is measured in terms of the city's annual average increase in population per decade.

Urban Income Poverty and the Pace of Urbanization

In terms of income poverty, some obvious likely associations exist. For example, countries that were fast urbanizers in particular decades were generally the countries with the most rapid economic growth. (There are some exceptions to this in Sub-Saharan Africa during the 1980s for reasons noted already.) In addition, the scale of these countries' economic growth is associated with the extent to which income poverty was reduced. For example, in Latin America generally, income poverty decreased in the 1960s and 1970s, especially in countries with rapid economic growth, which were generally the countries with the largest increase in levels of urbanization. Subsequently, an increase in income poverty occurred in the 1980s, when economic growth ceased (or went into decline) and the pace of urbanization slowed.

Poor economic performance during the 1980s was also associated with large falls in the growth rates of most large cities in Latin America. However, poor economic performance is also associated with changed economic orientation. The largest cities were generally the centers for industry that had developed under import substitution support, while other cities benefited from the change to export promotion. Changed political structures also influenced economic performance. A downsizing of government hit national capitals hardest, especially in countries with highly centralized government structures. Note also that major cities' slower growth rates were also generally associated with lower rates of natural population increase, reflecting falls in fertility levels.

For most of Sub-Saharan Africa, we suspect that the pace of urbanization slowed in the 1980s and 1990s, reflecting economic decline and cuts in the size of the public sector (most public sector employees live in urban areas). The exceptions would primarily be where civil war or conflict drives rural people to particular cities; thus no link exists between a city's attraction for migrants and its economic performance. Few data are available to test this, because so few countries have had recent censuses. However, a few indicators do exist. Initial returns from Mali suggest slower urban growth, and the Nigerian 1991 census showed much less urbanization than most had expected.

Thus, a consideration of links between economic change and poverty reduction raises many questions for which there are little or no data to answer them. Has an important change taken place in the implications for urban poverty reduction based on what we know about economic growth in the 1990s compared with economic growth in the 1970s and 1980s? Has this growth been directly or indirectly less labor absorbing? Or do the implications for urban poverty reduction vary between countries depending on the nature of economic growth, for example, is successful tourist development more labor absorbing than manufacturing?

Urban Basic Services Poverty and the Pace of Urbanization

The data on the proportion of nations' urban populations that are adequately served with water, sanitation, and health care have too many inaccuracies to allow their use in discussing the association between the pace of urbanization and improvements in the proportion of the urban population served. Assuming the figures from the Housing Indicators Program to be more robust than national figures because they were produced or checked by local researchers, an association exists between the proportion of a city's population served with piped water and national per capita income. However, considerable variation exists in the extent to which city populations are served with piped water among cities in nations with comparable per capita incomes (see, for instance, UNCHS 1996).

There are examples of cities with rapid population growth that have also achieved high levels of basic service provision. These demonstrate that for individual cities, rapid population growth does not necessarily mean increased basic service poverty. For example, Porto Alegre and Curitiba in Brazil, each with more than a million inhabitants, are among the world's most rapidly growing cities during the last three decades, and these cities also have some of the highest proportions of their population served with piped water and adequate sanitation (Menegat 1998; Rabinovitch 1992). São Paulo, for all its problems, has a relatively high proportion of its population served with piped water and sanitation, although its

sheer population size means that millions of people still are not served or are inadequately served (Jacobi 1994). However, there are also rapidly growing, prosperous cities where basic service provision for large sections of the population have not improved, as in the case of Bangalore in India (Benjamin 2000). Many booming cities and smaller urban centers in India have large inadequacies in basic service provision (Agarwal, Narain, and Sen 1999). Without competent and effective local authorities that represent and respond to the needs of their lower-income households, a city's rapid economic growth does not translate into improved service provision.

Considering how successful informal sector enterprises and community action have been in improving basic service provision in the absence of government or private sector provision is also important. An example of this is the Orangi Pilot Project in Karachi, where hundreds of thousands of households received good-quality sewers through self-funded construction programs that were supported by a local NGO (Hasan 1997; Orangi Pilot Program 1995). Another example is the great range of community-directed initiatives in the squatter settlement of El Mesquital in Guatemala City, which included health care, daycare, water, and sanitation (although unlike Orangi, this received substantial international funding) (Diaz and others 2000).

There are obvious links between good governance and the reduction of basic services poverty. Rapid growth in individual cities can bring increased basic services poverty. This is especially true in cities where rapid growth is not accompanied by economic growth, for example, in many Sub-Saharan African cities, especially during the 1980s. It is also true even in prosperous cities where city authorities are either unwilling or unable to ensure basic service provision. Examples of this unwillingness or inability can be seen in Surat in India before the plague outbreak there, which focused attention on the extent to which this city's economic boom had not been translated into improvements in basic service provision. Another well-documented example is that of Cubatao's development under the military regime in Brazil (Lemos 1998). However, if economic growth is accompanied by improvements in the capacity and competence of city authorities, then rapid growth can reduce basic services poverty, as has occurred in Brazil in Belo Horizonte, Curitiba, and Porto Alegre. Is the extent of decentralization and democratization a key factor in ensuring that rapid city growth is accompanied by reduced basic services poverty, in terms of both the quality and extent of public sector investment and its capacity to support, or at least not suppress, community initiatives?

Links between Increased Life Expectancy and Pace of Urbanization

The life expectancy at birth in a country is among the most valuable single indicators of social achievement. Life expectancy at birth is a measure of the extent to which economic, social, and political factors within a country have made it possible for citizens to avoid premature death and, in general, lead a healthy life. The figure for a country's average life expectancy tells one much about the quality and extent of basic service provision. A country cannot achieve a high average life expectancy without most of its inhabitants having good-quality housing that includes safe and sufficient water supplies and adequate provision for sanitation. Nor can a country achieve a high life expectancy without wide health care coverage that includes special provision for infants and children and for women's reproductive health. Given the lack of data about basic service provision and the questionable accuracy of the data that are available, looking at the associations between changes in life expectancy and changes in levels of urbanization might be instructive.

