

LITERATURE REVIEW

Addressing Poverty Through City Development Strategies

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INTRODUCTION

1.1 *Aims and Objectives*

This literature review explores some of the key issues relating to urban poverty, particularly as they impact upon strategies for city development. It is intended to provide background information for the ongoing study 'Poverty aspects of City Development Strategies' (CDSs), which is currently being undertaken by GHK Research and Training on behalf of DFID.

This objective of the overall research project is to examine a range of current city planning initiatives in order to identify effective poverty focused approaches at policy level. The findings of this exercise will be used to inform the development of materials intended to support effective approaches to city and municipal planning and management, with a particular focus on poverty reduction through CDSs.

The literature review is concerned not only with CDSs themselves but also on the context within which they operate, the overall approach they might take and the components that might be included in them. It reviews literature relating to the context and content of city development strategies, approaches to development and urbanisation, theories of poverty, economic growth and poverty reduction, participation, governance and the responses to poverty of a range of national and international agencies.

1.2 *The urban context*

The share of the World's population living in urban areas is increasing rapidly. The World Bank estimates that the share of the World's population living in urban areas, which in 1975 was just over one third, will reach two-thirds by 2025. The Cities Alliance, using Official UN data in the form of the 1999 Revision of World Population Prospects, concludes around 90% of world population growth in the South will be in urbanised areas by 2020. There is a need to consider ways in which the process of urbanisation and the economic, management, social and environmental problems that accompany it can be managed.

Increased urbanisation has been accompanied by increased urban poverty. Thirty percent of Southern urban dwellers live below official poverty lines (Cities Alliance 2000). The challenge is to reduce existing poverty, while extending basic physical and financial services and creating employment opportunities for a rapidly increasing population. The challenge is made greater by the pressures created by globalisation, decentralisation, and liberalisation. These strain the limited capacities of cities that are struggling to cope with rapid fiscal, political and financial change and experiencing a crisis in urban governance (1999 'State of the World's Cities').

It is often assumed that urban growth is caused by in-migration from rural to urban areas. However natural population increases and changing definitions of urban boundaries are the main components of population growth in many cities. Urbanisation and its folk association with migration are deemed as a threat to the environment and the standards of living of existing residents (Sethuraman 1997). Attempts to deal with urbanisation and in-migration have often been brutal, involving the levelling of settlements, campaigns against informal employment and draconian legislation requiring that all urban dwellers carry residential permits.

None of these attempts to hamper urbanisation have had any discernible impact upon the rate of urbanisation. Faced with deficiencies in government procedures, urban dwellers, particularly the poor have taken their lives into their own hands and sought housing, jobs and services in the unregulated 'informal' sector. DFID (2000a) states that it has been estimated that 30-70% of the population live in high density, low grade illegal or informal settlements with little in the way of services and infrastructure. The figure for informal settlements is also quoted by Berner (2000), who also reports that 85% of new housing is illegal. The latter figure is important as it suggests that cities are becoming increasingly de-formalised. Berner suggests that the conventional sequence of plan, service, build and occupy increases the cost of housing beyond the range of the urban poor. In the informal sector, the sequence is reversed as people occupy land, build, arrange for service provision before attempting to integrate themselves into the planned city.

Cities account for four fifths of GDP worldwide (World Bank 2000) and the realisation of this fact has led to renewed interest in cities as 'engines of growth' and drivers of national economies (Schubeler 1999). At the same time, globalisation has decreased the importance of national boundaries and given increased importance to the city (Harris 1996). Harris argues that success in adapting to their new situation is likely to depend on their ability to allow the flexibility necessary for "the capacity of markets and institutions to adjust with reasonable speed to changes in the economic environment (1996: 3)." Against this, Townroe (1996) notes the tension between the need for flexibility and that for regulation.

Townroe identifies four factors that have contributed to the rapidly changing situation faced by cities - falling transport and communication costs, the decline in international trade barriers, globalisation of capital and deregulation. The changes have happened so quickly that cities have been unable to respond adequately. As a result, they have faced high unemployment and underemployment, high costs for the adjustment of the physical fabric. The shifts in the global economic environment have created a need for cities to defend gains already made, foster new economic activities and provide for consumption needs. This role places new demands on urban governments, to which they cannot easily respond because of the frequent inadequacy of the revenue base and decentralisation policies that increase expenditure but do not provide fiscal autonomy.

1.3 *The structure of the review*

The remainder of the literature review is structured as follows.

Section 1.4 provides an introduction to City Development Strategies, their relationship to the Cities Alliance and the relationship of both to other initiatives.

Section 2 is concerned with approaches to development and urbanisation. It starts by providing a brief overview of evolving perspectives on development and poverty, moves on to the evolution of approaches to urban planning and finally explores recent attempts to go beyond physical planning and take an overall view of city development.

Section 3 explores approaches to poverty and poverty reduction, starting with the relatively simple income based approaches and moving on to approaches that stress the importance of assets and vulnerability, livelihoods and social exclusion.

These approaches to poverty are essentially household or community-based although they do attempt to put households into their wider context. Section 4 widens the perspective, exploring the economic context and the way in which this influences the possibilities for poverty reduction. The roles of municipalities and the informal sector in supporting and providing livelihoods are emphasised, as is the importance of secure tenure. Attention then turns to the potential of local economic development as a tool for poverty reduction.

Section 5 explores the related issues of participation, development and governance. The role of decentralisation in bringing about improved governance is also examined.

Section 6 provides a brief overview of a number of responses to poverty, including DFID's Asset-based investment strategy, UNDP's Urban Sustainable Livelihoods approach, the World Bank's Poverty Reduction Strategy Papers and the City Community Challenge Funds.

Finally, Section 7 provides a brief overview of poverty assessments carried out in the course of CDS exercises, focusing particularly on the poverty assessments carried out in Haiphong and Cali.

1.4 Introduction to City Development Strategies

City Development Strategies were developed in the context of the Cities Alliance, an international alliance of local authorities, donors and private sector launched by the World Bank and UNCHS (Habitat) in 1999. Its vision statement states that it is:

“a global partnership to help cities meet the urban challenges of the 21st century: pro-poor policies; good urban governance; and prosperous cities without slums.” (Cities Alliance website - www.citiesalliance.org).

It has two clearly defined aims:

1. To co-ordinate a process through which local stakeholders define their vision of the city and formulate a City Development Strategy, focusing particularly on economic and social needs.
2. To improve the living conditions of the urban poor through slum-upgrading efforts.

Overall direction is provided by a Policy Advisory Board, which reports to a Consultative Group, drawn from the various members of the Cities Alliance. In addition to the World Bank and UNCHS, these include bilateral development assistance organisations and a number of city associations.

A CDS is:

“ a process devised and owned by local stakeholders to formulate a holistic vision for their city. The process involves analysis of the city's prospects for economic and social development and redress of poverty, identification of priorities for investment and development assistance, and implementation of this vision through partnership based actions (World Bank 2000: 74)”

The CDS approach is grounded in the belief that cities are the new engines of growth, currently accounting for a large proportion of national GDP and likely to account for more in the future (GHK 2000). City regions are perceived as the fundamental spatial units of the global economy and as political actors on the world stage while major cities have found new roles as world trade and banking centres and act as command points of the world economy (Sassen 1994). The macroeconomic reforms of the 1980s have had a radical effect on cities, increasing their role as ‘*dynamic centres of modern production*’ and, simultaneously, centres of consumption and distribution in an increasingly globalised system (Harris 1996). The role of cities as drivers of the national economies is already great and is likely to rise with increased urbanisation and globalisation. Recognising this, CDS initiatives aim to achieve economic growth by maximising the benefits to be achieved through developing a city's comparative advantage (GHK 2000).

Globalisation is one of a triad of global trends, alongside decentralisation and democratisation, that together lead to the need for an increased focus

on cities. Decentralisation can be defined as *'shifting spending powers, decision-making authority and a portion of national revenues to local levels of government'* while democratic reform *'puts greater stress on democratic choice-making and on involving urban citizens in public choice-making'*. (Campbell and Mehta 2000).

While the emphasis on economic growth remains, more recent CDSs have taken a more explicitly poverty-focused approach.

The background to the Cities Alliance and CDS is provided by initiatives such as Comprehensive Development Framework (CDF) and International Development Targets (IDTs). The CDF initiative stresses the need for local ownership of priorities and the policy agenda, effective partnership of all relevant stakeholders, co-operation between bilateral and multilateral agencies and an equal balance between macro economic concerns and social issues. At the national level, the CDF is realised through a Poverty Reduction Strategies Paper (PRSP) for each country. The intention is the PRSP should be 'owned' by the government of the country for which it is intended (World Bank PRSP 2000).

The CDS and CDF approach share an emphasis on 'ownership' and partnership between government, civil society, the private sector and international agencies and a focus on poverty alleviation and social equity.

Cities Alliance (2000) state that CDS is concerned with the following:

Good Governance:- through sustainable, environmentally friendly, decentralised approaches, creating space for civic engagement and delivering equitable, efficient and transparent solutions to urban problems.

Enablement - through the creation of a legal and institutional framework that empowers local authorities to reduce poverty and improve productivity and standards of living.

Capacity Building the development of human resources and the creation of the institutional and legal frameworks required allowing diverse stakeholders to participate in public policy making and be informed of its outcomes.

Vibrant markets, including those in the informal sector.

The World Bank's perspective differs slightly and stresses the need to achieve:

- **'Governability'**- accountable local government and the institutionalization of participatory processes in decision making and urban service delivery.
- **'Bankability'**- sound financial systems that enable cities and their inhabitants to gain access to the financial resources required for investment and growth.
- **'Competitiveness'**- based on each city developing its economic strengths in order to find an economic niche in the national and international context.

- **‘Livability’**- including improved environmental circumstances, particularly for the poor.

In order to achieve these objectives, each CDS should produce the following outcomes:

- a consensual vision statement;
- a strategic framework for economic growth and poverty reduction;
- pilot activities carried out using internal resources; and
- an investment framework including information on proposed actions and sources of finance (Cities Alliance 2000).

The stress goes beyond physical planning and infrastructure upgrading in order to:

“promote sustainable cities that fulfil the promise of development for their inhabitants - in particular by delivering upward mobility for the poor - while contributing to the economic progress of the country as a whole (World Bank 1999:4)”

A CDS is initiated by a city with regional and central government and donor support. In order to participate cities may require the agreement of national government and CDSs are often carried out in partnership with donors. Some CDS initiatives, for instance that in Cape Town, have been carried out independently of either the Cities Alliance or donors. In theory, a CDS requires clear institutional and resource commitment, active participation of civil society and other stakeholders and the potential to achieve significant impacts. It should provide opportunities for subsequent scaling up while building civic capacity to sustain achievements.

While the various documents and statements quoted above provide a clear mission statement for the CDS, it has been argued that there is a lack of conceptual clarity about how this mission might be carried out (GHK 2000). This lack of conceptual clarity has resulted in the evolution of a wide range of idiosyncratic programmes. This lack of a single CDS typology might be seen as either the strongest or the weakest aspect of the CDS process. GHK also note:

- the potential conflict for an organisation such as the World Bank between its roles as advisor and lender;
- the disparity between the timeframe of technical assistance and that of the CDS process; and
- the relative merits of open and more structured approaches.

2 THE CONTEXT – APPROACHES TO DEVELOPMENT AND URBANISATION

2.1 *Evolving Perspectives on Development and Poverty*

A fundamental question about the CDS approach concerns its assumptions on the basic causes of underdevelopment and poverty. Views on the causes of underdevelopment and poverty fall into two broad categories. On one side are the modernisation theorists, who argue that poverty results primarily from inadequate economic growth and 'traditional' social structures. Modernisation of the economy is required for wealth creation and poverty will then reduce as benefits 'trickle down' through society. The best known early exponent of this paradigm was W.W. Rostow (1953). Roxborough (1979) provides a general critique of 'modernisation' theory while Abbott (1996: 12-17) discusses the way in which modernisation theory underpins the 'community development' approach to participation in urban management. Later developments of modernisation theory gave greater recognition to the political context and suggested the need for improvements in what would now be called governance. Cleary (1989) refers to this approach as integration theory and suggests that '*integrationists attempted to ensure that economic theory was inextricably woven into the domestic political process*'. He goes on to note that integration theory focused on the domestic political economy and ignored the way in which the international market often worked to the detriment of third world countries. While it laid less stress than its predecessor on the modern sector, both regarded the expansion of that sector as the key to success.

Other theorists argued that poverty stems from structural inequality so that wealth will not automatically trickle down to the poor. Direct action is required to safeguard the rights of the poor, redistribute wealth where necessary, and develop the capacity of poor people to engage fully in development processes. Prominent among the critiques of modernisation theory were those of the Latin American *Dependistas*, including Fernando Cardoso (1979) and Andre Gunder Frank (1971). They observed what they viewed as the failure of modernisation and asserted that arrested development was due to structural causes, in particular the centre-periphery relations, established during the colonial period and maintained through unbalanced trade relations. They argued that protection, allied with import substitution, represented the best response to this situation. Whether or not this analysis was valid, it has had limited practical relevance to the current globalising situation. However, ideas about empowerment and the need for participation were also developed in the context of the Latin American situation and these have certainly influenced mainstream development thinking.

During the 1970s and early 1980s, the World Bank took an intermediate approach, which focused strongly on the need to meet basic needs. Rondinelli (1993: 67) suggests that the objectives of basic needs strategies were defined in two ways. The World Bank and other international agencies saw the provision of basic goods and services as a precondition for increasing the productivity and income of the urban poor, enabling them to contribute more effectively to national development. In this, they could be seen to be firmly within the modernisation camp. Others such as Burki (1980: 18) argued that access to basic a bundle of essential goods and services is a basic human right. The focus on basic needs was reflected in urban plans and programmes. Schuebeler (1999: 10) states that '*as distinct from mainline economic development, the urban programme was primarily concerned with satisfying 'basic needs' and projects focused mainly on access to services (water and sanitation), housing (site and services schemes) and improvements of living conditions (slum clearance)*'.

