1 The Underestimation of Urban Poverty

If poverty means human needs that are not met, then most of the estimates for the scale of urban poverty in Africa, Asia, Latin America and the Caribbean appear too low. For instance, a publication by the Overseas Development Council in the USA in 1989 decided that only 130 million of the Third World's 'poorest poor' lived in urban areas (Leonard 1989) which meant that more than nine out of ten of the Third World's urban population were not among the poorest poor. World Bank estimates for 1988 suggested that there were 330 million 'poor' people living in urban areas (World Bank 1991) which meant that more than three-quarters of the Third World's urban population were not 'poor' on that date. These figures do not seem to fit with national and city studies which show that one-third to one-half of a nation's urban population or a city's population have incomes too low to allow them to meet their needs. National studies in several of the poorest African, Asian and Latin American countries suggest that more than half the urban population are below the poverty line (Tabatabai with Fouad 1993). In addition, many studies have shown how, in the 1980s, urban poverty increased considerably in nations experiencing poor economic performance and/or structural adjustment (Kanji 1995; Latapí and de la Rocha 1995; Minujin 1995; Moser, Herbert and Makonnen 1993).

The author is very grateful to Arjan de Haan for comments on the first draft. This paper seeks to highlight the ways in which the scale and severity of urban poverty has been under-estimated – but it is not seeking to make judgements about the relative scale or depth of 'urban' poverty in comparison to 'rural' poverty. Thus, any implicit or explicit recommendations within the paper that governments and development assistance agencies should give more attention to poverty reduction in urban areas should not be taken as a recommendation that attention be shifted from rural to urban poverty. Where comparisons are made between rural and urban poverty, or the ways that rural and urban poverty are understood, it is to highlight how the understanding or measurement of poverty in urban areas has failed to take due note of costs or of forms of deprivation that are evident in some (or most) urban areas. This is also not intended as a demand that attention be shifted from rural to urban poverty. Its suggestion that too little attention has been given to addressing the health burden associated with 'poverty' probably has as much if not more relevance for rural populations as for urban populations.

Assuming 1.35 billion urban dwellers in the South on that date (UNCHS 1996).
It is not only international statistics that seem to underestimate the proportion of urban households living in poverty but also many national statistics. In most countries in the South, the scale of urban poverty is measured by the number of households whose income falls below a government defined ‘poverty line’ – and many such poverty lines are set at income levels that appear unrealistically low in relation to living costs. Thus, in many countries, a considerable proportion of the urban population who, according to official statistics, are ‘above the poverty line’ (because they have above poverty line incomes) still lack the income they need to cover the costs of basic necessities – which include safe and adequate quality housing with piped water and adequate provision for sanitation, and expenditure on health-care and on supporting children at school.

One reason why income based poverty lines are set too low in relation to living costs for many urban households is the assumption that living costs are the same, wherever the household lives. In many countries, a single income level is set as the ‘poverty line’ for both rural and urban households (Tabatabai with Fouad 1993). This assumes that the costs of the basic necessities that must be paid for to avoid poverty are the same for rural and urban households. But the costs of these necessities are usually higher in urban areas than in rural areas, for example, the cost of building or renting housing, getting to and from work and paying for water. In most urban areas (especially larger ones), there are also fewer opportunities for reducing costs through some subsistence production (e.g. growing food) or through access to free resources (e.g. wood for building or for fuel). The cost of basic necessities is likely to be greatest in the larger and/or more prosperous cities. It has become more common for governments to set separate poverty lines for urban and rural areas on the assumption that living costs are higher in urban areas; but most urban poverty lines still seem too low in relation to the cost of basic necessities.

Many poverty lines that are applied to measuring the scale of urban poverty assume that it is a household’s capacity to purchase (or obtain) food that is the main determinant of whether they are poor. Thus, the income level at which the poverty lines are set is much influenced by the cost of food. Even where poverty lines are based on a ‘minimum consumption basket’, it is usually the cost of food items that take up much of this ‘basket’. But avoiding poverty in urban areas also means having access to income-earning opportunities and, for many urban households, the cost of public transport getting to and from work is high. For some, it is even comparable to, or greater than, the cost of food. Avoiding poverty in urban areas also means access to safe and secure accommodation with basic services – and in many cities, the cost of the cheapest form of safe, secure and minimum quality accommodation with adequate provision for water and sanitation is likely to be considerably higher than the entire poverty line income. Of course, this is the reason why such a high proportion of the urban population in the South live in such poor quality, overcrowded and insecure accommodation with inadequate provision for water and sanitation is likely to be considerably higher than the entire poverty line income. Of course, this is the reason why such a high proportion of the urban population in the South live in such poor quality, overcrowded and insecure accommodation with inadequate provision for water and sanitation is likely to be considerably higher than the entire poverty line income. Of course, this is the reason why such a high proportion of the urban population in the South live in such poor quality, overcrowded and insecure accommodation with inadequate provision for water and sanitation is likely to be considerably higher than the entire poverty line income. Of course, this is the reason why such a high proportion of the urban population in the South live in such poor quality, overcrowded and insecure accommodation with inadequate provision for water and sanitation is likely to be considerably higher than the entire poverty line income.