In 1995 we analyzed the links between changes in life expectancy and changes in per capita income while preparing *An Urbanizing World: Global Report on Human Settlements 1996* (UNCHS 1996). This analysis produced few surprises. We found that, in general, the countries with the highest life expectancies are also the countries with the highest per capita income, while the countries with the largest increases in life expectancy in 1960–92 were also generally those with the largest increases in per capita

income. Within these groups countries known to prioritize basic services provision achieved well above average performance in increasing life expectancy relative to increasing per capita income.

Plotting increases in the level of urbanization in 1960–90 against increases in life expectancy in 1960–92 is possible, although doing so requires a few words of caution. First, note that life expectancy is much easier to increase when it is starting from a low base. Many of the countries with the smallest increases in life expectancy in 1960–92 were simply those that had already achieved high life expectancy by 1960. Second, similar problems occur when plotting increasing urbanization levels; increasing the population that has urbanized from 20 percent to 40 percent requires smaller shifts in population than moving from 40 to 60 percent. In addition, for many countries we have no census data for the 1980s, but eliminating any country without census data since 1985 from the analysis easily solves this problem. However, this eliminates most countries in Sub-Saharan Africa from the analysis. Further words of caution are needed where the nature of the analysis and the statistics are concerned. An example of an issue to keep in mind concerning the nature of the analysis is whether increasing levels of urbanization are in response to particular economic changes or to political changes. Issues relating to statistics refer to the different definitions countries use to define their urban populations.

Having said this, the final picture is diverse. Some countries with some of the largest increases in life expectancy had relatively low increases in urbanization levels, for example, China, India, Indonesia, Thailand, and Vietnam. Others had large increases in urbanization levels, the Republic of Korea especially, but also Iran, Iraq, Malaysia, and Turkey. However, for some of these, this may be because of the urban definition. This is certainly the case for China, where a large population living in urban centers remains classified as rural for historic reasons (UNCHS 1996). Brazil, Chile, Ecuador, Mexico, and Venezuela had average performance in both indicators; however, this was in part due to their relatively high levels of urbanization in 1960.

Australia, Austria, Canada, France, New Zealand, Sweden, the United States, and others had low increases in both. These countries were simply those that were already urbanized and had relatively high life expectancies in 1960. The cases of Burundi, Malawi, and Rwanda show the need for care in this analysis, as they held similar positions as this group of wealthy countries with high life expectancies. These African countries urbanized little and experienced only small increases in life expectancy despite starting at a low level in both of these in 1960. A group of Eastern European countries, the former Czechoslovakia, Hungary, Lithuania, and Romania, experienced large increases in urbanization levels and relatively small increases in life expectancy.

After the improvements in life expectancy are adjusted according to the formula suggested by Dasgupta and Weal (1992) to compensate for the fact that achieving increases in life expectancy is easier from a low base, some interesting changes take place. An obvious grouping of poor countries with relatively small increases in life expectancy and urbanization levels appears. These countries are Burundi, Malawi, Rwanda, and Somalia. Another obvious grouping consists of countries with large increases in life expectancy and relatively small increases in levels of urbanization, which includes the countries that were already relatively urbanized in 1960: Australia, Canada, France, Germany, Italy, Japan, and the United States. However, generally the results are fairly diverse, with no clear association between large increases in levels of urbanization and large increases in life expectancy.

To compensate for the fact that achieving increases in levels of urbanization is easier when starting with a small base, we introduce a formula that is similar to the one used for life expectancy. The results remain diverse, although the following clear regional groupings are apparent:

- *Sub-Saharan Africa.* A clear grouping of low-income Sub-Saharan African countries had the lowest performance both in increased levels of urbanization and in increased levels of life expectancy. This group includes Burundi, Chad, Malawi, Mali, Nigeria, Rwanda, Senegal, and Somalia. Unlike in other groupings, these stand by themselves with no countries from other regions.
- *Latin America.* Some of the highest increases in urbanization levels and relatively good performance in increased life expectancy are seen in a group of Latin American countries,

including Argentina, Brazil, Chile, Colombia, the Dominican Republic, Mexico, and Venezuela. This group includes most of the countries with the best economic performance in the region. Countries such as Bolivia, El Salvador, and Panama have smaller increases in levels of urbanization, but comparable increases in life expectancy.

- *Wealthy northern countries.* In general, wealthy northern countries show a greater than average increase in life expectancy and small to medium increases in urbanization levels.
- *Asian newly industrializing economies.* These countries show greater than average performance in life expectancy increases, but a great range in terms of increased levels of urbanization. For example, China, Indonesia, and Thailand have lower increases in urbanization than might be expected. However, this may be related to the ways in which urbanization is measured, as previously noted for China. Hong Kong (China) and Korea had among the highest increases in both life expectancy and urbanization level.
- *Eastern Europe.* This group of countries had average to greater than average increases in levels of urbanization and lower than average increases in life expectancy.

How Has Urban Poverty Been Affected by Trade Liberalization

The experience in the area of trade liberalization's effect on urban poverty is perhaps too diverse to allow general comments. Clearly, substantial increases took place in the scale and intensity of urban poverty after structural adjustment in many countries (Kanji 1995; Latapí and de la Rocha 1995; Minujin 1995; Moser, Herbert, and Makonnen 1993; Woodward 1992; Wratten 1995). Whether these countries were worse off than they would have been without structural adjustment is not clear. Most of these economies were in crisis anyway, with severe problems in terms of servicing foreign debt. However, a general consensus exists among these authors that the social impacts of structural adjustment, including the large impact on urban poverty, could and should have been lessened. Governments could have paid more attention to local measures that could have reduced the negative impact, for example, by protecting the level of expenditure for the most effective social programs or providing support for those most impoverished by the structural adjustment measures.

Some countries in Latin America did experience improved economic performance after structural adjustment. However, the inadequate and limited literature on this suggests that this economic improvement may have brought less reduction in income poverty than it did in the 1960s and 1970s. In other words, the nature of economic growth in the successful Latin American economies of the last few years was less income poverty reducing than before.