During the 1980s, the exponents of the economic growth school of thought gained the ascendancy and international agencies encouraged governments to cut public expenditure while focusing on economic growth as a poverty reduction strategy. The assumption was that liberalisation and economic restructuring, including the removal of protective tariffs and subsidies on essential commodities, would lead to medium to long-term economic growth and hence reductions in poverty. Short-term adverse impacts on the poor were to be dealt with by limited social safety nets, designed to protect the poorest households until the benefits of liberalisation started to take effect.

The World Bank's 1990 World Development Report, devoted entirely to poverty, broadly reflected this view. It defined poverty in terms of low consumption, poor health status and limited educational achievements and suggested three main requirements for poverty reduction – broad-based growth, human development and safety nets. It argued that poverty reduction efforts should heavily on labour-intensive growth and the broad provision of social services. In practice, cuts in social sector subsidies had a violent impact upon the poor as they became more integrated into cash economies (Beall 2000). In response to this impact, the 1990s saw a growing emphasis on basic needs, a rights-based approach, vulnerability and social exclusion.

The 2000 World Development Report, which like its 1990 predecessor focused on poverty, reflected this change in emphasis. It stressed the need to build assets and create livelihood opportunities and the importance of decentralisation, partnerships, good local governance and a well-formed civil society that can raise the voice of the poor to the policy level and create a sense of national ownership. It took a wide view of poverty, encompassing material deprivation and low health and educational achievements as well as vulnerability and powerlessness. The report suggests the need to focus on empowerment, security and opportunity within a comprehensive framework for poverty reduction. The focus on security stems from recognition of the vulnerability of the poor, as a result of both macro and micro level forces.

The focus on creating opportunity leads to an increased emphasis on investment in sustained economic growth and human development. Recognition of the need for empowerment, without which the poor will be unable to influence the social, economic and political institutions that must be at the core of efforts to achieve pro-poor public action, underpins the other concerns. The report represents a powerful move toward a strategy of growth with equity as poverty is recognised as more than income deprivation.

"At the end of a decade which has seen the debate on poverty dominated by macro-economists stressing the primacy of economic growth, the World Bank sends a clear message to governments stating that distributional equity is as important to poverty reduction as the macro-economic fundamentals . (Oxfam 2000)"

2.2 Approaches to urban planning

City development strategies are grounded in current development thinking, which in turn draws on past experience. With this in mind, this section of the literature review looks at the evolution of approaches to city development planning, with particular reference to the last 40 years. The main concern is with physical planning and the ways in which western theories and practice have influenced the approach adopted in developing countries.

The history of modern town and country planning in western countries has been a process of gradual movement towards the creation of comprehensive plans, covering all aspects of development processes. In the 19th century, the focus was initially on the need for improved public health. In Britain, for example, legislation to regulate the local environment and improve public health was introduced gradually, first through the 1848 Public Health Act, which suggested rather than compelled and which was not implemented by all municipalities. The situation gradually improved as the century progressed as improved legislation, including the passing of the 1875 Public Health Act, and municipalities adopted more rigorous by-laws. Town planning legislation followed a similar trajectory, moving from the 1909 bill that allowed, but did not compel, local authorities to make town planning schemes for selected areas to the 1947 legislation, which finally established close control over new development for all areas (Hall 1988).

This approach to planning is an example of what Sandercock (1998) has termed the Rational Comprehensive Model. This was based in a belief in the possibility of greater rationality in public policy decision-making. In this model, the planner is indisputably the "knower," relying on his or her professional expertise and objectivity to do what is best 'for the public'. The model assumes a benign state, whose structures are neutral with regard to the various aspects of vulnerability. Sandercock suggests that the model dovetails neatly with the economist's paradigm of rational economic man and rational resource allocation models. In practical terms, this approach to planning produces 'development' or 'master' plans which, if sanctioned by the relevant political body, become the legal basis for shorter-range plans and capital budgets that, in a descending cascade of documents, implement its vision (Friedmann 1998). The CDS approach appears to be similar to this model, the main theoretical difference being that it attempts to

provide for political engagement and representation by the various groups within society.

Taylor and Williams (1982: 26) identified the key features of master plans as implemented in developing countries, their long range emphasis, their emphasis on product rather than process, their strong physical emphasis, the lack of interaction with users and their non-strategic quality. The last refers to the practice of preparing comprehensive plans for every square metre of the urban area rather than focusing on strategic concerns and issues. Taylor and Williams state that the master planning approach continued in developing countries even after it had been discontinued in the West. Master plans from as early as the 1970s are still nominally followed in some towns and cities but few have had any significant effect on the location and form of development.

The Rational Comprehensive Model has been criticised for its failure to engage with political processes and its assumption that planners can make decisions 'for' people in a 'top-down' manner. Despite this, it is still perhaps the most prevalent approach to planning in many countries. Hamdi and Goethert (1997: 12-13) note problems with the methodology adopted for master plans, suggesting that '*orthodox planning is cumbersome if not ineffectual*' as a result of '*the procedures and methods it adopts, and the development paradigm it adopts*'. They note that the approach is based in the cycle first identified by Geddes – survey, analyse and plan, and suggest that it can take years for the this planning cycle to be completed. They argue that it heavily dependent on developing a '*comprehensive understanding of people and places*' which will allow planners to '*model statistically in order to forecast future urban trends and decide the best government interventions*'. The problem here appears to lie not so much with the concept of survey, analyse and plan itself but rather with Geddes' insistence that plans must be concerned with the whole picture, placing cities in their overall geographical context. (Hall 1988: 140)

In the early 1960s, Koenigsberger (1964) developed what he claimed was an 'alternative' approach to planning, involving the production of '*a series of action plans controlled by a set of performance standards and forming part of the guiding concept for the whole urban region*'. Taylor and Williams (1982 28) suggest some fundamental features of an action plan, including a short-term emphasis, the inclusion of a budget, so as to examine the financial feasibility of proposals, and a greater emphasis on non-physical issues, in particular the need for appropriate policy. By the early 1980s international agencies, including the World Bank, realised the need for a more flexible and responsive approach to planning and advocated something similar to Koenigsberger's action planning approach. An example of this approach is provided by the planning process adopted in Egypt's Suez Canal cities in the late 1970s under a programme funded by the British Overseas Development Administration (ODA) and leading eventually to the well known Ismailia Pilot Projects. (Davidson 1984).

The key point to note about this and similar exercises is that a more or less conventional physical planning process led into the development of short to medium-term action plans. In some cases, the initial plan was referred to as a structure plan, as its aim was to indicate the overall structure of

development rather than to define the detail of how that development should occur.

Action plans tended to be promoted by international agencies and their consultants, and were designed to be implemented with funding provided through external loans and/or grants. Because of the perceived weakness and fragmentation of existing municipal government departments, and project management units (PMUs) were often formed to manage implementation of the action plans.

Although the focus of action plans might be different from that of traditional master plans, they were still essentially technical exercises, implemented in a top-down way with limited consultation and taking little account of ongoing political imperatives and processes. In this respect, they were not far removed from Sandercock's rational comprehensive model to planning.

Plans continued to be produced in specialist planning departments and 'buy-in' from politicians and other government departments often proved difficult to achieve. Devas and Rakodi (1993) point out that while plans may exist on paper, the constraints presented by limited administrative and/or legal resources and/or the lack of political will meant that it was difficult to enforce them effectively. An example is provided by the Structure Plan for Peshawar in Pakistan, produced with UNDP/UNCHS funding and consultancy support from Gilmore Hankey Kirke in 1986 but never formally adopted. In particular, action plans, like other plans, were not good at dealing with the phenomenon of informal development. In practice, most development in Third World Cities tends to follow lines of least resistance rather than plans drawn up by architects and planners. (Koenigsberger 1987).

Sandercock describes how radical planners in the United States and elsewhere developed new approaches to planning in response to the perceived failure of top-down models to cater for the needs of minorities and vulnerable groups. She suggests that the first serious challenge to the rational comprehensive model was provided by the **advocacy planning** model. Davidoff (1965) argued that the rational model of planning was obsessed with means and warned that the question of ends remained. He stressed the role of politics in planning, suggesting that the public interest was not a matter of science but of politics. He called for many plans rather than one master plan, with full discussion of the values and interests represented by the various plans. The underlying assumption of the advocacy planners was that the poor lacked technical skills that could be provided by professional planners. Sandercock (1998) argues that this model can be seen as an attempt to perfect both the rational model and pluralist democracy.

Attempts to implement the advocacy planning approach in Harlem and Boston revealed that the critical deficiency lay in the power to take action. While the direct impact of the advocacy planning model appears to have been limited, it is important in that it was an early attempt to explicitly think about and represent “the poor” in the planning process, although Sandercock suggests that they still had no voice in that process. (It has some similarities to the approach taken by international development agencies in recent years, as they have increasingly seen their role as advocates of partnerships with poor communities, designed to impact upon poverty directly.)

Other more radical voices followed. Castells (1978) identified three functions of planning – a) an instrument of rationalisation and legitimisation, b) an instrument of negotiation and mediation of the different demands of the various fractions of capital and c) a regulator of the pressures of the dominated classes. The Marxist approach of this **radical political economy** model “locates planning as an inherently political activity within a capitalist state which is itself part of the world capitalist system (Sandercock 1998: 173). John Forester and others developed the **equity planning** model, which sought to redistribute power, resources and participation away from local elites and towards poor city residents. Accepting that planning could not be viewed in isolation from politics, they attempted to choose politicians with whom they wanted to work. There is an interesting parallel here with the approach of pro-poor organisations such as the Orangi Pilot Project in Pakistan, which make a conscious effort to work with sympathetic politicians within governance systems that do not appear to be strongly pro-poor overall. Sandercock argues that the role of the planner in the equity planning model is that of a communicator, gathering and analysing information, formulating problems and guiding the public in their response to those problems. She sees it as an attempt at a “top-down inclusionary politics, in which the poor, the marginalised,....do not feature as active agents in the narrative or theory of ‘making equity planning work’”.

By the early 1970s, planning theorists in the ‘North’ were noting what John Friedmann (1973) describes as ‘*the growing polarity between so-called experts and their clients*’ and suggesting the need to bring the two together in a process of mutual learning. Friedmann identified the need for what he described as a ‘**transactive**’ style of planning, focusing on dialogue, human worth and reciprocity. There are parallels here with John Turner’s thinking, taking place at the same time but relating much more strongly to conditions in the South,

Sandercock argues the need for a radical approach to planning, focusing on what she describes as the “voices of the borderlands”, belonging to people who ‘ *dwell in cultures of displacement and transplantation*’. She notes with approval the fact that radical writers on planning ‘*reject the notion of a static identity in search of a safe place, a clearly defined community and a clearly defined border between “us” and “them”*’. While this approach to planning is intended to be responsive to the needs of the poor and marginalised, it is difficult to see how it can have a major impact on the mainstream.

An increased emphasis on the need to involve local stakeholders, particularly the urban poor, in planning processes started to emerge in developing countries during the 1980s. The Million Houses Program in Sri Lanka, implemented in the mid 1980s, included a micro-planning process intended to '*enable programmes for neighbourhood upgrading to be prepared and implemented locally, collaboratively and quickly*' (Hamdi and Goethert 1988). Micro plans were normally produced for relatively small areas and focused mainly on shelter and infrastructure improvements. The approach has subsequently been adapted and developed in a number of projects and initiatives, including DFID-funded Slum Improvement Projects in a number of Indian cities.

One problem faced by most of these initiatives has been the difficulty experienced in obtaining local acceptance of the participatory planning philosophy, which has restricted the development of local planning initiatives. Schubeler (1999) points out a more fundamental problem with a purely micro-focused approach to urban development - its removal of the strategic perspective so that there is no basis for action at the meso and macro levels. The challenge facing cities is the integration and co-ordination of activities occurring at the macro, meso and micro levels.

There are few examples of the institutionalisation of bottom-up planning processes and their integration into wider planning frameworks. An exception to this general statement is provided by the People's Planning Campaign (KPPC) in the Indian state of Kerala. (de Cleene and Tayler 2000). The KPPC is a mechanism for decentralised planning and budgeting established with the aim of developing the 9th 5 Year Plan in Kerala. It is not a purely urban programme but does cover municipalities along with rural areas. Its aim is to identify local needs and respond to those needs through a hierarchical compilation of participatory plans from ward to state level. In all, it addresses 12 sectors, ranging from education, water and health to housing and social welfare, and identifies key issues, problems and solution, and prioritises needs. The lead agency for the KPPC is the Kerala State Planning Board. The Campaign's success has depended on large scale capacity building, designed to ensure the preparation of adequate plans at the various levels of government involved and to develop popular support for the campaign.

In the context of developing countries, there appear to have been few attempts to include an economic dimension in urban planning. The main reason for this is the government division of labour, where urban planning departments rarely have an explicit remit to encourage economic growth and job creation. Another factor, in the 1980s, was that plans were usually seen at the first stage in a loan process, which tended to focused attention on the physical components of the plan at the expense of economic and management issues. One important question for CDS initiatives is how planning processes can be integrated in a way that encourages pro-poor economic development. Some of the approaches to local economic development, considered later, suggest ways forward in this respect.

2.3 *Beyond physical planning*

During the 1990s, donors developed a consensus on a new approach of sustainable urban development, incorporating a shift from a technical focus on infrastructure and services towards capacity building and holistic strategies (Sanderson 1999). The approach emphasised partnerships between private sector, government and civil society, employment creation, capacity building and institutional strengthening and the promotion of good urban governance. It is represented by the World Bank's 1991 Urban Policy Paper (World Bank 1991), which stressed the need to consider the links between macro-economic policies managed at the national level and urban policies that are largely, but not exclusively, managed at the city level. It identified four key objectives for future urban programmes – to improve urban productivity, alleviate urban poverty, protect the urban environment and increase understanding of urban issues.

Schubeler (1999) states that from the perspective of the policy paper:

" the significance of urban projects lay not only in their immediate effects on the population but, more importantly, in their macro-economic impact."