2 The Income Needed to Avoid Poverty

One of the great unknowns is by how much the level of income needed by a household to avoid poverty varies from place to place. A single poverty line applied to a whole country assumes that there is no variation, which is ridiculous. Certainly, many (or most?) urban households need a higher cash income than many (or most?) rural households to avoid poverty:

- for public transport (for getting to and from work and essential services);
- for schools (where school fees and associated costs, including getting to and from school, are higher than in rural areas);
- for housing (for rent or, if living in a self-built

---

3 This is not meant to imply that all rural households necessarily have free access to water, wood and land for subsistence production but to suggest that it is more common for them to do so in comparison to urban dwellers.
house, because access to a land site for the house and building materials is more expensive);

- for access to water, sanitation and garbage collection (for many urban households, the payments made to water vendors represents a major item of household expenditure; many urban households also have to pay for garbage collection whilst some have to pay for access to latrines);
- perhaps for food as food is more expensive (especially for urban households who have no possibility of producing any of their own food);
- perhaps on health-care if this is more expensive in urban areas (or no public or NGO provision is available and private services have to be purchased);
- on child-care (where all adult members have to find income-earning opportunities and child-care is needed but there are no low- or no-cost solutions)

It is impossible to define a single income level which constitutes what all urban households need to avoid poverty because the income level needed varies considerably between urban centres. For instance, the costs of public transport, schools, health-care, housing, basic services, etc are likely to be higher in the larger and more prosperous cities than in smaller and/or less prosperous urban centres. It is also clear that the income level that an urban household requires to avoid poverty varies considerably within cities. For instance low-income groups who have to live near the city centre because of the ready access this provides to casual jobs or to jobs with long hours generally have to pay much more for adequate quality accommodation with basic services than those groups living in the predominantly low-income areas of the periphery.

However, for low-income households who choose to live in low-income peripheral areas because accommodation costs are lower, there is more space, and because there are greater possibilities of home-ownership, transport costs are one of the main items of household expenditure, especially if one or more income earner is commuting to a central location.

3 The Extent of 'Hidden Income' in Urban Areas

The discussion above implies that most urban households need substantially higher cash incomes to avoid poverty than most rural households, especially if they live in the larger and/or more prosperous cities. But some (or most) low-income urban households may enjoy much better basic services than most low-income rural households – and this can be considered an important 'hidden income'. Efficient public, private or community action can lower the income that a household requires to avoid poverty. A well-managed system for piped water and provision for sanitation, drainage and garbage removal (generally more common in urban than rural areas) can greatly reduce the cost of finding adequate quality accommodation with basic services. Effective public or non-profit private provision for schools, health-care and child-care can also lower the income needed by households to avoid poverty. An efficient public transport system can cut the costs of access to employment while well-managed housing credit schemes can cut the cost of access to adequate housing (and to acquiring housing which then becomes an important asset). There are also many examples of relatively low-income urban households gaining access to land for housing at below market price – although this is now less common as even informal or illegal means of obtaining land for housing have become highly commercialised in many cities.

There are also the many urban households who have no access to safe and sufficient water supplies, no provision for sanitation and drainage nor access to schools and health-care services even if they have incomes that are above the poverty line. As such, they suffer from forms of deprivation that are generally associated with poverty but it is not their low income which is the cause but the incapacity of public, private or non-profit institutions to ensure provision. Here, it is important to clarify the extent to which many forms of deprivation faced by poor households (and often many non-poor households) are more the result of weak, ineffective, poor quality, insecure, overcrowded accommodation. It is the cost of accommodation of reasonable size relative to the number of people and of reasonable quality and security that generally costs much more in central locations.

* Care is needed in assuming that housing costs on the urban periphery are always lower in that many middle and upper income suburbs are also on the urban periphery. In addition, many low-income individuals or households living in central locations may not pay high sums for accommodation because they put up with such
unrepresentative or corrupt governments than of their income levels. As such, many forms of deprivation associated with poverty can be addressed by more competent and effective public or private institutions – and, in many urban areas, with little or no subsidy. As will be described in more detail later, there is great scope in most urban centres in the South for supporting improvements in housing and living conditions, and basic services among lower-income households at low per capita costs and with a considerable degree of cost recovery.

The above suggests that comparisons of differentials in the cost of living or the income level needed to avoid poverty between urban and rural areas are fraught with problems. These comparisons have to recognise that the income level needed to avoid poverty will vary greatly between different urban centres and within urban centres (especially the largest cities) depending on where the person or household lives. There may be comparable variations in the income level needed to avoid poverty for rural households, especially between the rural areas with the most commercialised and least commercialised agriculture, forestry and land markets. There are also large variations in the extent to which efficient public, private and community action lowers the costs of avoiding poverty (or is able to do so) – and, in general, it is likely that low-income groups in urban areas (or in particular cities) benefit more than those in rural areas. It may be that a much higher proportion of urban dwellers have access to safe and sufficient water supplies, to schools and health-care services, so that rural-urban comparisons of costs miss differentials in their availability. Then there is the fact that the income level needed by a household to avoid poverty also varies according to the household (for instance relating to how many dependents there are in the household) and according to time (with expenditures varying according to the age of the children) – and perhaps also according to the season as incomes and/or prices fluctuate (Wratten 1995). The more a household's income level determines their access to housing and basic services, the more vulnerable they are to becoming 'poor' when the number of income earners within the household is at its lowest and the number of dependents at its highest.