Questions This Section Has Not Answered

No data sources that we are aware of allow comment on how income distribution has been affected by the pace of urbanization or by the industrial or size characteristics of cities. An interesting question for which we would like more data is whether a rapidly urbanizing population and a rapidly increasing industrial work force change the political context to allow the urban poor to get a better deal. Rapid urbanization and rapid growth in industry imply rapid economic growth, so changes in income distribution are linked to the nature of ownership of the expanding economic activities, the power of the work force to negotiate adequate wage levels, and the extent to which the government provides for redistributive mechanisms. Growing income inequality within a city may affect its economic performance, for example, indirectly through growing levels of crime that deter new investment from locating there.

The lack of data allowing accurate comparisons between countries or cities regarding urban poverty makes it difficult to comment on whether foreign direct investment (FDI) has influenced urban poverty levels. If FDI has generally been associated with economic growth, then it is presumably a positive factor for urban poverty reduction, assuming that it takes extreme repression for economic growth not to have a

beneficial influence on urban poverty. However, FDI is likely to be concentrated in relatively few countries and cities. Also, in some cities the relatively small scale of employment creation, and in many instances the relatively low wages of the jobs that resulted from FDI, have been disappointing. For example, despite the success of Cebu, the Philippines, in attracting FDI, the level of urban poverty remains high (Etemadi 2000).

Thus, we have to recognize that the different impacts of the global competitive market on levels of poverty in different nations and cities are not well understood. The global market has provided the basis for many cities to become rich and successful, but unsuccessful urban centers exist in far greater numbers in the South. Can all find a prosperous niche within their local, national, or international context within an increasingly globalized economy?

While studies of individual cities, areas, and countries exist, little supports a robust and comprehensive understanding of the links between urbanization and urban poverty and the related issue of economic growth and urbanization at the subnational, national, supranational, and global levels.

Community Initiatives and Poverty Reduction

How effective have community initiatives such as self-help housing, safety nets, and community banking been in poverty reduction? Under what specific circumstances, such as forms of governance, are these initiatives most likely to flourish?

Groups seeking to address urban poverty have, from diverse starting points, developed remarkably consistent approaches that demonstrate some insights into the questions raised here and in the next section. Within these approaches economic growth evidently matters, but no simple relationship exists between economic growth and poverty reduction. Households and individuals make choices about urban or rural locations and about who within the household moves in response to opportunities and constraints. However, low-income households in particular remain vulnerable to powerful international economic forces, therefore addressing such vulnerability is still important.

Within many of the larger urban centers, a great variety of community organizations and professional groups work in support of community initiatives. In smaller urban centers, grassroots organizations often actively seek to improve their local neighborhoods and homes, but not as many professional agencies, such as local government, NGOs, or national government programs, are supporting these activities. Grassroots initiatives emerge for many reasons and the speed and consistency of collective action suggest that the more pessimistic assumptions about the associational capacity of urban communities are misplaced. When seeking to better understand such initiatives and the support that they can offer urban poverty reduction, distinguishing between the following three main factors is helpful:

- The approach underlying the intervention
- The main actors involved
- The sectors for improvement: housing, services, infrastructure, employment, and livelihoods.

If the intention behind gathering experience from community initiatives is learning for action, the issue of transferability from one successful initiative to a second attempt elsewhere is immediately raised. Experience suggests that any strategy to replicate a successful community initiative is not an easy one, because specific community initiatives are successful within specific circumstances. The circumstances that help to determine the success of community initiatives relate both to factors in the external environment, in particular, the scale of economic growth and the response of political and state agencies, and to factors that are internal and relate to matters of organization, capacity, and resource mobilization.

To better understand the underpinnings of successful community initiatives, it is useful to differentiate between the following four different core approaches within which the individual interventions supported by professional agencies can be placed:

- *Market integration* is based on the expectation that urban poverty can be effectively addressed by assisting the poor to obtain higher and more secure incomes. Success depends on securing markets for poor people's labor or their goods.
- *Direct welfare provision* is a result of the recognition that the lack of basic services and infrastructure creates many difficulties and costs for the urban poor. As a result, professional agencies are working in low-income neighborhoods to provide a range of services, such as improving water and sanitation and providing health care, roads, and pathways. Success depends on a source of funds to support such work.
- *Claim making* on the state is a response to the lack of public recognition of and support for the needs of low-income residents. Many civil society organizations have taken on a claim-making role, arguing for improved provision of a wide range of public services both for neighborhood improvement and for increasing access to livelihood opportunities. Success depends on a supportive political environment, especially if new or modified laws and regulations that are favorable to the poor are to be translated into tangible progress. Many examples of new laws imply more government actions that are favorable to the poor, but lack of implementation or actions by vested interests limit their impact.
- *Alternative asset accumulating models* for urban development are based on scaling up self-help solutions to address the difficulties that the poor face in securing basic necessities, including services and housing, and in finding employment. In addition, these models are based on seeking to add value to such self-help solutions. Success generally depends on the capacity to negotiate resources to support the scaling up of such initiatives and a supportive institutional environment.

Inevitably, making precise distinctions between these strategies is difficult, particularly for those groups that work closely with grassroots organizations. The work of grassroots organizations themselves defies categorization. Their work moves between one approach and another as opportunities in the external context open or close to them, as leadership changes within the group, or as other groups take up the struggle for local improvements. City-level federations of community groups generally become more strategic and follow one rather than another approach. Furthermore, overlaps exist between the approaches, for example, when NGOs make claims on the state, fail in their endeavors, and are forced to help groups that have been left without state support. Another example of these overlaps is when those seeking alternative development models start with groups' self-help efforts, which include market-based livelihood strategies.