Like the earlier basic needs approach, the policy paper highlighted the role of infrastructure deficiencies in constraining investment and productivity. Other constraints on productivity identified included inappropriate regulations, the weakness of municipal financial and technical institutions, their dependence on central governments and the inadequacy of financial services for urban development. The interdependence of increased productivity and poverty reduction was stressed although the need for safety net assistance to the most vulnerable to short-term shocks was also identified. The policy paper stated that the focus of Bank urban lending would shift from *'provision of neighbourhood investments in shelter infrastructure to national and city level policy reform, institutional development, and infrastructure investments to support a country's overall development.'* The issue was and remains how to achieve these objectives.

One aspect of the emphasis on partnerships has been the recognition that people should be subjects rather than objects of development. This emphasis on citizen participation is not new. 'Traditional' slum upgrading and sites and services approaches are based in the recognition that people can and should provide their own housing. NGOs such as the Orangi Pilot Project (OPP) in Pakistan and SPARC in India have for many years recognised that people in informal settlements are their own planners, builders and financiers. One prominent OPP thinker argues that the need is to involve the government in the people's processes rather than the other way around. Indeed, in a recent work, he goes further suggesting that, because of technical and attitudinal deficiencies, government departments are often incapable of responding to the needs of poor communities. In such situations, he suggests the need to give more importance to working with people and communities (Hasan, 1997).

The increased focus on participation and process was accompanied by, and to some extent flowed from, the assumption that government should act as enabler rather than a service provider. National and state/provincial government should facilitate action by providing the framework within which other stakeholders could play an effective role in service provision. At the local level, municipal government should provide the overall context required for non-government actors and stakeholders, including private sector service providers, professional associations, civil society associations, NGOs and private financial institutions, to finance and provide services.

The emphasis on involving non-government stakeholders links with a second aspect of recent thinking – the emphasis on ‘unbundling’ of responsibilities for service provision. The term unbundling refers to the breaking up of monolithic management arrangements and the devolution of powers to organisations working at the local level. (See World Bank 1994 for discussion of this concept).

Along with the increased focus on participation, development professionals were placing greater emphasis on dynamic processes than on static end states. Rondinelli (1993: 92), a strong advocate of a more flexible approach, noted that *‘by focusing too heavily on objectives and procedures, planners overestimated the resources available to carry out programmes and underestimated the costs of doing detailed and systematic analysis’*. The objectives could not be achieved because insufficient attention had been paid to the processes needed to achieve them.

As already indicated, other theorists pointed to the failure of orthodox planning approaches to deliver services to poor people. Hamdi and Goethert (1997:19) pointed out that *‘orthodox’* planning approaches *‘are unrelated to the realities and pace of city life’* and *‘transfer little or no immediate benefit to the poor majority of urban populations’*. Their rational management models sought *‘predictable ‘end states’ which impose restrictions (rather than cultivate conditions), whose processes are normative, inflexible, and based on ‘sacred prototypes’ and pre-ordained rules’* (Hamdi and Goethert 1997:19). This rational management displaces the flexible, spontaneous and incremental processes which are vital to the health of low-income communities. Scott (1998) makes the similar point that orthodox planning aims for a functional city and legible city when urban settlements are often organic and legible only to inhabitants. The organic local action is often extra-legal in that it does not comply with official planning rules and regulations. *‘Intricate and complex formal/informal partnerships develop for recycling garbage, purchasing and exchanging commodities, exerting political influence, pirating services and securing employment. In time, people build a substantial body of experience and knowledge which is rarely tapped when formulating plans, about how best to build, to profit, or dodge the authorities’* (Hamdi and Goethert 1997:12). The key issue for all planning approaches and development strategies is how to capture the dynamism of informal processes without destroying them in the process.

This increased emphasis on process was taken up by international development agencies. For instance, ODA (1993: 35) stated that a process approach would appear to be more appropriate for projects requiring flexible planning, *'those for which the wider objectives for change can be identified and agreed but for which the exact modalities for achieving objectives may be unknown or unknowable at the outset'*.

One issue arising from the emphasis on process is how to reconcile it with the need of international agencies and national and municipal governments for clear targets and work plans. GHK Research and Training (2000: C5-16) argue that there are problems in reconciling the need for process with that to work to a logical framework that defines a project's purpose and activities. They suggest one possible response - that logframes should be nested with an overall logframe produced for a project or programme as a whole in which later outputs are presented in general rather than specific terms. Each output from this general logframe can then be used as the purpose of a lower order logframe, that can be worked out in detail at the appropriate stage in the planning process.

A similar approach underlies the World Bank's New Project Cycle (Picciotto and Weaving 1994). In place of the old cycle of identification, preparation, appraisal, negotiation, implementation and evaluation, this incorporates four stages – listening, piloting, demonstrating and mainstreaming. The emphasis on listening *"symbolises the learning dimension of projects, the central role of the borrower and the participation of potential beneficiaries (in the project process) right from the start."* Piloting allows alternatives to be identified during the learning phase and the institutional arrangements required to implement them to be explored and assessed. The demonstration phase provides the opportunity to fine-tune and adapt project concepts, for example allowing hypotheses identified at the pilot phase to be tested. The demonstration phase should end when *'consensus is strong, enough skilled participants are available and enough experience has been accumulated to carry the project into its final phase'*. At this point, the aim should be to mainstream what has been learnt, transforming an externally-supported demonstration programme into a self-sustaining national programme. The consultation stage of the CDS process appears to provide a mechanism for implementing the listening phase of the project cycle at the municipal level.

3. THEORETICAL APPROACHES TO UNDERSTANDING POVERTY

3.1 *Introduction - Changing approaches to poverty definition*

The simplest approach to defining poverty is to use monetary indicators and proxies linked to estimates of income and consumption. A commonly-used monetary indicator is the value of a basic basket of goods, which is subsequently used to define a number of poverty indicators including the:

- **Poverty rate** - the percentage of people who cannot afford the basic basket of goods;
- **Poverty gap** - the gap between a person's income and the poverty line; and
- **Income distribution** - presented in the form of the Gini coefficient

The income consumption definition of poverty does not account for the causes, dynamics and relativity of poverty. More recent definitions of poverty attempt to capture these dimensions of poverty. Asset based approaches, drawing on the rural work of Robert Chambers and Amartya Sen which have become increasingly influential in recent years. These approaches focus on the household as the primary unit of analysis but also consider the disaggregated household unit and the relationship of households to the wider community and institutional processes. They assume, that the poor can be resourceful and active agents of their own development. Assets are seen as forms of capital, not necessarily monetary in nature, that can be stored, exchanged, accumulated and used to generate a livelihood (Rakodi 1995). In the rural context, they have been classified into five types - natural, physical, human, social, political, and financial. Moser (1997) recommends slightly different asset categories for use in the urban sector and these will be considered in detail later in this literature review. Regardless of this, it seems that the urban poor themselves see a close link between income and poverty. When asked to define poverty, inhabitants of urban slums in India identified income as a key factor. (Amis 1997).

Income generation is important not just in the increased collateral that it provides but also in increasing ability to accumulate assets such as housing and services (Amis 1999). There is also growing recognition of the role of civil organisation in reducing poverty by increasing stakeholder participation in decision making and development processes. The power of organised social groups can be perceived as a social asset or social capital.

The move away from a purely income-based approach to poverty has been accompanied by disaggregation of the 'poor' into different categories, depending on their circumstances. This reflects the fact that poverty assessments based on the value of a basic basket of goods do not allow for rural-urban, regional, gender, and social differences.

The objectives of institutions and the way in which they pursue those objectives can have an important impact on the poor. The provision of credit, participatory politics and improved transport, housing and basic services can all help poor people to increase and diversify assets and hence reduce vulnerability. These are all roles that can be undertaken by municipal government and thus provide areas where City Development Strategies can have an impact upon poverty. Wegelin et al (1997) refer to this level of activity as the meso level, intermediate between the macro and the micro levels.

However, public institutions often lack both the resources and the willingness to adopt pro-poor policies. Gaps in government provision may be filled by community initiatives but these initiatives tend to be uncoordinated and relatively small in scale so there is doubt about their suitability for replication and scaling up. There is thus a need for analysis of what provision can best be provided by different agencies. External agencies can support diverse, long-term initiatives, let stakeholders set priorities, encourage cost recovery and provide rapid funding and technical assistance (Satterwaite 1997). Still the questions of sustainability and replicability remain. An issue for CDS appears to be how to move from the initial stage when an initiative is supported by external donors to a later stage when it is self-sustaining using local resources. (This assumes that most CDSs have been initiated with donor support. There are some exceptions but the general rule applies).

The importance of assets has been widely accepted and the 2000 World Development Report is perhaps indicative of a movement towards a consensus on poverty reduction strategy. This consensus is reflected in the International Development Targets (IDTs) developed in the course of international UN summits. IDTs are currently in place on subjects as diverse as the reduction of extreme poverty, the environment, universal primary education, gender equality, infant and child mortality, maternal mortality and reproductive health. All of these targets are likely to have relevance to the aims of CDS and poverty reduction.

3.2 *Issues relating to urban poverty*

The variables and institutions that influence poverty in urban areas are different from those found in rural areas. (PRSP 1999). Urban people face high costs for transport, education, housing, food, health and childcare and are thus more dependent on income. Against this, it can be argued that the urban poor have a 'hidden income,' in so far as they have access to services, including sanitation, drainage and garbage removal, schools, health and child care (Satterthwaite 1997).

The greater population density found in urban areas can lead to a reduction in the per-capita cost of infrastructure provision. It can also combine with the nature of the industries found in urban areas to create serious environmental hazards. The poor are especially vulnerable in this situation as they lack the resources necessary to either avoid or cope with these problems.

The increased dependence of the urban poor on the cash economy reduces the possibilities for adopting non-income based coping strategies. Satterthwaite (1997) suggests that a significant difference between urban and rural people lies in the ability of the latter to reduce their costs.

The urban poor have been affected by the negative impacts of economic reform, particularly the increases in prices resulting from the elimination of subsidies and the tendency towards casualisation of labour, (although it could be argued that the poorest have never had security of employment). Many urban households have had to diversify their sources of income to reduce the risks and adapt to changed circumstances. Urban assets, incomes and standards of living are not constant but alter according to the time of year, the household life cycle and consumer prices. The informal safety nets of the urban poor also differ from the social networks of family and kinship in rural areas. There is evidence that "*vulnerable groups tried to increase their security within the urban system by entering into dependency relations with social superiors or by creating neighbourhoods and social groups paralleling rural collectivities (Beall 2000 16).*"

Public institutions are often more evident in urban than in rural areas yet the poor are often excluded from the institutions that influence their life. In response, many people resort to informal arrangements for the provision of employment, housing and services. International agencies, led by UNCHS, recognise the need to incorporate such informal activities into poverty reduction strategies.

Overemphasis on the income and housing aspects of poverty in urban areas can override the social and health dimensions of poverty and obscure its underlying causes. Satterthwaite (1997) identifies social, economic and political structures in urban areas, that are linked to social, economic, and political change at the regional, national and international levels and also to the way in which people respond to the complex processes causing impoverishment. It is impossible to place a monetary value on personal, social and household deprivations. Poverty analysis

should start from the assessment of the relationship between the threats and opportunities experienced by individuals and households and the community's assets and entitlements (Rakodi 1998).

Another important point is that disaggregation of rural and urban poverty can mask the significance of rural-urban linkages (Satterthwaite 2000). There are significant differences between rural and urban poverty but there are also vital linkages between them. Rural areas depend on urban areas for remittances, investment, access to jobs, refuge, a diverse labour market, and public services. Rural areas provide urban areas with their food supply and opportunities for seasonal employment and may be the place where assets are retained. In both contexts, poverty reduction depends on developing a regional understanding of poverty. An issue for CDSs is the extent to which a purely urban focus can address those aspects of poverty that are influenced by the regional context.

3.3 *Assets and vulnerability in the urban context*

The concept of vulnerability captures the insecurity faced by individuals, households and communities, the heterogeneity of the situations in which the poor find themselves and the dynamism of the situation over time (Moser 1998). Developed in the rural context, it was adapted by Moser for use in urban areas, following analysis of four case studies in Ecuador, Ghana, Philippines and Poland. It covers both 'threats' and the ability to 'resist' those threats, which is derived from the assets that individuals, households and communities possess and can mobilize during times of hardship. As assets increase, vulnerability decreases. Assets may be both tangible (productive, human and labour) and intangible (social capital and household relations).

A household's vulnerability is also dependent on its ability to manage its assets. Moser notes two different types of response in asset management – (a) coping, which involves a short-term immediate response to threats and (b) adapting, which involves a permanent change in way of life.

She identifies the key assets as labor, human capital, productive assets, household relations (pooling and sharing), and social capital. The last points to the importance of networks and social organisation and can arguably provide a strong basis for poverty reduction strategies.

Asset diversification and the transformation of assets into food and income can offset the threats to the household. Asset diversification may involve both:

- 'intensification' of existing strategies; and
- the development of new strategies (Moser 1997).

Responses to vulnerability are shaped by

- **Intra household level** factors, for instance gender inequalities, which affect decision making and resource collection within households. *"Gender-based differences, arising from fundamental asymmetries in their respective rights and obligations of men and women, translate into differential economic capacities and are reflected in access to, use of, and control over productive resources (Moser 1998: 19)."*
- **Household level** factors, such as the composition, cohesion and structure of the household, which determine the opportunities for labour mobilisation and the pooling of resources to provide safety nets. Restructuring of the household can increase or decrease vulnerability. Vulnerability strategies may impose unequal burdens on different household members.

Community level factors, which may increase or decrease access to economic and social infrastructure and affect the way in which that infrastructure responds to individual and household needs. The ability of community-based organisations (CBOs) to reduce vulnerability through negotiations and political lobbying is influenced by the social capital available. Formal and informal social institutions can foster or inhibit capacity to cope with low incomes, high prices and inadequate social and economic structures.

Other variables that may affect the ability of households to respond to threats include changes in prices, wages and public spending, the lack of economic and social infrastructure, security of tenure and social capital. All of these are influenced by factors outside the household itself.