4 Integrating a Concern for Housing and Basic Services Within Poverty

One reason for questioning the validity of international and national statistics on the extent of urban poverty is that there seem to be far more households 'living in poverty' than are considered to have incomes below the poverty line. Hundreds of millions of urban dwellers in the South who, according to global estimates of poverty, have incomes that place them above the poverty line live in very poor quality housing and usually overcrowded conditions with a great lack of infrastructure and services. We made an estimate in 1990, based on dozens of national and city studies, that at least 600 million urban dwellers in Africa, Asia and Latin America live in 'life and health-threatening' homes and neighbourhoods because of the very poor housing and living conditions and the inadequate provision for safe and sufficient water supplies and for sanitation, drainage, the removal of garbage, and health-care. If these 600 million urban dwellers are considered 'poor' – for it is largely their lack of income (and assets) that makes them unable to afford better quality housing and basic services – it greatly increases the scale of urban poverty when compared to conventional income based poverty lines.

Although the literature on poverty often refers to people 'living in poverty,' it often gives little consideration to their living conditions. The literature on

---

1 One recent study in the Indian city of Aligarh found that there were serious deficiencies in infrastructure and service provision for all income groups. For instance, for provision for drainage and for garbage collection, there was only a marginal improvement as a household's income level rises. Open defecation (i.e. with households having no provision for sanitation) was also not restricted to the areas where the population has below poverty-line incomes (see Aziz, Singh and Siddiqi 1995).

6 This was an estimate made with the help of Sandy Cairncross at the London School of Hygiene and Tropical Medicine, in Hardoy, Cairncross and Satterthwaite (1990). This estimate was subsequently endorsed by the World Health Organization's International Commission on Health and the Environment (see WHO 1992).

7 There are also instances where households who live in good quality housing become poor as their incomes fall yet because they own their house and have little or no mortgage, they can stay there (see Minujin 1995).
urban poverty pays more attention to housing and basic services than does the literature on rural poverty — and this has been criticised by rural poverty specialists. However, one reason for this is the high cost of housing and basic services in many urban centres, which means that housing either takes up a large proportion of the income of low-income households or (more commonly) that low-income households choose to live in poor quality, insecure accommodation which lacks basic services in order to lower the costs of accommodation. In addition, it may be that government agencies, NGOs and community based organisations are more able to address housing problems and provide basic services to low-income households than they are to change labour markets in ways that increase income-earning opportunities for low-income groups.

International and national figures for the provision of water and sanitation suggest that the inadequate provision in urban areas is not so serious. But official figures exaggerate the proportion of households with safe and sufficient water supplies and with adequate provision for sanitation because the criteria used to define what constitutes an 'adequate' water supply and 'adequate' sanitation are set so low and because governments are given such latitude in defining what they consider 'adequate' (Satterthwaite 1995). This means that serious questions have to be raised about the validity of tables, so often published in international documents, on 'rural-urban gaps' in the provision of safe water and sanitation (for instance in UNDP's Human Development Report). However, it may be that government statistics, published by UN agencies, on the proportion of rural inhabitants with adequate provision for water supply and sanitation are also inflated, for similar reasons.

5 The Misrepresentation of Urban Poverty

The previous sections concentrate on how income based poverty lines are often set too low in relation to the income level needed by urban households to avoid poverty. They also raised the issue of how well-directed public, private or community action can ensure that those with low incomes can avoid 'living in poverty' by ensuring they can afford adequate quality housing with basic services. This section concentrates on how discussing urban poverty only in terms of inadequate income can misrepresent its nature and its underlying causes.

Most recent critical reviews of official definitions of urban poverty (see for instance Wratten 1995) have drawn on the insights of those who worked mainly on rural poverty and who found major gaps between the nature of rural poverty and what official agencies measured. As Robert Chambers notes, single poverty lines that divide the population into the 'poor' and the 'non-poor' are often the most inaccurate because they simplify and standardise what is complex and varied (Chambers 1995). 'What is measurable and measured then becomes what is real, standardising the diverse and excluding the divergent and different' (ibid.: 181). The comment by Beck in a book on poverty in village India that ‘...if the poor are viewed simply as statistics, figures and ciphers, then the policy that is formulated to alleviate poverty will in all likelihood follow suit and be more relevant to the manipulation of statistics than to the needs of people' (Beck 1994: 4) also has relevance for urban poverty. Three points need emphasising with regard to urban poverty. The first is that a concept of poverty based only on income fails to pay sufficient attention to the social and health dimensions of poverty.