What emerges from considering initiatives within this category is the lack of a clear distinction between community initiatives that support neighborhood improvements and those that increase access to jobs. Community initiatives may be thought of as both income enhancing, seeking to support access to jobs and productive activities, and expenditure reducing, seeking to reduce the costs of essential services and thereby enabling limited incomes to go further. In this section, the focus is on expenditure reducing interventions. The following section will consider those interventions that focus on enhancing incomes.

The term community initiative is used here in its widest sense to include both grassroots initiatives and the community interventions of external agencies. The discussions of the latter are usually divided by type of agency. Perhaps the most important distinction between agencies is the one between NGOs and government agencies. The support of international agencies (especially official bilateral and multilateral organizations) is generally channeled through one of these actors. The term NGO includes the work of both southern and northern NGOs, particularly in Latin America and Asia, with the recognition that NGO activities in southern towns and cities are primarily those of indigenous organizations. However, an increasing number of programs show that the distinction between NGOs and governments has become blurred. Numerous examples of NGO programs now exist that have been scaled up by government and implemented in partnership with NGOs. In addition, some government programs now have a distinctive and substantive role for NGOs. However, despite these trends, the division between civil society and state actors is still robust for cities in the South.

A consideration of the effectiveness of community initiatives to address urban poverty might differ by actor and approach. Table 11.2 presents various strategies of government groups and NGOs.

Table 11.2. Community Initiatives in Southern Cities: Activities and Examples

<i>Approaches/actors</i>	<i>NGOs</i>	<i>Government agencies</i>
Market integration	Microfinance initiatives and support for enterprise development and income generation. Examples: SEWA (India), ITDG (Bangladesh and Zimbabwe), some of the programmes of the Carvajal Foundation (Colombia).	Government support for small-scale enterprise or for facilities for informal sector enterprises.
Welfare provision	Relief assistance and support for groups in particular need, such as street children or evicted families. Examples, Hogar el Cristo (free and subsidized housing, Chile); Undugu (street children, Kenya).	Provision for those in specific need, often with a focus on health, education, and basic infrastructure. Includes the work of some social funds and many community health programs.
Claim making	Lobbying and advocacy for greater rights for the poor, including changes to regulations, laws, and the present distribution of resources. Examples: Urban Land Reform Task Force (housing and land, Philippines); NGO coalition (constitutional changes, Colombia); APPACAN (street children, Africa).	Support for greater participation of grassroots organizations in the municipal plans and activities. Participatory budgeting (infrastructure, Porto Alegre and some other Brazilian cities); some local agenda for the 21 st century in Latin America (Ilo in Peru, Manizales in Colombia).
Alternative development	Range of initiatives related to strengthening community efforts to secure and strengthen economic activities (creation of local markets) and neighborhood upgrading (housing and infrastructure). Examples: SPARC (housing and income generation, India), ENDA (sanitation and income generation, Senegal), Cearah Periferia (housing and income generation, Brazil), Orangi (sanitation and other interventions, Karachi), International Institute for Environment and Development–America Latina’s barrio support programme in Buenos Aires, People’s Dialogue on Land and Shelter (South Africa).	Innovative projects and programs to provide appropriate support to community initiatives. Urban Community Development Office (housing, land, income generation, Thailand); Sindh Katchi Abadi Authority (land and infrastructure, Pakistan).

Source: Authors.

With regard to success in poverty reduction, some limitations can be identified as follows:

- Many market intervention strategies depend on the success of the market, particularly for informal goods and services. The recent recession in Asia may result in a reconsideration of this approach depending on what happens with repayment of loans for microenterprise development.
- The scale of approaches related to welfare provision inevitably depends on the availability of organizational and financial resources to provide such support. For many poor people, especially in urban Africa, such resources are very limited.

- Claim making strategies have secured successes at the level of policy and advocacy, but translating such successes into changes in practice seems more difficult.
- Alternative development approaches can achieve success in settlements and neighborhoods, but such models may face constraints as they seek to scale up beyond the level of the neighborhood and require both a favorable policy and practice environment and significant investment capital.

Many studies of community life deal in part with the capacity of communities to address their needs for housing, infrastructure, and services. Few of these studies look specifically at community initiatives or deal in precise terms with their impact on poverty. However, such studies offer an understanding of what low-income urban residents seek to do for themselves through formal and informal grassroots organizations (Arévalo 1997; Cuenya and others 1990; Davila 1990; Peattie 1990; Schuurman and Van Naerssen 1989; van de Linden 1997). What emerges from most of the studies is these initiatives' inability to deal with structural issues or to obtain substantive allocations of funds at the city level. While individual communities secure improvement, few initiatives have succeeded in making substantive progress beyond this level.

Two exceptions to this are the experiences described in Abers (1998) and Barbosa, Cabannes, and Moraes (1997). In the first study, grassroots organizations developed a strategy to secure control of the city council, resulting in the start of the participative budgeting experience in Porto Alegre, Brazil. Abers (1998) argues that this has transformed relationships both between leaders and the city authorities and elected officials and between the leaders and their membership. The second study, from Goiania, Brazil, is equally relevant, although in a different context. A federation of tenants implemented an aggressive strategy to acquire land that supported the informal organization of renters and enabled tens of thousands of low-income households to gain both land and the spatial location necessary to lobby for services and infrastructure. These and other experiences suggest that the poor will do better where land is available and where they succeed in transforming relationships with the city authorities in a way that eliminates patronage and dependency.

A number of other studies concentrate on the perspective of donor agencies and analyze and assess their capacity to support the development of grassroots organizations and community initiatives. Participation, in particular, has been a popular theme. The importance of effective community participation in the development interventions of external agencies is increasingly being recognized (Korten and Klaus 1984). While much of the literature has focused on rural development, the importance of community participation in urban areas has also been recognized (Abbott 1996; Moser 1989; Paul 1986). Moser looked at this issue with a view to better understanding some of the contradictions involved in community participation within urban interventions. With this contribution, the discussion broadened to consider problematic issues, such as whose participation, and to recognize the heterogeneity within communities and the fact that different groups involved in a project often have different objectives.