Moser's analysis of poverty and vulnerability suggests the need for interventions that encourage opportunities and remove obstacles to asset accumulation, management and productivity. It highlights the 'poor's' lack of assets, inability to accumulate an asset portfolio and inability to create a management strategy. These factors have to be taken into account when considering CDS options. When doing so, it is important to understand the requirement for the *"identification of two dimensions of vulnerability; its sensitivity (the magnitude of a system's response to an external event), and its resilience (the ease and rapidity of a system's recovery from stress). (Moser 1998: 3)."*

3.4 ***The development of livelihoods approaches***

A livelihood system is the mix of strategies used by households to mobilise resources and opportunities: these include reproductive tasks, labour force participation, savings and investment, changing consumption patterns, and asset pooling.

The Sustainable Livelihoods approach aims to develop strategies for poverty reduction based on the options for utilising assets and reducing vulnerability. It has been used for several years in the rural context and there is increasing interest in adapting it to the urban context. DFID is one of range of development institutions, including UNDP, OXFAM and CARE, that has adopted versions of the Sustainable Livelihoods approach. All are based on the early work of Chambers and Conway (1992) :

"a livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihoods opportunities for the next generation; which contribute net benefits to other livelihoods at the local and global levels and in the long and short term(7-8)."

Its advocates claim that SL is both a participatory approach and a long-term vision. Its objective is to increase the sustainability of livelihoods and reduce poverty by:

- promoting access to social services, natural resources and infrastructure;
- developing a cohesive social environment;
- securing access to financial resources; and
- developing institutions and policies that support multiple livelihoods strategies and equitable access to markets.

All the agencies that use a sustainable livelihood approach emphasis the importance of assets, micro- macro links and flexibility in application (Carney et. al. 1999). The same basic asset categories: - natural, biological, social, human and physical capital, are adopted by all on both a short and a long-term basis to cope with trends, shocks and seasonalities

There are, however, some differences in approach, for instance different understandings of sustainability and empowerment, different scales of operation and different points of entry (Carney et.al. 1999). The UNDP and DFID have higher-level of intervention than the NGOs (Carney et al. 1999). This review will focus on the sustainable livelihoods approaches adopted by DFID and the UNDP as the approaches adopted by 'official' agencies are more likely to influence the CDS process than those adopted by NGOs.

3.4.1 DFID's Sustainable Livelihoods approach

DFID suggests that Sustainable Livelihoods is "*the capability of people to make a living and improve their quality of life without jeopardizing the livelihood options of others, either now or in the future (DFID 1998:2).*" It claims that its approach to Sustainable Livelihoods:

"integrates environmental, social, and economic issues into a holistic framework for analysis and programming from the beginning. This is especially true in identifying not only the types of assets which people use, but also how existing livelihoods can be strengthened with new and appropriate technologies and corresponding social and economic investments (DFID 1998: 3)."

The aim is to build on what people already have in terms of means, activities, entitlements and assets, while addressing wider concerns relating to resource ownership and access, basic needs and livelihood security. At the household level, DFID's approach recognises the importance of 'sequencing,' (of assets over time) and asset substitution (i.e. using human capital to compensate for a lack of financial capital). Households that can call upon greater levels of assets are assumed to have more options for switching between strategies. Thus, the livelihood outcome, particularly the possibility of escaping poverty, still depends on the initial access to assets.

At a wider level, the approach recognises the need to bridge the gap between macro policies and micro realities, placing particular emphasis on the meso level activities that are normally the responsibility of local government. It recognises that infrastructure provision will be more effective when it is 'demand-led' and incorporated into plans for improving the effectiveness of government. Local government requires the financial, institutional, and planning capacity to respond to community demands. This suggests the need for short-term capacity building, collaboration at the macro- micro interface and the development of cross-sectoral policy support.

DFID's approach to the design and implementation of a SL intervention involves the following steps:

- 1 - Assess a particular community's risks, assets, entitlements and knowledge through participatory assessment, distinguishing between coping and adaptive strategies.
2. Assess the macro, micro, sectoral and governance arrangements that affect livelihoods strategies.
3. Highlight elements of Modern Scientific Knowledge and technology that complement Indigenous Knowledge
4. Identify social and economic investment mechanisms that are likely to increase the sustainability of livelihoods.
5. Take action using the identified mechanisms.

The importance of ensuring interaction between the different stages is emphasised. The methodology requires cross-tabulation of the combination of assets that determine livelihood against the “vulnerability context:” - that includes predictable trends, unpredictable shocks and seasonalities in the external environment which affect particular livelihoods and the availability and status of assets. The “vulnerability context’ can destroy or create assets. It cannot be changed, at least quickly, but an increase in resilience can be accomplished through increasing access to financial services.

3.4.2 *Policies Institutions and Processes*

Livelihood strategies are influenced by institutional policies that affect access to asset creation and accumulation. DFID initially referred to the institutions, organisations, policies and legislation that shape livelihoods, determining access to resources and the terms of exchange of different asset types, as ‘transforming structures and processes.’ It has recently modified this concept, referring to ‘Policy, Institutions and Process (PIP)’ in an attempt to place more emphasis on the social and institutional context within which individuals and families negotiate their livelihood. The PIP concept covers participation, power, laws and policies, social relations, institutions and organisations. PIPs are the norms and rules within which shocks and trends are negotiated.

Its advocates claim that the PIP approach can help to cushion the poor from the impact of external shocks and that the flexibility of SL ensures that choices are not restricted. Indeed, the aim should be to expand choices by increasing access to assets (combination/ start-up) and transforming structures and processes so as to reinforce positive choices. Livelihood Strategies should improve the ‘Livelihood Outcome’ by increasing incomes and well being, decreasing vulnerability, improving food security and making increasing use of natural resources.

3.5 *Livelihoods in the urban context*

In recent years, efforts have been made to develop the livelihoods approach to urban projects and programmes. Jo Beall, one of the first to use livelihoods concepts in an urban context, highlights the significance of households and communities in urban planning and policy research. She emphasises the way in which socially constructed identities influence linkages between urban households and communities and the economic, social, and political processes of a city. Further, she argues that the relationships between the household and larger institutional processes should be understood in terms of the relations of reproduction and production. Households are caught in a web of structural relations that result in the reproduction and perpetuation of the social identities that support the unequal relations of production. Social identities are naturalised ideologies that inform the power relations and inequalities that affect access to and distribution of material and symbolic resources.

Beall argues that social identities create economic and political processes as well as being determined by them. For instance, policy design and the

casting of 'target groups' in the course of planning processes have a political dimension in that the definition of needs links households with networks and institutions, including the State. Beall develops on the household strategies or coping mechanisms and 'urban livelihood systems' that capture the way in which "[c]hanges in production, reproduction, and social engagement together impact on the relations of distribution and relate closely to activities and relationships collectively termed household level strategies (Beall 1999:13)."

Beall's emphasis on the role of relations of reproduction and social identities highlights a potential pitfall of the consultation process. Political, economic and social processes will affect stakeholder identification while the involvement of stakeholders will be constrained if they lack material and symbolic resources. These are key points that must be considered when preparing a CDS stakeholder consultation that aims to involve the poor.

From a livelihoods perspective low-income households can be disaggregated into those whose primary concern is with survival, security or growth. (Barrett and Beardmore 2000). This disaggregation can help to ensure that interventions are effectively targeted. For instance, those with an immediate concern with survival are likely to require social safety nets.

When considering livelihoods, there is a need to go beyond consideration of static states to that of dynamic processes. Loughhead et al (2000) provides a framework for doing this by identifying three broad categories of poor household, those that are:

'coping' - in that they have just sufficient assets to meet basic needs and are so in a precarious balance, which cannot be improved without some change in their situation;

'improving' - in that they have access to assets that allow positive change in their situation - for instance, links with local leaders, regular employment, secure housing and adequate services; and

'declining' - in the face of multiple deprivations, for instance poor health, lost earnings and disability)

The issue here appears to be how to integrate fairly detailed analysis of particular households and communities with the municipality-wide focus of the CDS.

3.6 **Social exclusion**

Assets-based and livelihoods approaches to poverty and vulnerability put the household at the centre of their analysis. In doing so, it is possible that they pay insufficient attention to the wider structural factors that impact upon poverty. These include the norms and processes that prevent certain groups from equally and effectively participating in the social, economic, cultural and political life of societies, which collectively lead to **social exclusion** (Narayan 1999). These norms and processes may be derived from social, cultural, and political dynamics. Exclusion from society seriously affects capabilities to manage and use assets. It can be defined as

“the rupture of a social bond – which is cultural and moral – between the individual and society. National solidarity implies political right and duties. The poor, unemployed and ethnic minorities are defined as outsiders (de Haan 1999: 4).”

The concept of social exclusion highlights two central elements:

- **multidimensionality of deprivation** in the economic, social and political spheres (de Haan 1999); and
- **exclusive processes** - the social relations and institutional arrangements approaches, that govern access to power and deprivation (de Haan 1999; Nayaran 1999).

The relative importance of social exclusion will vary according to context. People are usually excluded in some areas and included in others.

Sen (2000) argues that:

“social exclusion can... be constitutively a part of capability deprivation as well as instrumentally a cause of diverse capability failures” (5)

In other words, exclusion can represent deprivation in itself, as for instance in the case when exclusion from relationships with others impoverishes a person's life. It can also be instrumental in creating the conditions that lead to other aspects of poverty – for instance a person who is excluded from credit may find themselves falling deeper into income poverty.

He goes on to state that *‘the real importance of social exclusion lies in emphasising the role of relational features in the deprivation of capability and thus in the experience of poverty’ (6)*. He notes that this focus on the relational features of poverty is not new, tracing it as far back as Adam Smith. In this view, poverty cannot be seen in isolation from the norms and expectations of society as a whole.

Sen further divides the processes of exclusion into:

active exclusion – in which particular groups are explicitly denied full rights of citizenship; and

passive exclusion – caused by structural or indirect factors, such as institutional weaknesses and economic decline.

Approaches to poverty grounded in the concept of social exclusion will differ from other approaches in their increased emphasis on society and societal processes. (de Haan 1999). It has been argued that the practical value of the concept is limited by difficulties in measuring relational and processual indicators. However work undertaken in France and the UK suggests otherwise (see for instance London Research Centre 1996, Silver 1998 and Paugman 1995).

Possible methods for use in defining social exclusion include:

Exclusion Mapping: (measurement of outcomes) The assumption is that deprivation can be quantitatively measured and different quantitative indicators can be correlated in ways that allow specific groups and processes to be characterised.

Process identification (measurement of causes): correlations between aspects of deprivations – social processes of are key to exclusion

These analysis techniques can be used to inform policies of social integration and to tackle the processes and institutional deficiencies and characteristics that underlie deprivation. Key social integration policies are to integrate sectoral approaches and address processes and institutions to tackle the relational and process-based nature of deprivation (de Haan 1999). Programme designs need to meet several requirements at once to achieve social integration.

De Haan (1999) uses the examples of France and the UK to illustrate the way in which social exclusion concepts can be used in policy formation. During the 1980s, France suffered severe economic, employment and social security crisis. It adopted social integration policies that included economic development policies, public administration and decentralisation, context specific strategic thinking, as well as projects that dealt with education, long term unemployment and neighbourhood development. In the UK the stress was on linking different government departments and supporting partnerships with the aim of increasing social cohesion and networks, restoring civil society and developing human capital and citizenship. These examples suggest that the social exclusion approach has been used mainly at the national rather than the municipal level. There must be doubt about the capacity of municipal stakeholders to implement the approach, even when they believe it to be potentially useful.

4 ECONOMIC GROWTH AND POVERTY REDUCTION

4.1 **General**

Chapter three was concerned with theories that place a strong emphasis on the introduction of the social and political aspects in the definition and understanding of poverty. While important, these aspects are not the whole story. Quoting Mohan and Thottan (1992), Amis (1999) notes the need to explore the wider context of possible poverty alleviation strategies. The literature on poverty tends to evaluate poverty alleviation programmes to the exclusion of considering the medium to long run processes that will reduce poverty and are necessary for a sustainable approach to poverty alleviation.

As indicated in Section 1.4, the CDS approach is based on the assumption that economic growth is a necessary condition for poverty alleviation. This view is widely, if not universally, shared. The alternative to macro-economic policies that encourage growth is stagnation, which is likely to have adverse effects for everyone, including the poor. Selurathaman (1997) states that:

"in a stagnant economy where incomes of households are not expanding clearly the demand for goods and services, whether produced by the formal or the informal sector will be stagnant too. This underlines the need to promote macroeconomic policies that would stimulate income growth in the urban economies"

Others have used similar reasoning to argue that a 'pro-poor scenario is only possible if the growth rates achieved in the future are higher than those achieved in the past.

"The 'pro-poor' scenario assumes that countries grow at forecast higher rates than in the past and also that they meet the three pro-poor conditions: that the capital stock grows as fast as the labour force; that capital is used more efficiently; and that economies become more open to trade, between now and 2015 (Hanmer et al 2000: 2)."

On the other hand, rapid liberalisation and de-industrialisation can result in casualisation of urban workers and thus have an adverse impact upon poverty. What should be the balance between promoting economic growth and encouraging action to meet the needs of the poor? Dreze and Sen (1989) analysed ten developing countries that have been successful in improving infant and child mortality. They found that five were examples of what they called "support led" success, in which mortality was reduced on the basis of organised programmes of public support for health, education and social security without achieving fast economic growth. Others had adopted a 'growth strategy' that focused on increasing the GDP, in the belief that this would 'trickle down' to the poor and indirectly decrease poverty. Dreze and Sen found that the success of support led growth strategies was dependent, at least in part, on the fact that the costs of

elementary health care and education tend to be comparatively low in low-wage economies.

Dreze and Sen's 'support-led' strategies can be seen as examples of attempts to establish directly 'pro-poor' growth. Regardless of this, they note that there are important complementarities between the two approaches, in particular the assistance to growth afforded by the support-led strategy. The important point for CDS would seem to be the need to decide the relative stress given to 'growth' and 'support' in the light of the local situation.

The 'support-led' approach has gained support amongst donors in recent years. For example, the DFID White Paper 'Eliminating World Poverty: A Challenge for the 21st Century states the need to establish a pattern of economic growth that

"Benefits all sections of society; targeting scarce resources so that poor people have the education, health care and opportunities they need and ensuring that women and men enjoy equal benefits".