---

* de Haan and Yaqub (1996) note that some sources suggest that rural-urban comparisons overestimate the incidence of urban poverty because urban poverty lines are set higher than rural poverty lines. In some urban centres (generally the smallest and the least prosperous), urban poverty lines may be too high but they are unlikely to be too high for those living in the most prosperous urban centres. In addition, it is not enough to see how much low income households in urban areas are paying for accommodation and use this as a guide to how much poverty lines should be adjusted to allow for the costs of accommodation; what is needed is an adjustment that reflects the real cost of finding adequate quality accommodation.

* We know very little about housing and basic service costs for low income households outside major cities; it may be that these are generally lower in smaller urban centres although one suspects that there is a considerable variation in their scale and relative importance within low income households expenditures in different urban centres.

* Note should be made too that there are important differences between most rural and most urban areas in the level of provision needed for sanitation that ensures the removal and safe disposal of human excreta in ways in which human contact with it is minimized.
(and to other forms of deprivation associated with poverty). The second is the failure to involve ‘the poor’ in determining what should be done to reduce poverty. The third is that equating poverty with income level can obscure the underlying causes and miss the extent to which households face other forms of deprivation due to the strategies they adopt to keep their incomes above the poverty line. Each is considered in a little more detail below.

5.1 Poverty and basic services

Why are many conventional definitions of who is poor not influenced by whether people have access to health-care, education and adequate quality housing with basic services? Either there is an assumption that these are provided at little or no cost – for instance, through government provided schools and health centres that are open and available free (or at very low cost) to all or at least to low-income groups. Or there is an assumption that those with incomes above the official poverty line can afford to pay for these services and housing. (A third possibility is that people's access to health-care, education and adequate quality housing is not considered relevant – but this seems unlikely).

Thus, a household with a below poverty line income, whose children go to a free government school, whose family members can get rapid and effective free (or very low cost) treatment when sick or injured, and who live in a shelter with secure tenure and with piped water with adequate provision for sanitation and drainage, is considered to be just as much in poverty as a household with the same income level but who lives in one tiny room or a one-room shack, sharing a water tap and latrine with dozens of other households and with no access to schools and health-care.

One reason for this lack of consideration of access to schools, health-care and adequate quality housing in poverty statistics is the uncritical transfer of ‘poverty line’ concepts from the North to the South. In the North, when the concept of an income based poverty line came to be applied by governments, a smaller proportion of their (rural and urban) population lived in housing which lacked adequate provision for water supply and sanitation, is considered to be just as much in poverty as a household with the same income level but who lives in one tiny room or a one-room shack, sharing a water tap and latrine with dozens of other households and with no access to schools and health-care.

The scale of the health burden imposed on people who live in very poor quality housing has also probably been underestimated. Inadequate provision of water, sanitation and drainage and poor quality, overcrowded dwellings bring an enormous health burden. Disease or injury burdens per person from diarrhoeal diseases, accidents, tuberculosis, most respiratory infections (including pneumonia, one of the greatest causes of death worldwide) and intestinal worms are so much higher among those living in poor quality; overcrowded housing with inadequate or no infrastructure and services. At any given time, perhaps half of the urban population of the South are suffering from one or more of the main diseases associated with an insufficient or inadequate quality water supply and inadequate provision for sanitation (WHO 1996). But very few studies have looked in detail at the health burden faced by those living in very poor quality housing. One that did revealed a tremendous health burden faced by low-income groups in terms of work days lost to illness and injury and the dire economic consequences this brought in terms of increased debt and increased undernutrition for all family members (Pryer 1989). Yet, most of these health burdens could have been prevented or much reduced at low cost (ibid. Pryer 1993).

5.2 The rights of poor people to influence definitions

The failure of conventional poverty analyses to consider housing conditions and health problems is perhaps part of a more fundamental failure – that of not involving ‘poor people’ in the definition of poverty and in determining what should be done to reduce it. Low-income urban households may give
a high priority to better health-care, better schools, more secure housing tenure, the possibility of home ownership (which for tenants also means avoiding having to pay rent) and improved provision for water and sanitation. Or they may place considerable value on qualitative aspects such as independence, security, self-respect, identity, close and non-exploitative relationships, and legal and political rights, all of which are not necessarily linked to income levels (Wretten 1995 and Chambers 1995). And, as Chambers has described, there are many more aspects of deprivation other than 'income poverty' including vulnerability, powerlessness, isolation and humiliation (ibid.). Without an understanding of the needs and priorities of those who are classified as 'poor' built into the measurement of poverty, the 'poor' will continue to be seen as passive and the 'target' for poverty alleviation. As Tony Beck has pointed out:

This is the language of bureaucratic planning, with "targets", "aims" and recipients ready to be "pushed", "raised", accept delivery and be attended to. It is the language of control. The poor have become statistics with which statisticians can play and experiment.... The preoccupation with measurement fits well into a system where policy is created by a centralised state and then imposed on the poor "from above" in order to shunt the poor above the poverty line. (Beck 1994: 21)