A specific focus of Moser's study is housing, although interventions concerned with sanitation and health care are also included. Her analysis concurs with that of Paul (1986) in recognizing that a number of different objectives are often sought, and that progress toward community participation in any specific intervention cannot be understood without considering the related objectives. Moser's tentative conclusions suggest that interventions strong on empowerment objectives may also be more successful in securing other objectives such as cost recovery. In addition, she suggests that NGO programs appear to be more successful than those of official agencies in securing higher levels of participation, and flexible planning and strong, decentralized, community-oriented implementation strategies are needed if participation is to be effective.

Other work has sought to draw out some of the key principles of professional support. Turner (1976, 1988) has long argued that enablement is the key to better state support for housing development and that more recognition should be given to people's own planning and construction, with the state playing a supportive rather than directive role. During the 1980s, such ideas were given increasing credence, and in 1988 the United Nations Center for Human Settlements made the concept of enablement integral to the global shelter strategy

for 2000. The global report on human settlements (UNCHS 1996, p. 295) concludes that in the last 10 to 15 years, there has been "greater stress on public authorities working with the private sector and community organizations and in many aspects of their work moving from control to enablement." The concept of an enabling role for governments has been further reinforced by the Habitat Agenda, the main document to emerge from Habitat II, the second United Nations conference on human settlements.

However, questions have also been raised about the ease with which governments are able to make this transition. Douglass (1992), in a review of urban poverty and environmental management in Asia, concluded that governments have been ineffectual in assisting the poor to better manage the local environment. He argued that community-based environmental management is an important avenue for addressing environmental deterioration, although he is concerned that governments rarely support such initiatives. His analysis is echoed in UNCHS (1996, p. 425), which notes that: "In most cities in Africa, Asia, and Latin America, the individual, household and community efforts that have such a central role in building cities and developing services have long been ignored by governments, banks, and aid agencies."

A range of experiences demonstrate that groups of the urban poor are able to both articulate the necessary reforms and to ensure that they are made into law (see, for example, Karaos, Gatpatan and Hotz 1995 and their discussion of the Urban Development and Housing Act in the Philippines). However, a recurrent problem in this context is one of enforcement. Obtaining new legislation through organized campaigns within democratic societies is easier than ensuring that the legislation is implemented. An additional, related problem is that such laws may appear to be far from the reality of local people's lives and may not address their immediate needs and concerns, such as sufficient income for food and water. Unless laws appear to be immediately relevant, local pressure is not likely to be strong enough to change the practices of more powerful groups, however desirable these laws may seem.

In this context, the shift toward localization in the sense of a shift in the focus of political activity to the subnational level as documented by the World Bank (1999) may need some reinterpretation. Experience suggests that in addition to a shift from national to local government, groups favoring localization should seek to discuss the broader context of a move beyond the structures of government toward local control. Localization is seen not as a transfer from national government to local government, but rather as a recognition of the merits of self-government and a willingness to support the capacity of local actors to address their own needs (Fox 1997). Such a realization does not do away with the need for local government (or national government), but suggests that the style of national government needs to be transformative, seeking to mobilize and support local groups. Such a realization is not new to the NGO movement, although disagreement exists on this point. Hirschman (1984, p. 96) suggested that participants in grassroots development in Latin America may have come to believe that "there is something illusory about the importance widely attributed to the large-scale political changes...that have been characteristic of so many countries for so long in Latin America." Box 11.1 exemplifies the work of one NGO and its grassroots alliance in Mumbai, which has sought to develop the grassroots capacity to put such a model into practice.

Such work illustrates a move toward increasing the capacity of poor people to address their own needs, either directly or through new forms of relationships with the required range of government agencies. Perhaps the single most important lesson arising from such experiences is the emphasis that external agencies need to place on understanding the realities of the poor themselves, and working with these realities in seeking substantive and lasting improvements.

Measures that Increase Access to Jobs

What measures can be introduced to increase access to jobs? What initiatives register some success in terms of poverty reduction? This section looks particularly at initiatives that are income enhancing. Within such a focus, distinguishing between the following three approaches can be helpful:

Box 11.1. From Policy to Practice: The Experience of the Society for the Promotion of Area Resource Centres

In the last 12 years, the role of the Mumbai-based NGO Society for the Promotion of Area Resource Centres (SPARC) has been transformed from that of a small NGO working on the periphery of state activities to that of an agency that is listened to in governmental and international forums. Central to SPARC's transformation is its alliance with two grassroots organizations, Mahila Milan, a network of women's cooperatives largely formed by women pavement (or street) dwellers, and the National Slum Dwellers Federation. SPARC seek to engage with the government because its members understand that this is critical for scaling up the work of the alliance. However, in their engagement, they seek to overcome a problem associated with other policy initiatives. Too often, NGOs put forward proposals for policy reform without exploring these proposals at the community level with local residents. SPARC, due to its alliance with the National Slum Dwellers Federation, has sought another way to influence policy. It involves developing demonstrable alternatives together with local residents and then engaging local and national officials in a dialogue with communities about these pilot projects and how they can be scaled up. Their work includes changing building regulations to enable construction of housing developments that better suit the needs of low-income groups and participating in the design and realization of a new state policy for legalizing and improving housing for the poor in Mumbai. In addition, they have taken part in developing a community design for toilet provision and proposing and implementing schemes for resettling urban communities. While SPARC's experience has demonstrated the unreliability of both national government commitments and international agencies, the communities that SPARC works with have sought to maximize the benefits to the urban poor in each situation.

Source: Patel and d'Cruz (1993); Patel and Sharma (1998); SPARC (1996).