Apart from the moral arguments for such an approach, income inequality and extreme poverty can adversely affect growth.

"income inequality...actually hinders economic growth; high levels of inequality produce vicious circles of exclusion while low levels of inequality tend to produce virtuous circles based on inclusion (Amis 1999:9)."

Conversely, economic growth does not result in poverty reduction if sharp inequalities exist. However, in the presence of appropriate 'meso' -(city-level) policies and human capital investment, economic growth should have a positive impact upon poverty, providing at the very least a degree of distribution (Rakodi 1998).

In short, it seems that the impact of economic growth on poverty reduction is dependent upon both the initial situation and the emphasis given to redistribution of resources:

"For a given rate of growth, the extent of poverty reduction depends on how the distribution of incomes changes with growth and on initial inequalities in incomes, assets and access to opportunities that allow poor people to share in growth (WDR 2000: 52)."

The WDR report goes on to suggest that:

"The quality of the growth process, not just its pace, affects development outcomes - much as the quality of people's diets, not just the quantity of food, influences their health and life expectancy. That is why it is essential to explore the complex interactions of the factors shaping growth (World Bank 2000: XXIV)."

Key factors affecting the quality of growth and development outcomes include the distribution of opportunities, the sustainability of the environment, the management of risk and governance.

The World Development Report (2000) argues that economic growth can lead to rising consumption amongst the poorest fifth of the population, but only when appropriate public policies and institutional arrangements are in place. Therefore development strategies should incorporate the positive impacts of education and health, appropriate economic policies and strong, uncorrupted institutions as well as accounting for the negative impacts of natural disasters and complex emergencies, macroeconomic volatility, poor reforms, distribution inequality and environmental degradation (WDR 2000).

Analysis of the available evidence from a number of countries suggests that labour intensive programmes and investment strategies are particularly suited to providing both economic growth and poverty reduction, at the same time developing human capital. This approach can ensure that the productive potential of the poor is realised in the course of the growth process and thus can help to remove poverty reduction from the vagaries of trickle-down processes (Amis 1999). Sustained economic growth needs a skilled and healthy workforce that is economically and productively flexible. It is thus arguable that human development is the key to both poverty reduction and reduction and economic growth.

The evolution of the growth - poverty reduction debate has invoked the rhetoric of 'pro-poor growth.' 'Pro-poor growth' has been defined in different ways by different organisations. The Overseas Development Institute provides a definition that includes the following:

- national capital stock grows at a faster rate than the labour force;
- efficient use of investment;
- achieves higher agricultural yields;
- distribution of income and assets in countries with high inequality, including redistribution of land ownership, distribution of public subsidies and services, functioning of the market at micro-level; and
- gender equality is mainstreamed.

While this definition is comprehensive, the individual points need to be developed if it is to be of practical use to policy makers.

Loughhead et al (2000) suggest that "*a sustainable approach to poverty reduction requires a combination of social development and social protection measures to ensure that the improving poor continue to improve; the coping poor graduate out of their precarious state, and the declining poor have an opportunity to reverse their condition*". To make use of the opportunities the poor need to have the basic survival needs met (food, shelter, health) and the degree of risk that they face reduced. An appropriate regulatory framework provides a good example of a form of social protection, which can reduce poverty. Conversely, the continuation of inappropriate frameworks will mean the continued exposure of the poor to the risks inherent in insecure tenure and employment and dependence on 'patrons' who protect them from eviction and/or provide informal jobs but at a price.

4.2 *Role of Municipalities in supporting pro-poor growth*

Overall economic policies are decided at the national level. However, the Cities Alliance strategy assumes that cities are centres of economic growth and this, in turn, implies that municipal governments can play a key role in facilitating equitable, high quality growth. They are in a position to act as mediators between macro policies and local initiatives.

"Municipal government can be seen as having both an 'attacking' role in facilitating the poor's participation in economic growth but also a 'defensive' role in protecting them from the impacts of economic decline (Amis 1999: 5)."

Action by municipal and city governments can significantly contribute to poverty reduction, particularly as an intermediate level of intervention between micro and macro approaches (UMP 1996).

"Broadly speaking, poverty reduction measures implemented at the municipal level are seen as functioning at a level between national government approaches (macro-level) and community approaches promoted by non-government or community-based organisations (micro-level). Approaches to poverty reduction at the municipal level are meant to strengthen and complement (rather than replace) those anti-poverty strategies implemented at macro- and micro-levels (Pieterse 1999)."

As highlighted in section 3.1, local government has a number of options open to it in seeking to reduce poverty.

"The role intended for the municipality can be collapsed into three main aims; firstly encouraging and setting the environment in the widest sense to facilitate economic growth (and capital accumulation); secondly providing the appropriate public services (health and education); and thirdly improving the local environment (Amis 1999:17)."

Amis notes the important caveat introduced by Wegelin and Borgman (1995) that successful action at the municipal level is dependent on the municipality having the financial resources to carry out its intended roles. He goes on to note the danger that *'rigid approaches to planning can easily destroy much local economic activity, often by pushing them to the urban periphery and therefore reducing their profitability'*. This suggests that what a municipality does not do may often be as important as what it does do.

Amis stresses the importance to pro-poor growth of investment in human capital through improvements in primary education and health, accountability in service delivery, flexible and diverse planning and regulatory frameworks and infrastructure provision. Municipal government often has the primary responsibility for services, including infrastructure, health and education and therefore has an important role to play. It can help to reduce poverty by improving tenure, housing and basic services, increasing incomes and assets and legal representations. However, an appropriate national framework is needed to support local government initiatives (UMP 1996).

Another point stressed by Amis is the importance of the quality of the service provided by municipalities. There is a need for accountability, transparency and an end to inappropriate planning approaches and restrictive laws and practices, particularly those relating to housing and land-use. Amis' view is that these mechanisms must operate at the local level. An important issue here is the capacity of urban government. The municipality may not have the human, financial and technical capacity to carry out its allocated roles. In particular:

"Many urban municipalities are extremely weak financially. Most have little or no investment capacity as virtually all their revenues go on recurrent expenditures. The local generation of revenues is limited, and resources transfers from higher authorities tend to be inadequate, frequently because many of these authorities are also experiencing fiscal stress (DFID 2000a: 130)."

Amis (1999) suggests that '*the financial weakness of urban institutions is not inevitable; rather it depends on the quality of urban management*'. He goes on to suggest the need for a buoyant source of tax revenue at the municipal level but this may be difficult to achieve in many situations, given that local governments, regardless of the rhetoric of decentralisation, are often financially and politically dependent on central government. Partial decentralisation, in which municipalities are given responsibility for expenditure without revenue powers, may magnify problems.

Urban poverty contributes to a self-reinforcing cycle in which:

"substantial urban poverty not only limits the scope for mobilising the revenue of urban authorities; more importantly it limits the effective demand for housing and other basic urban services due to low incomes. Employment being the most effective instrument to reduce poverty on a sustainable basis, it is imperative that the development policies in these countries place emphasis on higher productivity and incomes of workers (Selthuraman 1997: 1)."

This suggests that efforts to provide housing and services are necessary but not sufficient where demand is limited by the poor's lack of access to income-earning opportunities. Where this is the case, it would appear that City Development Strategies must have an economic dimension.

The importance given to municipal assistance in reducing poverty also neglects the fact that the nature and degree of decentralisation may not give the municipality the remit to interfere in economic development or regulations and standards. Long term changes in overall structures and responsibilities may be necessary in order to overcome this constraint.

4.3 The role of the informal sector in pro-poor growth

Poverty reduction efforts must take account of the fact that the majority of urban poor secure livelihoods through the informal sector either as self-employed or wage employment. UNCHS/ Habitat states that

"informal settlements exist and expand because of inadequate provision of land, speculative investment patterns, a tendency towards over-regulation, and a regulatory framework of standards, regulations and administrative procedures that is, at best, indifferent and - more likely - hostile to the needs the urban poor (UNCHS 1999)."

Selthuraman (1996) looks specifically at employment. He argues that rising unemployment is the result of a failure in the formal sector, due either to excessive government expenditure or a move towards capital intensive production. In such circumstances, the workforce looks toward the informal sector for employment. He argues that the larger the extent of poverty and the informal sector, the more negative the view of informal development.

Regardless of this, local informal initiatives can have a significant economic impact, directly and indirectly involving the poor (Benjamin 2000). They may even be drivers of the economy of a town or city as a whole. They are often clustered in slum areas, involving entrepreneurs, skilled and unskilled workers, owners of services, landlords and tenants and providing key livelihood opportunities for poor groups.

The informal sector is constrained by a lack of the subsidies that are available to formal operators, a limited skill base and insufficient capital investment. While many informal institutions succeed in overcoming these constraints, this is often at the cost of the development of dependency relationships with rent-seekers in the formal sector. Workers remain vulnerable, due to the insecurity of the informal sector, its lack of capital, vulnerability to closure if land use regulations are enforced and the absence of infrastructure.

Government's ability to influence the informal sector is reduced by the rigidity of local and national regulatory frameworks, covering land use and transactions, rent, and the labour supply. (UMP 1996). Approaches based on master plans and zoning are rarely flexible enough to deal with the needs of the local economy. When applied, they promote rigid land use and regulation, homogenise tenure and often result in the relocation of groups away from existing productive centres (Benjamin 2000). The official requirement for high standards in physical and social infrastructure makes that infrastructure unaffordable to the poor.

In practice, the situation is often complicated by municipal acquiescence in the development of informal areas. Benjamin notes that

"since almost all local economies evolve in un-planned areas, actions by municipal bodies have played an important although unintended role. This is in the provision of infrastructure and services, maintaining a relatively loose regulatory environment especially to allow 'mixed land use,' and influencing if not undertaking regularisation (2000:7)."

Recognition of the resourcefulness of community initiatives and the informal sector in employment, shelter and services leads to several policy implications, including the need to:

1. build and support livelihood opportunities within local economies;
2. support and promote municipal governments as strategic institutions for community development,
3. upgrade infrastructure and services to levels that are appropriate to the local economies that they serve; and
4. promote 'flexible' land regulation and regularisation (Benjamin 2000).

What might this mean in practice? Starting from recognition that

"The role of squatter colonies is fundamental rather than marginal: the urban economy is heavily subsidised by their existence, and cannot function - much less be competitive - without this subsidy"

Berner (2000:2) argues that governments should focus on land provision, revisions of regulations and standards to allow incremental development, legislation of squatter settlements and environmental upgrading. This approach is hardly a new one and ignores the key issue, which is the way in which the interface between the formal and informal sectors is handled. Tayler (2000:11) suggests that *"Any strategy that is based on making increased use of informal service providers needs to consider how informal systems can be institutionalised in a way that guarantees their reliability and coverage."* The problem is that there are often 'perverse incentives' to maintain the status quo. The relatively loose regulatory environment noted by Benjamin often exists because government officials are unable to or choose not to enforce existing regulations. This creates the opportunity for officials to extract 'rents' from households and businesses in return for turning a blind eye to their 'illegality'. Even if change can be initiated, it must be implemented in a way that does not threaten the flexibility that is the strength of the informal sector.

4.4 ***The role of secure tenure***

Various authors, policies and publications have stressed the role of security of tenure to equitable economic development. UNCHS notes that insecure tenure prevents investment in housing and community, undermines planning and development, distorts land markets, supports social exclusion and inhibits good governance (UNCHS 1999). Satterthwaite and Hardoy (1989) note that housing can be a productive asset that provides income through rent in times of decline but also a location for productive activities in times of growth. Moser makes a similar point, noting that access to land and housing

"represents more than shelter to ensure physical well-being. In the urban context, housing is an important asset that generates income through, for instance, renting rooms and the use of its space for home based production activities (Moser 1998:4)."

Hernando de Soto (2000) states that the urban poor have accumulated assets, including property, which are not registered in formal legal systems, partly or perhaps mainly due to the lengthy and complex procedures required for registration. The consequence is that policy makers, local government and planners tend to ignore the assets of the poor. He argues that this has profound implications for the economies of poor countries, preventing full realisation of the economic potential of the assets, for example as collateral on loans and as an address for the delivery of civic services. The result is restricted growth.

De Soto advocates the need for a single integrated system to fix the economic and social qualities of property. Integrated systems allow citizens to obtain information on the economic and social qualities of an asset without having to see the asset itself. An important advantage of comprehensive integrated systems is that they make assets fungible - in other words, able to be fashioned to suit practically any transaction. Furthermore, by attaching owners to assets, assets to addresses and making information on the history of assets and owners easily accessible, formal property systems convert citizens into a network of individually identifiable and accountable business agents.

The key issues here are how such a comprehensive integrated system can be created and under whose definition of assets and property. De Soto argues that there is much to learn here from the processes adopted in the development of systems in the West. One of the reasons for the success of western capitalism has been its ability to integrate informal systems of exchange into formal systems, often accepting the validity of existing informal systems and changing laws in recognition of this. The important point here is that the process was one of genuine integration, based on acceptance of the positive aspects of informal practices rather than an attempt to force all stakeholders into a formal 'straight-jacket'.

Recently, security of tenure has become a main concern of UNCHS/Habitat. Its Global Campaign for Secure Tenure started in 1999 with the intention of supporting and assisting efforts to move the inadequately housed out of the cycle of poverty. The campaign is part of a larger campaign to create an urban future, which encompasses inclusion, social and economic development. UNCHS/Habitat states that:

"Security of tenure describes an agreement between an individual or group to land and residential property which is governed and regulated by a legal and administrative framework. The security derives from the fact that the right of access to and use of the land and property is underwritten by a known set of rules, and that this right is justifiable. The tenure can be effected in a variety of ways, depending on constitutional and legal frameworks, social norms, cultural values and, to some extent, individual preference (UNCHS 1999).

The focus is on security and not on a strict definition of tenure and UNCHS argues that access to land and services should not be governed by market forces alone. The campaign focuses on securing already existing titles and improving the provision of affordable urban land. Security of tenure directly benefits the poor and has a catalytic effect. It is insufficient to solve all the problems faced by the urban poor but is a necessary condition.