5.3 Poverty indicators that help understand causes

If 'poverty' is equated only with 'lack of income', it can obscure other important aspects of deprivation and their underlying causes. Poverty reduction programmes need to understand these underlying causes if they are to act upon them. The increasing number of detailed case studies on urban poverty has helped increase our understanding of the complexity of the processes that underlie impoverishment and the extent to which these are rooted in the specific social, economic and political structures of these urban areas – although also so often linked to social, economic and political changes at a regional, national and international level (Kanji 1995; Latapí and de la Rocha 1995; Moser 1996; Baker 1995). These case studies point not only to the ways in which households respond to rising prices and/or falling incomes but also to their often negative consequences – the much increased workload on adults (especially women) (Latapí and de la Rocha 1995, Moser 1996), the pressure on children to drop out of school early so that they can contribute to household income, the increased pressure on households to split up (for instance, one parent going elsewhere where income-earning opportunities are better) and the increasing stress, conflicts and often violence within households (ibid., Kanji 1995). A recent study of household responses to poverty in four poor urban communities not only illustrated these costs but also pointed to other costs related to household responses to rising prices and/or falling incomes (Moser 1996). One was the erosion of support networks as the economic crisis made it impossible for some households to fulfill reciprocal obligations. For instance, when households were coping, they could borrow from each other on a short-term basis – but, with the economic crisis, they felt less able to do so as they were uncertain as to whether they could repay or reciprocate. Also, adult members working longer hours to earn an income meant less time to spend with and supervise children. Often, diets were changed to less nutritious but cheaper foods. And the increased time that women had to devote to income-earning could also mean less time to devote to community management of important services such as health-care or water supply. Thus, many households may succeed in keeping their household income 'above the poverty line' but at a considerable social cost – or at the cost of depleting assets (ibid.).

6 Understanding the Need to Act on Multiple Deprivations

If we accept that urban poverty includes not only 'a
lack of income' but also other aspects of deprivation such as a lack of assets to help low-income households cope with shocks or stresses, a lack of legal rights (or their upholding), a lack of the resources or contacts necessary to secure political advantage, a lack of access to education, health-care and emergency services and a lack of safe, secure, and adequately sized housing with basic services, then it also greatly widens the potential scope for 'poverty reduction' programmes.12 But it would be dangerous to downplay the importance of increasing the incomes of low-income urban households. In many urban contexts, increasing incomes for low-income households may be the most effective means of addressing other forms of deprivation by allowing them to increase their asset base, to find (or build) better quality and more secure accommodation, and to avoid having to rely on the more dangerous and illegal occupations and housing sites. The more commercialised the access to those goods and services which allow someone to avoid poverty becomes, the more important access to income becomes.

In addition, many expensive public housing programmes or housing finance programmes implemented during the last 20–30 years, which were justified by the fact that they were 'to benefit the poor' ended up primarily benefiting middle and upper-income groups (Hardoy and Satterthwaite 1989). The same is probably true of much public expenditure on infrastructure and services – because most new or improved roads, piped water systems, sewers and drains benefited middle-income households (or at least not the poorest households). However, there are also many examples of projects and programmes providing or improving infrastructure and services to low-income areas of cities that were cheap and effective – with some also recovering much of their costs (see for instance Orangi Pilot Project 1995 and Espinosa and López Rivera 1994). There are also many examples of housing finance programmes that allowed low-income households to greatly improve the quality of their homes – at relatively low cost and often with good cost recovery (Mitlin 1997). Improved housing can also imply an important asset, both as a place where income-earning opportunities can be developed and (for the owner) as collateral for credit (ibid.).

In effect, there are a range of actions for reducing poverty in urban areas that centre on one of three things:

- increasing the incomes or assets of low-income households;
- upholding human rights, including the rights of those with low incomes to be able to call on governments for resources and services and to be able to set priorities both in what is done and how it is done;
- improving housing and basic services.

Table 1 gives more details. The items marked with an asterisk can be used to strengthen community organisation among low-income groups and to directly or indirectly help strengthen political representation. However, any initiative to reduce poverty that works with low-income groups and the organisations they form in participatory ways can strengthen community organisation and cohesion. This, in turn, can strengthen low-income groups' capacity to negotiate for support or services (or, for those in illegal settlements, for legal tenure) from local authorities and other external agencies (see for instance Bolnick 1996; Cabannes 1996; and Schusterman and Hardoy 1996).

**8 Acting on Multiple Deprivation**

A final point in this article is what kinds of response will best address the lack of income and assets, lack of legal protection, the poor housing conditions and other deprivations facing most low-income urban