- *Providing jobs directly.* Initiatives such as the Agency for the Implementation of Public Interest Work in Senegal have sought to provide jobs in labor-intensive public works within a broader context of economic recession and cutbacks in public employment. Other programs have sought to use food for work as the financing base for employment.
- *Providing credit and other support services to the informal sector.* In the context of a general shift away from state interventions, support for private sector activities and the informal sector has gained popularity. The success of a number of NGO-instituted programs to provide credit to the poor have further encouraged such measures. More recently, the recognition came that financial services are not enough (a lack of access to credit is not the main constraint on many people attempting to get out of poverty) and that such strategies may not be of immediate benefit to the poorest people.
- *Increasing markets for the informal sector.* A number of new initiatives have sought complementarities between neighborhood improvements and income generation. While this work is at an early stage, some interesting synergies have begun to appear. In particular, this work gives economic meaning to the concept of localization. Rather than simply being considered in the context of government structures, localization considered in this sense means strengthening local markets and ensuring that sales of goods and services within the immediate neighborhood meet a basic level of demand. This basic demand enables production economies to be achieved and informal sector activities to be more successful.

The direct provision of jobs has been important in reducing poverty in some contexts, but we know relatively little about this. Three facts explain our lack of knowledge. First, direct provision of jobs is not an area in which we have specialized. Second, few general studies are available. Third, large-scale public works programs depend on large-scale state initiatives, and these have not been popular forms of development intervention for some time.

The Limitations of Addressing Poverty through Increasing Incomes

We noted earlier the different kinds of deprivation the urban poor face and the extent to which a focus on income poverty alone misses the importance of other forms of deprivation and other forms of intervention. While increasing income is a necessary component of addressing poverty, it is not sufficient. The following three main elements explain why:

- *Vulnerability.* Increasing incomes, whether through employment or microenterprise development, primarily addresses individual and household needs. For the citizen as a private entrepreneur, this focus on the individual does not necessarily matter. However, for the citizen that is a resident of a low-income community, mutual support between neighbors may be critical for well being, particularly for women and those with the lowest incomes. The poorest members of a community may be left out of economic development as help is provided to those who are able to take loans or respond to market opportunities. Close cooperation can do much to address the vulnerability associated with being poor, and stronger collective awareness and mutual support may be one of the best ways to reduce vulnerability. Note the example of community-managed credit among the women pavement (street) dwellers in Mumbai (Patel and d’Cruz 1993). In addition, improved basic service provision can greatly reduce health burdens and their associated economic burdens and capacities to suddenly cut incomes.
- *Recessions.* The markets in which many of the poor are involved lack stability and income gains may only be temporary. In times of economic prosperity, these markets may be effective, but life may become more difficult during periods of economic recession or other adverse economic changes.
- *Poverty and power.* Some of the problems that the poor face cannot be addressed by increasing income or by applying self-help measures. What is needed is a local organization that ensures that government facilitates low-income groups’ struggle for legal land tenure, provides services to settlements, and enables low-income residents to have access to the same kinds of benefits that other citizens enjoy. Government itself rarely provides for low-income settlements; instead, these settlements have to secure such recognition through community organizations or residents’ associations that apply pressure to local state bodies.

Some have referred to the increase in microfinance interventions as the microfinance revolution. "The poor are beginning to learn that institutional, commercial microfinance can help them to improve their enterprises and increase their incomes. Simultaneously, the formal financial sector has begun to realize that financing the poor can be both economically and socially profitable and that microfinance is one of the largest potential markets in the world" (Robinson 1996, p. 161). At its simplest, microfinance is the extension of banking services within low-income communities on less exploitative terms than in the existing informal sector and on a scale that self-help savings groups, which lack access to external funds, cannot achieve.

Few assumptions can be made about how such an extension is done. In many cases, small groups are established among members of the community to strengthen social relationships and enable mutual collateral and guarantees. Different perspectives and experiences with microfinance are brought together in a special volume of the *Journal of International Development* (1996) that includes comments from both enthusiasts and sceptics. Hulme and Mosley (1996) and Otero and Rhyne (1994) exemplify studies that synthesize case studies of microfinance experiences and conclude that such initiatives demonstrate how extending financial services can make a critical contribution to development. This extension does so through a mechanism that the combined resources of the poor and the commercial sector can expand. However, assuming that all microfinance initiatives are built on market orientations would be incorrect, and Copestake (1996) explores the differing orientations within microfinance programs.

More recently observers have expressed some caution, particularly with respect to two elements: the emphasis on providing credit without additional services and the capacity of such initiatives to reach the poor. Dawson and Jeans (1997, p. 1) argue that the emphasis on minimalist credit, that is, the provision of

credit alone, is misplaced, and stated that "the effectiveness and impact of credit schemes is likely to be significantly enhanced if other, complementary tools are available." They particularly stress the need for business development services. Johnson and Rogaly (1997, p. 12) suggest that with respect to microfinance projects for enterprise development "its appropriateness as a strategy for poverty reduction in the case of the poorest people is questionable."

A number of microfinance schemes have sought to use credit as a tool for empowerment, rather than as a mechanism for ensuring that the poor can better access the market, and hence increase their incomes and assets (Mitlin 1997). Such programs have sought to develop community organizations by working with savings schemes and locally managed financial mechanisms. Such savings schemes are central to the work of SPARC and Mahila Milan discussed earlier. This type of scheme is also central to the expanding program of the South African Homeless People's Federation, given the many community-based savings and credit schemes that make up the Federation (Bolnick 1993, 1996).

A consequence of strong grassroots control is that local funds are used to address the priorities of those managing the finances. Thus, finances tend to have multiple uses as many such programs fund housing, infrastructure, enterprise development, and crises and emergencies. In a few cases, the managers of such programs have developed more conscious attempts to consolidate a local market with synergies between the different components and a strong local base for the production of goods and services. While conceptually such ideas return to the discussion of Schumacher (1973), they have not been elaborated and considered at a more general level. However, such programs suggest an important and positive way forward for the urban poor (Cabannes 1997; Gaye and Diallo 1997).

Once again, we will turn to some concrete cases of cities and programs to demonstrate the significance of direct public employment programs in addressing the needs of the urban poor who directly benefit and in general support the economy. The latter point has been recognized since Keynes' ideas resulted in the public works programs of the 1930s. More recently, economic planners and policymakers have suggested that such government action may be expensive and counterproductive in the long run. A reduced role for the public sector and greater support for private initiative are more important. Nevertheless, the scale of poverty and recession in some counties in the South has resulted in some such initiatives in recent years (see, for example, the illustration of the Agency for the Implementation of Public Interest Work in MELISSA 1998).