However such reforms are political contentious. Often tenure can be used for political bargaining and gaining votes. The issue for City Development Strategies is how improvements in tenure can be achieved in practice. De Soto's approach provides some guidelines but says little about how those guidelines can be realised in practice.

4.5 The role of local economic development in pro-poor growth strategies

As noted in the introduction, the CDS approach starts from the assumptions that cities are engines of growth and that poverty is a brake on their economic development. However, questions remain as to how growth can be harnessed to assist the poor communities of the city. The need for redistribution is often cited but redistribution can be empirically difficult, requiring redirection of public expenditure against a background of structural adjustment, and politically contentions.

One potential policy response to redistribution is the promotion of small and medium micro-enterprises (SMME). In recent years, some 'urban upgrading' projects have included an enterprise development component. The intention is to reduce poverty by increasing opportunities for poor people to engage directly in productive economic activity, usually at a small scale. Experience suggests that such efforts can all too easily degenerate into simplistic 'sewing centre' responses to urban poverty. Using the example of economically depressed areas in South Wales, Hopkins (1995) notes that

"Individual community initiatives tend to be marginal, even though they might empower individuals within those

communities.....community businesses rely heavily on other forces in the economy rather than being leading influences themselves”

He suggests four requirements for a successful local economic development strategy:

1. a comprehensive view of community needs;
2. action focussed on critical social needs sectors;
3. the availability of the development experience and technical skills required to make strategic interventions; and
4. advocacy skills and political awareness.

With regard to the first, he notes that community businesses must grasp the need to take action in the local economy in ways that meet “*social, as well as individual, needs, that are widespread and have commercial potential*“

On the second requirement, Hopkins suggests the need to take “*focussed action in a critical sector of social need – essentially one that makes the most impact in the community*”. This approach is similar to that advocated by the Orangi Pilot Project in Karachi, Pakistan.

The focus on strategic interventions is based in recognition that

“growth is created by businesses operating in the community’s economic base – that sector which drives growth by exporting products or services, or by substituting for products and services that might come in from outside”

The aim should be to “*lever investments from strategic players in the economic base and to press major economic institutions to alter some of their practices affecting low-income communities*”.

There is a need for greater emphasis on efforts to link community businesses and local government into economic development strategies:

“ In the past communities possessed little scope for linking their concerns about job creation with those of democratic action. Development was carried out by local authorities on behalf of communities, and not by themselves. Over time the separation of the economic and the political, at least at the local level, meant the ordinary people saw the economy as ‘outside’ themselves and beyond their control (Hopkins 1995:52).”

Hopkins' fourth point stems from his belief that "*economic redistribution in a free market system nearly always works against poor communities and their inhabitants*". He argues the need for political intervention, defined as "*an act designed to affect the collective consciousness, change policy at all government levels, or alter the way some groups of people or organisations view an issue*".

Municipalities can provide practical and financial support to scale up enterprise and job creation, develop advocacy skills and redistribute wealth. Hopkins describes a case in which community business negotiated with the local authority for the introduction of a wider economic development policy. However the initiative failed to make long term contributions to the local economy because it did not have influence on political and financial decisions. Selurathaman makes a similar point to Hopkins, stating that:

"It is evident from the discussion earlier that if the goal of interventions is to eliminate poverty by raising the productivity of the poor on a permanent basis then they must go beyond easing specific supply constraints at the enterprise level to include measures to improve the environment in which the microenterprises function (Selurathaman 1997)."

One option for satisfying economic growth needs while improving the poor's working and living conditions is Local Economic Development (LED). LED is defined as a process through which local government and community-based groups enter into partnership, with the private sector as appropriate, to manage their existing resources, create jobs and promote economic development.

Swinburn (1999) suggests that the first wave of LED was characterised by inward investment, hard infrastructure investment, pursued under government initiatives and with minimal participation of other stakeholders. Later initiatives have aimed for more targeted inward investment. They have focused on comparative advantage, enhancing the business milieu, partnership initiatives and holistic and strategic approaches.

LED requires analysis of the local economy to develop strategic policies and projects, which aim to strengthen 'traditional' indigenous small and medium enterprises while attracting inward investment and supporting the development of new enterprise. It should be supported by initiatives that aid the growth of a particular business cluster, enhance the business milieu and assist the urban poor.

Swinburn also stresses the need to ensure that city-led LED takes place within a national framework, arguing that action independent of such a framework will be unable to deliver efficient and effective services.

Zaaijer and Sara (1993: 136) suggest that the informal sector provides a large potential for local development: "*The question is how this development process can be given a further boost, for the benefit of the inhabitants and indirectly for the entire city, while at the same time minimising negative externalities.*" As a starting point for answering this question, they argue that LED should be based on 'endogenous development', stating that

"Local development can ...contribute to local and national economic development if it exploits local market advantages and promotes the growth and evolution of 'informal' business activity . Local (economic) development thus implies building on the strengths of a certain area while simultaneously trying to tackle its weakness (Zaaijer and Sara 1993:129)."

Like Swinburn, they note the need for local interventions to be linked with the larger economic environment. They also stress the importance of seeing urban neighbourhoods as living and working environments of the poor and this leads them to propose what they term an integrated neighbourhood approach to local development.

"The living- and income-situation of the poor are so much interconnected that dealing with one aspect without taking account of the other is ineffective and leads to a waste of scarce resources. The notion of neighbourhood development process was introduced, implying a process whereby increased neighbourhood income triggers off both investment in housing, infrastructure and economic activities, and increased spending in the neighbourhood economy (Zaaijer and Sara 1993:140)."

Benjamin adopts a similar approach, suggesting that the relationship between LED and poverty should inform policy frameworks because

"This local economy, its neighbourhood and home-based shops, services outlets, home-based manufacturing, local clinics and primary schools depend upon their neighbourhoods being legalised, getting serviced and attracting further investment (1993:144)."

Noting the point that local economies provide multiple production linkages, he introduces the concept of 'Neighbourhood as Factory:'

"enterprises are involved in parallel production processes, where inputs of one are outputs from others. Linkages between firms reduce excessive competition, which is regressive to the overall economic stability of the 'Neighbourhood as Factory' (Benjamin 1993: 147)."

The Neighbourhood as factory provides a stable environment for manufacturing and innovation. The productive linkages between enterprises also provide a basis for political lobbying as entrepreneurs are collectively interested in pressuring local government for provisions. The local economy also has the ability to consolidate over time into networks that allow individual business and connected enterprises to respond to market changes. Local government can influence the productivity of a local economy and reduce poverty through the policies it adopts. Public policy should provide the required economic environment by ensuring access to services and providing appropriate regulations on land use and the legalisation of settlements (Benjamin 1993). Local government has a role in increasing access to basic services, reconciling the different interests of different economic groups and adapting the regulation of economic activity.

The possibilities for LED may be limited by political processes and the fact that planning frameworks do not recognise the existence of the institutions that exist within poor communities (Benjamin 1993). Nevertheless, the literature contains references to the action that governments can take to assist SMME development and hence to support LED. DFID (2000) suggests that they can reduce the discrimination faced by marginalised and poor enterprises and orientate public sector spending towards the needs of poor communities through the provision of basic infrastructure, secure tenure and housing and the development of productive assets and SMME's (DFID 2000). The problem with their approach is that municipal governments are often constrained by limited human, institutional and financial resources and a lack of the powers necessary to alter regulations as required.

One possible entry point for LED is the provision of micro credit and finance to small and medium sized micro enterprises. The formal financial sector can not accommodate the needs of informal sector organisations and this limits the scope and capacity of community level financial institutions and businesses. Micro-finance provides a possible route to overcoming this barrier.

The micro finance approach to investment is *“an example of a livelihood supportive investments because it has, more than any other approach, had the greatest impact on policy change for the informal sector (DFID 2000: 29).”* The development of micro-enterprise can strengthen the income earning capacity of the poor, an essential requirement for poverty reduction in urban areas (World Bank 1997).

“As owners, or as workers, the livelihoods of the poor are directly tied to this key sector of the economy. The success of ongoing economic stabilisation and structural reform programs in the region depends on broadening the distribution of the benefits of economic growth to include low-income people (World Bank 1997:3).”

The micro-finance approach recognises the fact that the poor have a:

“ remarkable resourcefulness in coping with wide-ranging anticipated and unanticipated risks in the context of limited resources and opportunities. Financial services contribute to this process by helping clients build all kinds of assets, which are critical in protecting against risks ahead of time and coping with losses afterwards. They also enable clients to diversify their sources of income by providing chunks of money to take advantage of opportunities when they present themselves. Financial services strengthen other coping mechanisms as well - by providing access to a steady source of credit, offering a safe place to save, and building social networks (Stated and Cohen 2000: 103).”

Micro enterprise development is a tool (including job creation, modernisation of production, upgrading technology, enabling environment, financial sector reform) that encourages the poor to escape poverty through productive activities (World Bank 1997). Micro-finance supports it, allowing clients to invest in businesses in a way that facilitates or increases incomes. It should be seen as one strand in an overall approach to poverty reduction.

“Just as the causes of poverty are complex, so is its reduction. Most people recognise that micro-finance alone is not the magic bullet to get people out of poverty. It is only one of many factors that can contribute to poverty alleviation (Sebstad and Cohen 2000:1).”

Micro finance may help a wider section of the poor population and decrease vulnerability but it does not help the surviving poor since the impact of interventions depends on a person's initial asset portfolio. It thus reduces the incidence but not the severity of poverty (Sestad and Cohen 2000).

5 PARTICIPATION, DECENTRALISATION AND GOVERNANCE

5.1 *Governance, economic growth and poverty*

In recent years, it has been increasingly recognised that good governance is an essential precondition for achieving sustainable economic growth and reducing poverty. Governance can be defined as :

“ The exercise of political, economic and administrative authority in the management of a country’s affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences (UNDP 1997:2-3).”

Governance is not just about the way in which government functions but rather concerns the ways in which power is exercised both inside and outside formal authority and institutions. It is thus a process that involves many actors with different interests, which have to be reconciled (UNCHS 2000). Institutions of governance include both national governments and institutions at more local levels. Osmani (2000) has suggested the need for a focus covering *“a range of issues involving decentralisation, people’s empowerment, and the involvement of community-based organisation in local affairs, and the relevance of all their for poverty alleviation.”*

Mathur (1996) notes that the need for concern with governance has increased as city populations have risen sharply and democratisation has given rise to increased demands for accountability and transparency.

In the urban context, Habitat has created a Campaign for Good Urban governance, which stresses the need for inclusion (of stakeholder groups) and improved management. It suggests that these broad objectives can be achieved through an ‘enabling approach’ designed to activate the norms of good urban governance. It stresses the need to balance social, economic and environmental issues and to involve stakeholders in order to ensure sustainability. The fruits of good governance are likely to include:

- *equity* in the way in which resources are allocated;
- *efficiency* in the way in which services are delivered and managed;
- *transparent and Accountable* decision-making processes
- *security* from environmental disasters, crime and the adverse effects of poor management decisions.

These outcomes are more likely to be achieved in decentralised systems, which allow *civic engagement* and engender a strong sense of *citizenship*. These must be accompanied by good access to information and high standards of professional conduct.

The following sub-sections deal with two key issues relating to good governance, decentralisation and participation.

5.2 **Decentralisation**

Decentralisation can be defined as '*shifting spending powers, decision-making authority and a portion of national revenues to local levels of government*' while democratic reform '*puts greater stress on democratic choice-making and on involving urban citizens in public choice-making*'. (Campbell and Mehta 2000). Osmani (2000) identifies an early focus on decentralisation during the decolonisation process and suggests that this encompassed the following principles

- institutional separation between local and central government with each having clearly defined responsibilities;
- financial independence at the local level, with local government given direct tax-raising power;
- staff employed directly by local government;
- a change in the role of central government to provide advice and to supervise local government rather than to carry out tasks directly itself.

In the ensuing years, 'decentralisation became an umbrella term for administrative reorganization involving varying degrees of transfers of power. Devas (2000) suggests that a range of factors have led to the increased focus on decentralisation. These include the inability of economic central planning to provide local services, demands for local representation, choice and accountability, fiscal constraints, financial and economic factors that have led central government to seek greater involvement of local government in financing local services and the supposed greater effectiveness of decentralised government in implementing urban projects

Devas identifies the four basic types of decentralisation:

Deconcentration - the shifting of decision-making in certain areas to local branches of central government organisations.

Delegation - the delegation of certain tasks to special authorities, created outside government structures

Devolution – shifting of legislative and fiscal authority to sub-national governments.

Privatisation/partnership - the transfer of responsibility for service delivery to the private sector and/or the voluntary sector.

He argues that only the last two involve high levels of transfer of power.

Harris suggests that

"Decentralisation permits a greater degree of flexibility in relation to external shocks and allows the reshaping of external demands to fit local potential more closely, but it requires a more sophisticated approach to world events at the local level, and the backing of much more local level data (1996:8)."

In practice, the absence of information and the lack of a planning culture can be serious obstacles to the development of effective decentralised approaches. (GHK Research and Training 2000). These deficiencies arise in part because

"Although city authorities have a major stake in city governance, the limits within which they can operate are narrow, and that is imposing major constraints on both infrastructure and service provision, and the performance of other functions (Mathur 1996: 67)."

Mathur notes that local government has traditionally been responsible for public health and safety, public works and public order but is often unable to fix user charges or tax rates. He also notes the tendency for some of local government's functions to be handed over to independent service providers.

Regardless of the above points, decentralisation is often problematic due to the reluctance of the centre to relinquish power. This suggests the need to retain a role for central government departments and may result in situations in which full devolution of powers should not be attempted. Describing the results of research in Brazil, Judith Tendler (1998) states that *'improvements in local government (were the result of) a three way dynamic among local government, civil society and an active central government¹.*' The state government played an active role in encouraging civil society involvement in some of the programmes researched and there were cases in which beneficial change resulted from the deconcentration of power rather than devolution.

There are doubts about the extent to which decentralisation actually leads to genuine involvement of the poor in decision-making (Osmani 2000).. Even where official policy is to encourage decentralisation, there is a danger that its implementation will reinforce or even create patron-client relationships unless it is properly monitored. This is particularly true where existing political systems are weak, for whatever reason, and/or decision-making systems differ markedly from a conventional local government model.