---

12 Although it is common to consider improved housing and basic services as 'poverty alleviation' while increased income is 'poverty reduction', the distinction between the two is perhaps less clear than this implies. Improved basic services can directly increase a household's real income – for instance when a piped water supply replaces reliance on expensive water vendors – or indirectly increase income – as improved water supply, sanitation and health-care reduce illness, expenditure on medicines and time off work. Improved housing may also increase income, as space is available for income-earning activities or as rooms are rented out. In addition, households whose income increases may spend most or all of the extra income on moving to a house with basic services or on installing the basic services themselves. The time and physical effort saved by improved infrastructure and services and the reduced burden of illness, injury and premature death these can bring suggest that they do more than alleviate poverty.
Table 1: Different Aspects of Poverty Reduction

| Increasing Income and/or Assets | A job through employment creation | Where successful, these bring new jobs and/or enhanced incomes, although external support must understand local constraints on new enterprises being able to generate adequate incomes. Within a stagnant economy with a considerable proportion of the workforce working in activities which generate very little income, there may be little possibility for such enterprises. There may be considerable potential for linking employment creation for low-income groups with public works to improve water supply, provision for sanitation and drainage, improved roads and all-weather paths, health-care centres etc (Wegelin and Borgman 1995) or with staffing new or improved services (eg schools, day care centres, health promoters).
| Credit for small-scale or informal enterprise* | Examples of credit and support for informal enterprises include the work of the Carvajal Foundation in Cali (Colombia) (Cruz 1994) and of Praja Sahayaka Sewaya in Sri Lanka (Gamage 1993). There may also be considerable potential for linking income generation and better collection and management of garbage in various cities (Furedy 1992). Credit for small-scale enterprises must respond to women's needs and priorities, as well as men's.
| Education, literacy and vocational training | In general, these should increase income-earning capacity as well as providing other advantages. In many countries, biases against women in education and vocational training will need to be addressed. The barriers to education for low-income households caused by the introduction of school fees or their increase or the increase in other education costs (for instance of school uniforms or examination fees) have to be addressed (see for instance Kanji 1995).
| Providing squatters with legal tenure | Increased security of tenure for owner-occupiers in illegal settlements reduces the risk of eviction, increases the value of their asset and increases the possibility of obtaining credit
| Emergency credit* | The ready availability of emergency credit can greatly reduce the vulnerability of low-income groups to economic shocks. (See, as one example, the Mahila Milan crisis credit scheme in Bombay (Patel and D'Cruz 1993).)
| Access to justice within the judicial system | Upholding Human Rights
This includes legal systems that protect citizens from forced eviction; several million urban dwellers are forcibly evicted from their homes each year, most without any form of compensation (Audefroy 1994). This also includes public programmes to reduce crime and violence within low-income settlements and community programmes to halt the abuse of women and children within families. It is also important in many urban centres to establish the right of low-income urban dwellers to land for cultivation (Smit and Nasr 1992; the Ecologist 1994) and the need to halt the harassment of hawkers
<table>
<thead>
<tr>
<th>The right to vote, to have representative government and to organise to make demands</th>
<th>An increasing number of Southern NGOs who work closely with organisations or federations of low-income groups (People’s Dialogue, SPARC, Asian Coalition for Housing Rights etc) have shown the importance of low-income urban dwellers being able to organise, make demands on the political process and negotiate successfully with government agencies or politicians. Achieving a recognition by government agencies of the civil and political rights of low-income urban dwellers and their entitlements to public support, public services and public accountability can bring major benefits, except where government agencies are themselves too weak and ineffective to do so.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenure of housing*</td>
<td>As well as the advantage noted above in terms of the value of the house and protection from eviction, secure tenure generally promotes household investment in improving the house and gives greater capacity to negotiate with local authorities for improved services.</td>
</tr>
<tr>
<td>Improved water, sanitation, drainage and garbage collection*</td>
<td>If adequately provided, this removes a tremendous health burden and also considerably reduces the time needed for domestic tasks. This brings particular advantages to the person in the household who is responsible for collecting water and managing household wastes – usually the woman (Lee-Smith and Stren 1991). It is also important in reducing the vulnerability of many low-income settlements to floods and rain induced landslides.</td>
</tr>
<tr>
<td>Basic health-care</td>
<td>If available, this greatly reduces the economic and health costs of illness and injury. There are particular advantages for the person in the household who takes care of those who are sick or injured (usually the woman).</td>
</tr>
<tr>
<td>Day-care</td>
<td>This increases the time for other tasks for those who look after young children and also means young children are not left in the care of older siblings. Day-care centres can also provide regular health checks for infants and young children and monitor their nutritional status; they can also provide stimulus and support for children’s physical and mental development. Day-care centres are often particularly valuable in increasing women’s income-earning capacities and especially valuable to single parent (usually women headed) households. (See for instance Hardoy, Hardoy and Schusterman 1991; and Espinosa and López Rivera 1994).</td>
</tr>
<tr>
<td>Housing finance*</td>
<td>Housing credit available to low-income households who want to build, extend or buy their own homes allows them to afford better quality housing and, if building it themselves, to reduce the time taken to complete it. Credit can also be used to allow improved infrastructure and services for whole settlements – for example, piped water and sewers installed with each household able to repay the capital costs over several years.</td>
</tr>
<tr>
<td>Transport</td>
<td>Cheap and efficient public transport can greatly reduce the disadvantages for low-income households of living in peripheral locations and, if city-wide, could also help reduce the price of housing.</td>
</tr>
</tbody>
</table>
households — whether from a local government agency, NGO, agency of state or national government or international agency.