In employment terms, the number of jobs such programs produce remains well below the scale of need. In some instances, particular circumstances, for example, combinations of general economic problems, low levels of growth, and disasters, have resulted in the distribution of emergency relief, and local workers have been sought to try to ensure that such emergency relief programs are more effective. The use of food-for-work is another way in which the goals of poverty reduction have been combined with the local need for income and the goal to increase local employment.

The work of CARE International in Lusaka (Zambia) provides one example of this kind of program. In the early 1990s, its approach was primarily concerned with food for work. During the mid-1990s the focus shifted toward support for micro-enterprise development (income enhancing) and the provision of water (expenditure reducing.) The shift within this CARE program from directly providing work to enhancing private entrepreneurial activity demonstrates a widespread, and in part self-fulfilling, belief that the future economic renaissance will emerge within the private sector. While some of the best known microfinance initiatives have been established in rural areas, many others seek to serve the small-scale manufacturing and trading enterprises operating in urban areas.

However, the success of the informal sector is obviously linked to the actual or potential market for informal sector goods and services. While the market for informal production and trading has rarely been problematic in Asia, where a number of countries have enjoyed a high level of economic growth, the market has experienced more problems elsewhere. One group in Fortaleza, Brazil has long been aware that many poor people buy a considerable proportion of the goods they need from the formal sector. This group has therefore sought to increase the demand for informal sector goods within low-income

settlements. To this end, neighborhood centers to encourage enterprise development have been developed in a number of low-income areas. One community recently sought to take this development one step further by establishing a local credit card. This joint NGO-government-grassroots initiative sought to address the need for improved housing and living conditions for the 800,000 squatters in the city. The poor economic opportunities available to the residents of the squatter settlements meant that the issue of poor economic opportunities was immediately raised and support for workshops and trading centers has now become an integral part of the work of the NGO involved, Cearah Periferia. Lending to resident associations in the city was a recent initiative with the aim of establishing these workshops and trading centers more widely. These associations subsequently repay the loans with funds received from community activities and charging rent for the space to local entrepreneurs.

Creative thinking about how to link housing and neighborhood improvements with strong local markets has resulted in the development of a community credit card by one of the grassroots organizations working with Cearah Periferia. The community credit card is the first product to be launched by a popular bank newly set up in Palmeira, a low-income settlement in southern Fortaleza. Having succeeded in securing water, drainage, and sanitation, the resident association decided in January 1997 that the next priority should be improving local economic development. In March the association agreed to bring together the local producers, who rarely sold to their neighbors, and the local residents, who made most of their purchases outside the neighborhood. By increasing sales within the settlement, the association hoped that small entrepreneurs would have more income and be able to expand their enterprises. The credit card is now used in 57 local enterprises by 150 cardholders. Local entrepreneurs are delighted with the increase in their trade. The bank is now planning to expand by attracting more participants from Palmeira and possibly opening branches in other neighborhoods. Before long, 700 people will have PalmaCards, 300 will receive microenterprise loans, 100 will receive housing loans, and the bank will have 350 savers (Cabannes 1997).

Experiences such as this one point to what is increasingly being considered good practice among development agencies everywhere. We now know that effectively addressing urban poverty requires

- Material improvements in tenure, housing and infrastructure, and services
- Opportunities to combine such material improvements with support for income generation and construction of housing to further contribute to economic development by increasing local demand
- Stronger informal networks that address the economic vulnerability of low-income households and that enable a transformation of grassroots organizations into democratic and accountable organizations that seek to address the needs of their poorest members
- Stronger community skills that help people engage effectively with external agencies (at the district, city, and national levels) and transform existing relationships of dependency and exploitation.

Central Government's Future Role in Alleviating Urban Poverty

What is the future role of central government, as opposed to local government, in alleviating urban poverty?

Central government seems to have at least four critical roles to play in alleviating urban poverty. The first is to develop a framework for city and municipal governments to become more effective, accountable, and committed to poverty reduction. NGOs and grassroots organizations generally negotiate with local governments for rights and resources. These local governments are often responsible for providing, or supervising the provision of, a wide range of basic infrastructure and services that are central to reducing basic service poverty. In addition, the attitudes and approaches local authorities take toward the development of illegal or informal settlements and the activities of informal sector enterprises have major implications for the scale and nature of urban poverty.

The competence, attitude, and level of accountability of city and municipal governments and government agencies have strongly influenced the scope and effectiveness of community initiatives to reduce poverty. Effective poverty reduction in urban areas generally depends heavily on more competent, representative local authorities with adequate resources, because even if other actors, such as national agencies, NGOs, private sector firms, and community organizations, are the main implementers, these actors will have to work within local authority frameworks. The increased importance given to private sector involvement in infrastructure and service provision also requires public sector officials to take on roles as regulators and contract managers, which requires skills and capacities that existing authorities often lack. Effective poverty reduction initiatives also need local decisionmaking processes that respond to democratic pressures and give adequate attention to the needs and priorities of low-income groups, minority groups, and groups whose particular needs are often ignored, for example, those of women and children.

Because higher levels of government have retained power and control over resources, most city and municipal authorities have limited authority to meet their responsibility of providing basic infrastructure and services. In most urban centers where data are available about the revenue base, an enormous gap exists between the need for investment in infrastructure and services and the revenues available to local authorities to allow them to do so (UNCHS 1996). Decentralization policies of some kind have been implemented in most countries in the South over the last 15 years (Dillinger 1993; UNCHS 1996). However, in many cases the underlying reason for these policies had more to do with the condition of the central state or the desire to reduce its role than a desire to support decentralization. These changes appear to take place more in the delegation of responsibilities than in any reduction of power and funding.