¹ Tendler uses the term central government to denote the state rather than national government.

“For many countries of the South, the absence of political party competition, or the division of parties along ethnic lines, the control of local government from the centre, and the limited scope (and resources) for decision makers to influence what actually happens, all make the conventional local government model of local accountability rather remote. In addition, the conventional local government model may not accord well with local decision making traditions or with effective divisions of power, with the results that the formal local government decision making process may be largely irrelevant to what actually happens (Devas 1999: 4).”

Devas notes that municipal governments may not represent all urban citizens adequately for some or all of the following reasons.

- their limited responsibility for service delivery and development activities; which are often the preserve of state departments, development authorities or central ministries;
- discrepancies between the boundaries of the urban area and the area covered by the municipality;
- a high degree of central control, which constrains the ability of municipal authorities to make their own decisions; and
- overlapping responsibilities, between central government and the municipality; and
- their negative perception of informal areas and the resultant tendency to disregard or even attack informal settlements (Devas 1999).

These findings suggest a need to go beyond an abstract concern with governance to consider management structures, relationships and styles.

Another constraint on effective decentralisation is the difficulty that municipalities often face in securing reliable finance. Many, if not most, are dependent on financial transfers from higher levels of government. There are several reasons for this. Charges for services are sometimes fixed at unrealistically low rates by higher levels of government. Property tax, a key tax for municipalities, is often collected inefficiently with out-dated and inaccurate registers and poor enforcement, which leads to a high default rate. Other municipal taxes are often small, costing a lot to collect but generating little revenue. These weaknesses are reinforced by the poor management found in many municipalities, with no indicators of performance or efforts to optimise the use of resources (Devas 2000).

Devas' analysis of “who runs the city?” concludes that many actors and interest groups, working through both formal and informal processes, are involved in aspects of city management. It is important to consider who has influence and can thus have an impact upon systems of governance. The relative importance of different groups will depend on the effectiveness of statutory systems, formal and informal political and managerial structures and procedures, access to resources, the legitimacy of an organisation and its ability to network in order to build coalitions and alliances. The point about legitimacy supports de Soto's emphasis on the need to adapt mainstream legislation to reflect the realities represented by effective informal procedures.

5.3 *Participation and empowerment*

There is general acceptance of the proposition that popular participation in the processes or government can release local resources, not least people's knowledge of their own problems, thus contributing to improved governance and helping to ensure that services are tailored to local needs. However, the problems relating to decentralisation also impinge on participation. Officials and elected representatives may be unwilling to relinquish power, not least the power of patronage. It may be that those with power use the rhetoric of participation while maintaining the status quo. Even where there is genuine willingness to encourage participation, the knowledge and skills required to do so may be absent. Osmani, (2000) raises further doubts about the genuine involvement of the poor. Assumptions of social, economic, political and cultural homogeneity within communities often run counter to the fact that local bodies are often run by landlords and influential people. The interests of the poor can thus easily be marginalised. Participatory processes often work best through traditional institutions and there is a danger that this will reinforce existing power relations although the introduction of new ideas and attitudes can help to bring about a change in the status quo.

Decentralisation and broad based participation need supportive national legislation to direct power to the local level and ensure that minorities and the socially excluded are represented. Even then, true empowerment of the weaker segments of society is far from certain:

"Participation must be seen as political . . . While participation has the potential to challenge patterns of dominance, it may also be the means through which existing power relations are entrenched and reproduced. The arenas in which people perceive their interests and judge whether they express them are not neutral (White 1996: 6)."

Social mobilization and a decrease in economic insecurity are necessary preconditions for the development of the social forces required to ensure empowerment of the poor.

"Social forces must be created that would compel them to countenance sharing of power. An essential part of this social process is the gradual empowerment of the poor, so that they can convert their numerical strength into genuine bargaining power (Osmani 2000: 19)."

NGOs and CBOs have a role in social mobilisation and the reduction of economic insecurity and decreasing economic insecurity through the provision of micro-finance. However, most NGOs face a tension between their need to obtain the funds necessary for continued service delivery and the need to challenge the status quo in the course of social mobilisation, which is essentially a political process and which may create opposition from those funders that are in some way aligned with the existing establishment. Possibilities or empowerment are also influenced by the situation of the poor themselves and the nature of wider political structures (Moore and Putzel 2000). Empowerment requires an appropriate environment that encourages people to express their needs and priorities.

“Even when allied together in broad social movements, local communities and non-governmental organisations cannot play the same role in shaping public policy that is played by well institutionalised programmatic democratic political parties. In particular, they lack the mandate granted by the ballot box. These organisations can help increase the political capabilities of the poor, influencing national politics, and perhaps lay the basis for more enduring, institutionalised and accountable political parties (Moore and Putzel 2000: 13).”

Different stakeholders are likely to start from different assumptions about participation, depending on their interests. These interests are likely to reflect the power relations of wider society.

For participation to contribute to empowerment, it is necessary to be clear about which individuals and groups are participating, since communities are not homogenous. It is also necessary to be clear about the form and level of participation achieved. However, there is still likely to be an asymmetry of power:

Empowerment through participation still carries interventionist undertones - the all knowing outsider aiding the local. The facilitator controls the discourse and it is important to recognise the reality of this power relationship.

“it implies the idea of empowering people through strategic interventions by ‘enlightened experts’ who make use of ‘people’s science’ and ‘local intermediate organisations’ to promote development from below (Long and Villareal 1994: 51).”

Nevertheless, achievable levels of empowerment and participation are necessary if public policy is to be influenced and the issues of poverty reduction are to be raised. The lesson for CDS strategies is perhaps the need to be realistic about the amount of empowerment that can be achieved and at the same time aware of the fact that long-term development is dependent on more equitable relationships within society.

5.4 *Institutionalised participatory planning processes*

The Indian state of Kerala illustrates the point that good governance can have an impact upon the factors that cause poverty, particularly adequate shelter and good social and infrastructure services. De Cleene and Taylor (2000) suggest that Kerala's approach incorporated a number of key elements, including the mobilisation of lower caste/class groups, stable political parties and attempts to redistribute resources to the poor for permanent poverty reduction.

Despite its relative success, the Government of Kerala found difficulties in meeting its development targets. Identifying one cause of this problem as the top-down nature of the planning process, it elected to introduce a radical new 'bottom-up' planning approach - the Kerala People's Planning Campaign (KPPC). The KPPC aims to develop the commitment and capacity of both elected representatives and municipal officials to work with people as a team, at the same time motivating 'the people' to become partners in a democratic development process and mobilising the private sector and civil society organisations to assist in a new approach to development.

"The KPPC operates through a hierarchical compilation of plans from local level up to state level. In urban areas, the lowest level of planning takes place at the ward level through a ward convention, held under the leadership of the local elected representative. The aim is to identify local needs and establish local development options through a process of consultation with and participation of the people of the ward (de Cleene and Taylor 2000: 2)."

Lower level plans are integrated into complementary higher level plans. The need to amend and update new laws and develop new institutions and traditions as necessary to institutionalise the approach is recognised (de Cleene and Taylor 2000:1)."

Lessons learnt from the KPPC include the importance of a supportive legislative framework, the need to commit resources to support the process and build capacity in a flexible way, the value of a 'campaign' approach designed to achieve a significant impact quickly and the importance of adequate technical support. One of the early constraints on the process was the inability or unwillingness of government technical staff to respond to the needs of the project. The immediate response to this problem was to induct a Volunteer Technical Corps, largely made up of retired government technical staff, to assist with the processing and implementation of project components. While this has been relatively successful in the short-term, there are doubts about its long-term sustainability.

Key factors in the success of the KPPC include high levels of literacy, a history of effective government interventions and the strong political support for the process from the ruling Communist Party of India (Marxist). The experience points to the fact that innovative attempts to improve governance are most likely to occur where governance is already fairly effective and there is strong political commitment to poverty reduction. It remains to be seen whether the KPPC has been sufficiently institutionalised to survive the recent change in government in Kerala.

The importance of the context is also illustrated by the participatory planning and budgeting process developed in the Brazilian city of Porto Alegre. This well-known participatory planning initiative was instituted following what Abers (1998) has described as a 'golden era' for popular mobilisation in Brazil during which urban community movements demanding the provision of basic services made substantial gains.

Abers describes the factors leading to the development of the participatory planning and budgeting initiative. Democratisation and increased municipal financial autonomy made it possible for local government to become more responsive to the needs of the poor. At the same time, decentralisation bolstered the power of conservative local elites, particularly their ability to engage in intensified clientistic relations and corruption. This activity took place at a number of levels – at the local level, neighbourhood leaders made deals with politicians while at a higher level local business groups, particularly those engaged in land development, also used the services of corrupt politicians to obtain benefits for themselves at the expense of society.

Starting in the early 1980s, the Workers Party (PT) campaigned at local, state and national levels to challenge this status quo. It distanced itself from the centralism of previous socialist parties, organising itself around "nuclei" – small groups in neighbourhoods, schools and workplaces, which elect delegates to zonal, municipal and regional party conferences. The objective of this "pyramidal" system was to ensure bottom-up decision-making. Thus, the party had developed a "culture" of participation and was ready to take decentralisation and participation seriously when it came to power in 1989.

The Porto Alegre approach allows for inputs from the grass roots level although it encourages rather than prescribes that this should happen. Like the KPPC, it is flexible in its approach and changes have been made over the years to allow the adsorption of lessons from experience.

Both the KPPC and the Porto Alegre participatory planning and budgeting process provide possible models for the inclusion of a participatory pro-poor perspective in city development strategies. The key question in relation to both is the extent to which their success depends on local political and social factors. If this is the case, the implication is that CDS initiatives are likely to have limited success in cities with poor systems of governance.

6. RESPONSES TO POVERTY

Changes in perceptions of poverty, planning approach, economic strategies and governance are reflected in the strategies adopted by different agencies. This section looks at how different agencies have or intended to incorporate a more holistic poverty approach within their development agenda.

6.1 *DFID's Response to Poverty Reduction*

This section deals with two DFID responses to poverty, its asset-based investment strategy and the city community challenge funds (C3F). Both should be seen in the context of DFID's overall commitment to poverty reduction, as set out in its 1997 White Paper. Both use a sustainable livelihoods understanding of poverty, one in the design of the strategy and the other in the evaluation methodology of the project

6.1.3 *Asset-based investment strategy*

The asset portfolio of the poor is composed of social capital, financial capital, human capital, physical capital and natural capital. The management of assets will affect poverty, status and strategies but strategies to manage assets will depend on the status of communities, households and/or individuals. Management responses vary from risk reduction or preventive (ex-ante) strategies to coping or reactive (ex-post) strategies. They can represent a short term immediate response or a permanent adaptation in the way of life." *Strategies can change over time, according to different demands and shocks and with a variety of options all with respective pay-offs (DFID 2000: 13)*. DFID attempts to capture these aspects of poverty reduction in its asset based investment strategy. The aim of the strategy is to build on the resourcefulness and strategies of the poor, taking action to improve livelihood opportunities, action at the micro, meso and macro levels.

This approach to poverty reduction entails both the removal of obstacles and the provision of opportunities for asset accumulation and productivity so as to increase the scope for effective management of assets. The asset-based investment strategy is designed for micro credit but can be used as template for other strategies, dealing with the complexities of livelihoods. "*The goal of an assets based investment strategy is to build on existing assets and resourcefulness in order to expand people's choices and capabilities and their potential to make choices (DFID 2000:3)*."

The effectiveness of the 'asset-based investment strategy' is derived from:

1. the participatory framework used to assess the local community's assets and knowledge; and
2. good, effective links between the stakeholders.

6.1.2 The City Community Challenges Funds

The City Community Challenges Funds provide an example of an approach to poverty alleviation incorporating a focus on both direct poverty reduction and measures to promote economic growth. They offer support to urban poor groups community initiatives thus responding to local priorities (Kiyaga-Nsubuga 2001). Each City Community Challenge Fund is intended to be a local sustainable urban development programme that creates a working relationship between the urban poor and the local government. The aim is to build the capacity of service providers and encourage private sector investment via partnerships between the community, the local authority and the private sector.

“The City-Community Challenge (C3) Fund provides a localised funding stream targeting poverty-focused projects that are community initiated, city-based and capacity-focused. The project purpose is to develop an effective (in terms of cost and human resource efficiency) and transferable mechanism for channeling multiple small scale investments to community initiated urban development projects (Kiyaga-Nsubuga 2001: 2).”

A fundamental principle of the approach is the need to build on established successes, matching C3 funds to those that are self-generated. *“This project will use local information and direct action that will form the range of expertise for joint action to reduce urban poverty (DFID 2000).”*

The C3 framework and evaluation are based on the sustainable livelihoods approach. The impacts of on the livelihoods of poor people will be assessed according to objectives highlighted in SLA, namely social capital formation, enhanced local governance and partnership building (Kiyaga-Nsubuga 2001).

The C3 Fund has been a piloted in Kampala and Jinja, Uganda. Representatives of parish, CBOs and private enterprise are involved in the implementation unit, which include decision-making. The changed from program to partnership to parallel the communities wants. The participants have been eager to participate.

6.2 UNDP's Urban Sustainable Livelihoods

The UNDP uses the SL approach in the urban context, arguing that the urban poor lack human capital, which decreases their employment opportunities, increases their costs and means that they have little influence over decision making processes. It argues for mixed livelihood strategies, encompassing labor diversification, change in consumption patterns and asset pooling.

The UNDP's SL approach aims to provide the missing link between macro and sectoral policies, which can impact upon individuals and community livelihood strategies. The aim is to help to create policies that support the urban poor's efforts to make a sustainable livelihood. The UNDP has created the Urban Development Cooperation Unit for sustainable development in urban areas, operating at the global, regional and country level. This aims to work through and with the Urban Management Programme (UMP), the Local Initiative Facility for the Urban Environment (LIFE), Public Private Partnerships Programmes (PPP), UNDP's Urban Governance Initiative and SLAs in country offices (Sanderson: 2000).