Many of these deprivations are, in theory, best addressed at national, state or city level. If the effectiveness of an agency operating at one of these levels is increased and this ensures the provision of good quality health-care, education or water and sanitation in low-income settlements at prices the inhabitants can afford, it reduces the poverty of those living in these settlements. Better public transport across the city will benefit most low-income groups. Similarly, actions by city or municipal authorities can reduce the cost of good quality housing and so allow lower-income groups to afford such housing — for instance by reducing the price of legal land sites (for instance by removing unrealistically high standards for legal land sub-divisions and making the process of land sub-division approval or purchase cheaper and quicker) or by reducing the cost of building materials (for instance removing inappropriate building regulations or ensuring more competition among building material producers).

There are also the problems that arise when poverty reduction concentrates on ‘settlements’ rather than on the individuals and households who are poor. For instance, not all low-income groups live in the settlements that governments or international agencies designate as ‘poor settlements’ where improvements can be made. It is common for a proportion of low-income groups to live in very overcrowded conditions and with very insecure tenure in rooms within areas which are not seen as ‘low-income areas’. In addition, not all groups within the ‘poor’ settlements will necessarily be low-income groups. And not all will necessarily benefit from improvements made in a ‘low-income settlement’. For instance, those who are renting a room, a part of a house plot or a house may find their rent increased when a government programme improves water and sanitation, with the main beneficiary of the government programme, the landlord, now able to get a higher rent.

However, there are at least three reasons why poverty reduction actions should include actions within particular urban settlements in most countries in Africa, Asia and Latin America. The first is the incapacity of so many public agencies to provide the infrastructure and services; a municipal authority may be legally obliged to provide schools, piped water and provision for garbage collection to all settlements but, in most urban areas, they lack the necessary resources to provide these to much of the population (UNCHS 1996). In theory, it is probably more cost-effective to address these deficiencies at city or municipal level but it may be impossible to do so (with central governments reluctant to allow municipal authorities more power and resources) or at least to do so in the short term. Or, in prosperous cities made up of many separate municipalities, so many low-income households have become concentrated in the poorest and weakest municipalities while the richest, best provided municipal authorities have long been able to prevent any contribution from their fiscal base to city-wide problems or the problems of low-income municipalities. Alternative solutions are needed immediately and cannot wait until more fundamental institutional weaknesses are addressed.

The second reason is the evidence from many case studies that community initiated, directed and managed initiatives are often relatively cheap and may indeed allow significant improvements with most or all costs recovered (see UNCHS 1996 and Satterthwaite, Hart, Levy and others 1996 for many short case studies). The third is the fact that successful community initiated, directed and managed initiatives can empower the inhabitants in the real sense of the word both in terms of their capacity and confidence to address other problems and in their capacity to negotiate with external agencies for resources and support. There is much less hard evidence to back up this point than there is for the other two noted above and it may not be correct in all settlements and societies. One reason for this is that there are so few case studies which follow progress in a predominantly low-income settlement and understand what processes generate improvements. But it is likely that, as one community initiative in a settlement succeeds and brings

\[13\] One exception is the documentation of improvements in Barrio San Jorge in Buenos Aires (Hardoy, Hardoy and Schusterman 1991 and Hardoy and Schusterman 1996).
benefits to a significant proportion of the inhabitants, so the number of people prepared to support such initiatives increases - and so too does the level of the contribution that many people are prepared to make. It is also likely that as the inhabitants of a settlement become more successful at community initiatives, their capacity to negotiate with external agencies as 'a community' increases. It is also probable that their feeling of social exclusion is reduced, as different aspects of the deprivation associated with social exclusion are lessened or removed. The lives of those living in one particular settlement can be transformed by a process that, over time, allows them individually and collectively to improve their incomes, their housing and living conditions, and their access to health-care and education. This process can also mean increasing social inclusion - as, for instance, the inhabitants negotiate with external agencies to take over the management of the water system, school or health centre they constructed themselves some time earlier, when there was little or no hope of getting public agencies to provide these. In addition, because this is a process largely directed by the inhabitants (although influenced by what is possible and what resources can be obtained), it allows them to set their own priorities as to which aspects of deprivation are addressed first.

Increased income will generally be among the top priorities of low-income households although it may be more difficult to negotiate support for income-generating activities from an external agency, or it may be very difficult to find economic activities that provide higher or more stable incomes. There are also important income-earning benefits from action in other areas. For instance a well-managed day-care centre allows the people in households who look after infants and young children more freedom to earn an income; or a housing loan programme which allows a household to extend the house to include a small business or to afford to link up to the electricity grid to use power tools; or a health programme that greatly reduces the amount of time people are sick or injured and the amount of time that has to be spent by other household members nursing and caring for them. In addition, expanding or improving provision for day-care, schools and health centres generally means increased employment - not only of the professionals but also support staff - and the funding to cover these salaries may be more easily obtained from local sources than funding for employment creation.

The most appropriate mix of these actions will vary greatly, according to the circumstances within each settlement and to the priorities of its inhabitants. This underscores the importance of involving the inhabitants of each settlement in determining priorities. And, of course, priorities will differ among different groups within each settlement. This underscores the importance of ensuring that all inhabitants' needs and priorities are considered. The fact that it is usually women within low-income households who take on extra work and responsibilities when incomes fall or prices rise also means that their needs and priorities should receive special attention within poverty reduction measures.