In some countries decentralization reforms have not only reallocated responsibilities to local authorities, but have also reallocated resources or the power to raise funds locally. For instance, various examples of innovative local authorities in Brazil, Colombia, and Peru have been helped by constitutional changes that enhance the powers and roles of local authorities and democratization at local levels (Miranda and Hordijk 1998; Vélasquez 1998). However, in Peru, some limitations also exist because of the recent recentralization of power and the overlaps between new responsibilities allocated to local authorities and the traditional role of national agencies. In India, some examples of more innovative local authorities are linked to constitutional changes that give city authorities more power and room to maneuver (Dutta 2000; Prakash Mathur 1997).

Decentralization is particularly important for urban poverty reduction because it enhances local capacities to make choices that fit local circumstances and enhance local resource mobilization. In addition, decentralization makes local decisionmakers accountable for their choices. Information about how and why government funds are spent encourages citizen involvement in government decisionmaking and changes the nature of government itself. In various cases, innovative partnerships exist between local authorities and representatives of community initiatives to alleviate basic services poverty as in the community-municipality partnerships in Ilo, Peru (Follegatti 1999), the *kampung* improvement program and waste management initiatives in Surabaya (Silas 1992), and the participatory budgeting program in Porto Alegre (Abers 1998).

The second key role for central governments in alleviating urban poverty involves setting the legal and institutional framework for the law, which includes provisions to ensure that its citizens' civil and political rights are respected. This topic is often not part of the discussions of poverty reduction, yet the protection that civil and political rights can provide by, for example, protecting urban communities from forced evictions and allowing urban poor groups to organize and make demands is important. The national legal and institutional framework for protecting citizens from other hazards also has importance for the urban poor, for instance, by ensuring occupational health and safety standards and controlling air and water pollution (Hardoy, Mitlin, and Satterthwaite 2000). There is also growing recognition of the extent to which violence affects the livelihoods and well-being of many low-income groups and the importance of a legal framework that contributes to violence prevention (see, for instance, Moser and McIlwaine 1999).

The third role of central government concerns the quality and extent of service provision for those services that are funded and managed by national agencies, which generally include parts of the education and healthcare system. Often complex institutional arrangements exist between central and local government agencies over the funding and management of such services.

The fourth critical role for central government in alleviating urban poverty covers national programs or projects that seek to directly address poverty. These can take the form of national agencies that provide direct assistance to the urban poor, such as the Community Mortgage Program in the Philippines or the Urban Community Development Office in Thailand. These projects can also take the form of national agencies that encourage and support local government initiatives, such as Nicaragua's local development program PRODEL. Box 11.2 describes the Urban Community Development Office and PRODEL.

Box 11.2. Government Programs to Alleviate Poverty

In March 1992, the Thai government approved a budget of US\$50 million to initiate an Urban Poor Development Program as part of the Seventh National Economic and Social Development Plan. The approval of this budget resulted in the establishment of a new organization, the Urban Community Development Office (UCDO) to implement the program nationwide. Drawing on experience, UCDO is responsible for providing flexible strategies that enable urban communities to obtain the development assistance they need.

The overall objective of the Urban Poor Development Program is to strengthen the capacity of the urban poor and those living in illegal settlements to obtain higher and more secure incomes, appropriate housing with secure tenure, an improved local environment, and better living conditions. The people themselves are considered to be the main actors in the community development process. Based on this understanding, UCDO concentrates on assisting the establishment of savings group cooperatives, supporting the development of community organizations and their networking activities, helping households secure economic development, and providing credit to savings groups that are able to manage these funds as requested. The program provides an integrated credit system for community development with access to a range of different loans, including loans for income generation, small revolving funds, and housing. This approach responds directly to the needs of the communities.

Increasingly, UCDO is working in partnership with a range of locally based development committees. These invariably involve a local committee representing groups such as the municipality, academics, religious leaders, and NGOs. UCDO funds these local committees for up to two years to support people-centered development processes through microfinance activities. The committees are responsible for strengthening networks of community organizations. As the committees become more successful at supporting these networks, they take on more of an advisory and facilitation role. These committees have enabled the community to change traditional relationships with the municipality to one in which ideas and activities are shared as equals.

PRODEL seeks to improve living conditions, access to basic services, and incomes among low-income families living in marginal neighborhoods in five departmental capitals in Nicaragua. Unlike most government programs, it does not implement the work, but provides technical assistance and financial support to households, community organizations, municipal authorities, and national institutions. PRODEL's loans to households and microenterprises are implemented by the government-owned Popular Credit Bank, which approves loans, supervises their correct use, and collects repayments. PRODEL has four main components as follows:

- A community infrastructure and services component that aims to improve, repair, and expand basic infrastructure and service. This takes place through grants of up to US\$25,000 that available to local authorities and beneficiary communities as long as these beneficiaries contribute more than 35 percent of the project's value in labor, machinery, funds, and other in-kind contributions. Over a three-year period, 162 projects were supported in more than 80 neighborhoods. Loans for housing improvement for low-income families for upgrades, repairs, and extensions.
- Microenterprise loans.
- Institutional development and technical assistance.

The Nicaraguan government and the Swedish International Development Authority supply funds for PRODEL.

Source: Boonyabancha (1996); SIDA (1997); Stein (1996).

Even within a more decentralized system of government that places greater weight on local bodies, central governments still have an obvious role to play. For instance, central governments must be involved in channeling support to the weaker and poorer local governments; in promoting attitudinal change; and in managing funds allocated to poverty reduction, even if most are allocated to local authorities. In addition, a considerable proportion of poor households have livelihood or survival strategies that draw from rural and urban areas (Tacoli 1998), which implies the need for some coherence between urban and rural poverty reduction initiatives, and thus a role for national agencies.

Finally, some obvious issues far beyond the scope of this chapter relate to the national government's role in providing the macroeconomic and macropolitical context that supports innovation and investment in urban centers. Economic growth requires stability in inflation, exchange rates, and interest rates. Without such robustness, it is difficult for city authorities to support a strategy for growth.

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