6.3 The Poverty Reduction Strategy Papers

The World Bank and the IMF initiated the concept of Poverty Reduction Strategies Papers (PRSP) to complement the Comprehensive Development Framework (CDF). The PRSPs are intended to operationalise the CDF and are supported by a sourcebook developed by the Bank, designed to guide borrowing governments through the PRSP development process. The focus is on the institutional and societal factors that are seen as the key to effective aid and policy. PRSPs are intended to enhance the existing poverty processes of a country and be tailored to a particular country's circumstances through the inclusion of policy guidelines, examples of best practice and technical notes. Each provides a framework for identifying constraints on economic growth and poverty reduction, proposing public action to relieve those constraints, setting and monitoring outcome indicators in the participatory process and creating a consultative process to formulate a strategy.

The PRSP approach starts from the assumption that poverty can be defined as the lack of opportunity, capabilities, security and empowerment, caused at the macro-level by the impacts of economic adjustment and policies, and at the micro-level by the poor's lack of assets and secure livelihoods.

The key assets of the poor identified by the World Bank are:

- **Human capital** (health, education, employment opportunities, and skill acquisition);
- **Infrastructure** (including social services);
- **land** (the Bank recommends land reform and land market liberalisation on the basis that secure tenure stimulates investment); and
- **credit** (access to financial services taking into account the fact that the poor lack collateral).

The PRSP approach aims to enhance economic opportunities for the poor by removing barriers to both growth and returns on assets.

Increased security is also seen as important as it increases access to economic opportunities, while empowerment removes social and institutional barriers to community participation and facilitates pro-poor social organisation. *“Poverty-reducing interventions will focus on improving the income security, education and health capabilities, and empowerment of those population groups living in poverty or near the poverty line, and those at relatively high risk of falling into income poverty (PRSP 2000: 2).”*

The PRSP approach identifies a number of key strategies for poverty reduction, including: rapid economic growth, the removal of barriers, appropriate regulatory and judicial structures, improving capabilities, security, empowerment and intersectoral and institutional linkages. It emphasises the need for specific actions to support these strategies, designed to enable the poor to share in the benefits of growth, increase capabilities and well-being and reduce vulnerability. These include reforming public spending for poverty reduction, assessing market failures, cost/benefit analysis of different programs, analysing impact of major program expenditures and analysing the economic composition of spending

The intention is that the PRSP should move in phases, from understanding of the nature of poverty through choosing poverty reduction objectives with other stakeholders to defining and implementing poverty reduction activities and monitoring their outcomes and impacts.

In order to ensure wider ownership national authorities should prepare PRSPs in collaboration with private, civil and development partners, thus creating greater country ownership and a contextual focus on poverty reduction and economic growth. The Bank emphasises the importance of taking account of the financial/ fiscal budget when preparing the PRSP.

As a first step, each participating country must complete a specific Interim PRSP. This should include a schedule of PRSP preparation, provides confirmation of a government's commitment to poverty reduction, outlines the participatory process to be followed and considers the integration of current poverty reduction programs and the medium term macroeconomic framework and policy.

The PRSP approach has been criticised on the grounds that it represents the continuation of an economic approach to poverty (OXFAM 2000). The emphasis continues to be on the relationship between economic growth and poverty reduction. The social and political aspects of poverty are noted, for example, the power of the state to remove or weaken social and institutional barriers to community participation.

6.4 **Urban Poverty Reduction Strategies**

The PRSP Sourcebook recognises that poverty reduction cannot be considered at the national level alone.

“In designing and implementing poverty reduction strategy, participants at the national level would need to identify priority areas for the urban sector and consider how urban poverty reduction can contribute to efforts in other sectors and to the macroeconomic context (PRSP Sourcebook 2001: 48)”

The priority areas for national government attention are employment and labour markets, land, housing and infrastructure and inter-governmental relations. Urban poverty reduction strategies can be designed and implemented at the city level yet scaling up of activities may depend on the ability and willingness of national and local governments to remove impediments to this scaling up. There is also a need for channels through which the experience at the city level can be used to influence other cities and national programmes.

Long term urban poverty reduction policies should aim at broad-based economic growth of cities, efficient markets for labour and land, improved public finance and urban governance and capable urban management. They should take account of a number of factors that are dominant in the urban context but less important elsewhere. These include:

- the greater cash-dependence of livelihoods;
- the regulation and commercialisation of land and housing, including the fact that the house can be seen as an economic resource
- the increased environmental, health and safety risks resulting from high population densities; and
- increased dependence on infrastructure and services, which are often limited in scope, poor in quality, illegal and/or poorly managed.

They start from the assumption that urban poverty can be seen as the culmination of deprivations, including lack of credit, lack of employment, poor health and education, inadequate housing, insecure tenure, unhygienic living conditions and disempowerment. The World Bank divides the dimensions of urban poverty into visible causes; policy related causes and effects on other aspects of poverty. It argues that adequate level of income, health, education, security and empowerment are essentially to tackling poverty. The role played by institutions is also significant.

The PRSP framework provides for five essential poverty interventions:- labour markets; land, housing and urban services; financial markets; public finance and urban governance and capacity building. The split between national and urban PRSPs is based on the following assumptions.

National governments are responsible for designing and providing inputs into three priority areas, land and housing, employment and labour markets, and intergovernmental relations. National inputs should support the national poverty assessment and policy and change the regulatory framework and build capacity where necessary.

Local authorities must assess the causes and characteristics of poverty in their city in order to design an appropriate strategy to reduce poverty, where necessary changing regulations and interventions. Tasks required include data collection (population census, h/h consumption surveys and utilities map, poverty profiles, incidence analysis, tax and national program impacts reports and self-assessment).

There is a strong link between urban PRSPs and the CDS approach. A recent publication on PRSPs notes:

"A City Development Strategy (CDS) is a process devised and owned by local stakeholders to formulate a holistic vision for their city. The process involves analysis of the city's prospects for economic and social development and redress of poverty, identification of priorities for investment and development assistance, and implementation of this vision through partnership based actions (Urban chapter PRSP 2000: 74)"

In effect, it seems as if CDSs are seen as one route to operationalising urban PRSPs

PRSPs appear to assume that urban authorities have more power and capacity to change regulatory frameworks and set standards than is actually the case. It is arguable (GHK Research and Training 2000), that these powers and capacities will continue to rest with higher levels of government. There is a need to encourage higher levels of government to develop and apply appropriate incentive systems designed to encourage local urban governments to adopt demand-responsive and pro-poor programmes.

7. CITY LEVEL POVERTY ASSESSMENT

7.1 *Key questions*

Harris (2000) identifies three sets of key questions regarding the relationship between urban poverty and City Development Strategies, those relating to

- 1 **the poor** - who are they, where are they and why are they poor?
- 2 **responses to poverty** what is the public reaction to poverty at the local and national levels and what means are being used to tackle poverty? Do these means actually alleviate poverty in a way that meets the needs of the poor and of government?
- 3 **the relationship between poverty and economic strategies** - does the strategy for the poor relate to the strategy of economic growth and do current city development strategies include a poverty dimension? If so, what are the implications for the poor?

He suggests that these three categories of question should form the basis for any urban poverty assessment. There is a need for both quantitative and qualitative indicators, to be used initially in the development of a baseline and later for monitoring and evaluation of the progress made in tackling urban poverty. These indicators should feed into existing poverty indicators such as the UNCHS (Habitat)'s urban indicators. The poverty assessment should also include assessment of existing poverty reduction strategies and the creation of a format for collecting poverty data based on experience with previous initiatives, again using both quantitative and qualitative methods

The basic facts on poverty can be divided into five main categories relating to income poverty, health, education, vulnerability and Other (WB PRSP 2000). Data collected on each of these categories should be used to form a baseline to assess the impact of different projects on urban poverty.

However, a quantitative baseline has several potential limitations. It cannot capture either the causes (gender, livelihoods) or the dynamics (opportunities and constraints) of urban poverty. National and city-wide quantitative surveys may not provide detailed, disaggregated and processed information about housing, infrastructure and services within small area units. The reasons for this may include the limited capacity of national poverty institutes and limitations in the survey on urban poverty provided by national surveys. Other potential problems include the inaccuracy of data and shortage of data on voiceless and powerlessness, household incomes and asset bases.

It has been argued that more accurate poverty assessment can be achieved by using participatory poverty assessments (PPAs). *“Using PPAs can deepen our understanding of poverty, explain processes of impoverishment and household survey data, convey the priorities of the poor, and assist in analyzing poverty beyond the household unit (WB/PRSP 2000 Poverty Data and Measurement: 53).”*

Commonly used PPA techniques include livelihood analysis, social and resources mapping, the development of decision-making matrices, change and institutional diagrams, timelines, wealth ranking exercises, semi-structured interviews and discussion groups. (World Bank/ PRSP 2000)

PPA techniques appear to have a role in poverty-focused CDSs in so far as participatory processes can link communities with wider policy dialogue processes and help build the capacity of local institutions to provide more accurate poverty data.

7.2 CDS poverty assessments

A number of city-level poverty assessments have been carried out in the course of CDSs. All have taken a similar form although the details of the assessments have been developed in the light of experience and modified to take into account local factors. They have replaced the traditional single poverty line with income based quintiles, based on household per-capita income, with allowance made for income from non-remunerated employment and informal enterprise:

The quintiles are compared with Living Conditions or socio-economic strata, based on housing materials, access to services (electricity, garbage, water, water, toilet) education attainment, sex, age, marital status, occupation (employer/ formality), social security (safety nets, unions, insurance), location, background.

The overall benefit of the basic survey is that it is tailor-made for the city, combines quantitative with qualitative data. Potential problems include the fact that it does not capture heterogeneity within locations, draw out the dynamics of poverty or take account of the homeless, one of the potentially most vulnerable groups. Another potentially important problem could be inaccuracy of data, which might lead to false policy implications

Information on two specific CDS poverty profiles follows.

7.2.1 Haiphong, Viet Nam:

Haiphong's CDS design included a socio-economic survey to supplement economic, infrastructure, environment and finance surveys. The results were compiled into a report entitled 'Poverty and Social Issues in Haiphong City: A Report on Socio-Economic Survey.' (Trinh Duy Luan, Nguyen Xuan and Vu Tuan Anh 1999) The authors state that "*The objective of the report is to provide policy makers with authentic information on the condition of the life of poor and low-income people. It will also look at the socio-economic problems which the community, households and labourers as individuals are facing in the light of shifting economic structure*"

The survey set out to answer the broad questions who are the poor, where do they live and what do they do? The initial unit of analysis was the ward, with 100 households sampled in each ward. These were selected randomly by stratified cluster sampling in areas with a high concentration of low-income people and underdeveloped infrastructure. Thirty households were selected for further in-depth interviews. The household was the main unit of study and the focus of interviews was on the quantity and quality of labour opportunities, the livelihood strategy adopted and socio-economic development in the locality.

In addition to these surveys, survey investigators also assessed the conditions of the dwelling and land, availability of furniture and appliances, levels of income and expenditure and the living standards of households.

Cross-tabulation was used to interpret the results. The two most important variables were income and living standard. This allowed the collected information to be combined with secondary data obtained from sources such as censuses. Per capita income was the basic independent variable. This was used to classify household into the five 20% brackets based on per capita income, introduced at the beginning of Section 5.2.

7.2.2 Cali, Colombia

The CDS in Cali was preceded by three Background Studies on Poverty: Jerolowski, G (1999) Poverty in Cali, Colombia: What do we know about it?" Background Paper for Cali City Development Strategy, Santamaria, M. (1999) "Poverty in Cali – Basic Comparisons and Development," Background Paper for the City Development Strategy and Urrea, F. and Ortiz, A. (1999) Patrones Sociodemograficos, Pobreza y Mercado Laboral en Cali," Universidad del Valle.

These and these were followed by a rapid city household survey of service access and satisfaction "Encuesta De Acceso y Percepcion de los Servicios Ofrecidos por el Municipio de Cali " The survey used per-capita income of the household as the basic welfare indicator. Following a similar approach to Haiphong the survey covered:

- the relationship between income and socio-economic strata;
- a spatial analysis of income and poverty; and
- specific characteristics of poverty in Cali.

Quantitative information on household income was combined with qualitative information on satisfaction with basic services, access to education and health, the labour market, food security, participation in city affairs and priorities. Nearly 2,000 households in five different areas were selected for interview, according to pre-defined socio-economic strata.

The survey identified six poverty characteristics within Cali:

- membership of a high risk group (children/ less educated/ elderly/ racially discriminated/ female headed households/ homeless);
- food insecurity;
- lack of housing and access to basic services;
- low school attendance;
- inadequate health care; and
- exposure to violence

Causal links between phenomena were revealed when poverty survey findings were crosschecked with the findings of other surveys. Cross checking with the labour market survey revealed high levels of unemployment, which had not been absorbed by the informal sector, a high degree of gender discrimination and a link between employment and education. Those at higher risk of unemployment usually had high educational levels because they are excluded from work opportunities in the informal sector.

Cross-checking with the findings on municipal expenditure revealed that spending on municipal debt and maintaining transport infrastructure predominated with only 26% of municipal expenditure benefiting communities, most of which was aimed at better off comunas. This suggests a clear 'Anti-poor bias' and the possibility of social exclusion.

The survey revealed general dissatisfaction with public services. Priorities did not vary greatly between the very poor and the non-poor population, although housing and nutrition programs scored higher amongst the poor). The population "*would much prefer an expanded education and health system than an underground metro*". It also found limited popular participation across all income groups. The limiting factor was not the limited timeframe but the fact that organisations did not fit expectations and demands of the participants.

Cali has attempted to re-formulate social policy by joining the WHO Healthy City campaign, including citizen's priorities in city development plans and setting up a commission to assess new social policy. The study recommends five points:

1 "*The currently scarce and limited resources of the city need to be distributed differently, both by function as well as by geographic area*"

2 "*The many diverse municipal programs in the social area need to be reduced in number, more centrally administered, and brought under a limited number of strategic objectives*"

3 "*A nutritional safety net might need to be developed*"

4 "*The city would benefit significantly from a permanent poverty monitoring unit*"

5 "*To jump-start new initiatives, especially in employment creation and education, formal private-public partnerships should be initiated*"

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