If we consider the process that removes the many aspects of deprivation suffered by those living in one particular settlement, there are three important characteristics to consider. The first is many needs (e.g. in one particular settlements perhaps new job possibilities, a health centre, day-care provision, improved water and sanitation, repairs to the local school and more textbooks and basic equipment, a more secure and certain legal tenure of the land site, cheaper building materials, etc.) with different groups within the settlement having different priorities. The second is different possibilities for getting action on these needs - for instance there may be a good possibility of getting funding for a health centre but very little of getting piped water. The third is (generally) a range of external agencies with whom the inhabitants can negotiate for funds, services or technical or legal advice - and each external agency has their own possibilities, priorities and limitations. Most government agencies have responsibility for only one sectoral intervention; there is no point in negotiating with the department of education for a health centre but very little of getting piped water. The third is (generally) a range of external agencies with whom the inhabitants can negotiate for funds, services or technical or legal advice - and each external agency has their own possibilities, priorities and limitations. Most government agencies have responsibility for only one sectoral intervention; there is no point in negotiating with the department of education for a health centre. Most international agencies also have their own pre-defined priorities; there is no point in seeking support for a day-care centre if the agency concerned does not consider this a priority. There is also the division between capital costs and running costs; some agencies will only cover one or the other.

So, what kind of external agency could support this process of community directed and managed action
to reduce poverty in settlements? From what has been stated above, it would need to be able to:

- support a diverse range of initiatives in different sectors in a large number of predominantly low-income settlements and have the capacity to provide very small grants and loans;
- allow considerable autonomy to the inhabitants of each settlement in setting priorities, in determining how these are addressed and in implementing or managing actions;
- recognise the need to support and reinforce long-term processes within each settlement so that the fact that the inhabitants of one settlement receive support for one initiative does not disqualify them from receiving funding for another;
- encourage solutions that keep costs to a minimum;
- encourage cost recovery wherever possible (and obviously, if solutions keep costs to a minimum, this also makes cost recovery more feasible);
- respond rapidly to requests for funding;
- provide or fund technical and legal assistance where needed to allow all the above. If this is combined with concentrating on keeping capital costs low, on supporting a great range of projects (including very cheap ones) and ensuring that the settlements with the least organised community organisations are helped to act, the external funding agency will probably have to accept that a relatively high proportion of its project expenditure will be taken up by staff costs.

Such an agency should also, ideally, be transparent in the sense that all groups in a city who apply for funding or technical support should be able to know who else applied for funding, who gets funding and why – and who does not and why. Unfortunately, these characteristics, which seem appropriate for supporting settlement level initiatives for poverty reduction in urban areas, are the opposite of the characteristics of most official donor agencies and multilateral banks who seek to support poverty reduction in urban areas. Most such agencies were set up to fund relatively large capital projects on the assumption that there are local government institutions able to implement them. Most such agencies assume that they will not get the funding back, which discourages the search for cheap solutions and solutions where costs are recovered. Most are reluctant to fund recurrent costs. Most such agencies are also under great pressure to reduce staff costs and to keep to a minimum the proportion of their total expenditure that goes on staff costs. The idea that an ‘efficient’ donor agency is one that spends a lot of money with a minimum of staff costs remains a widely held one among donor governments and, in general, by the citizens to which they are accountable. This suggests that making international agencies more successful in supporting community-directed actions for poverty reduction in urban areas implies not only new priorities but new modes of operation. Alternatively, if the donor agencies’ institutional context does not allow them to change, they will need to make greater use of intermediary institutions located within recipient countries which can have the characteristics that are noted above. For instance, a large number and range of community-level initiatives could be supported within each city by a Fund for Community Initiatives based in that city, funded by international donor agencies.¹⁴

¹⁴ The concept of such a Fund was outlined in Mitlin and Satterthwaite 1996.
References

Audefroy, J., 1994, 'Eviction trends worldwide – and the role of local authorities in implementing the right to housing', Environment and Urbanisation Vol 6 No 1: 8–24


Cabannes, Y., 1996, 'From Community Development to Housing Finance; From Mutirios to Casa Melhor in Fortaleza, Brazil', IIED Series on Poverty Reduction in Urban Areas, London: IIED


Espinosa, L. and Rivera, O.A.L., 1994, 'UNICEF’s urban basic services programme in illegal settlements in Guatemala City', Environment and Urbanisation Vol 6 No 2, October: 9–29


Huang, M., 1994, 'Waste-picking as a survival strategy for women in Indian cities', Environment and Urbanisation Vol 6 No 2, October: 155–170


Latapi, A.E. and de la Rocha, M.G., 1995, 'Crisis, restructuring and urban poverty in Mexico', Environment and Urbanisation Vol 7 No 1, April: 57–75


Minujín, A., 1995, 'Squeezed: the middle class in Latin America', Environment and Urbanisation Vol 7 No 2, October


Monographs Series No 7, Washington DC: World Bank


Wratten, E., 1995, ‘Conceptualising urban poverty’, Environment and Urbanisation Vol 7 No 1, April: 1–36