

**national urban poverty reduction strategy
2010-2020 A.D.**

SLUM-FREE CITIES

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A new deal for the URBAN POOR



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A PREFATORY NOTE

Vide D.O. Letter No. N-11024/5/2002/UPA-III dated 29 September and 10 November 2008, the Ministry of Housing and Urban Poverty Alleviation (MHUPA) commissioned the National Institute of Public Finance and Policy (NIPFP) to “produce a draft National Urban Poverty Reduction Strategy”. A background note accompanying the terms of reference indicated that despite the commitments of the Government of India to alleviate poverty, as exemplified by a wide range of social, economic, and citizen empowerment initiatives, urban poverty was a matter of serious concern. The note called for “renewed efforts” which, as stated in the background note, were constrained on the one hand, by the ad-hoc and often even inconsistent efforts at urban poverty reduction and, on the other, by the absence of a “cohesive urban poverty reduction framework”. Formulation of a national urban poverty reduction strategy was, therefore, considered necessary. The Ministry of Housing and Urban Poverty Alleviation (MHUPA) suggested that the formulation of such a framework and strategy should include an analysis of the problems associated with policy gaps as well as an examination of the strengths and weaknesses in the design, planning, and implementation of existing urban poverty related programmes. The strategy, the note added, should suggest ways of refocusing and harmonizing the existing policies and programmes for increased efficiency and effectiveness. This strategy paper centres around these suggestions.

The strategy paper is laid out in four sections, beginning with a brief overview which is a snapshot of the current situation and the tasks ahead. This section also summarizes the paper. Section two consists of an assessment of the nature and dimensions of urban poverty in India. Recognizing that the three recent publications viz., (i) *India: Urban Poverty Report 2009* brought out by the Ministry of Housing and Urban Poverty Alleviation (MHUPA), (ii) *Urban Poverty in India* published by the Asian Development Bank (ADB), and (iii) a draft report on *Perspectives on Poverty in India: Stylized Facts from Survey Data* being brought out by the World Bank, contain a detailed analysis of the different dimensions of urban poverty and that there is no real reason to go over the same ground again except where it is necessary as a context, this section focuses on addressing questions that are directly relevant to formulating a strategy e.g., is poverty urbanizing itself in India?; are there any trends towards geographical concentration or dispersal of urban poverty in India?; where does urban poverty show itself most? and the like.

Section three reviews the approaches to urban poverty over the successive five year plans and how the approaches and the accompanying urban poverty redressal programmes have unfolded themselves in the context of the changing macro-economic parameters. This section attempts to identify the policy gaps and the problems associated with the design and

implementation of urban poverty redressal programmes. This section also examines the poverty focus contained in the two initiatives of the post-1990 period, viz., the Constitution (seventy-fourth) Amendment Act, 1992 and the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). These are major initiatives for urban poverty reduction, marking an extraordinarily important shift in the way urban poverty needs to be understood and responded to. Hypothesizing that decentralization is an important factor in poverty alleviation, the 1992 Constitutional amendment proposes that urban local bodies (ULBs) should have a direct stake in urban poverty alleviation and slum improvement and upgrading, and accordingly suggests a fiscal framework that would enable the urban local bodies to take on this role. It is a significant development; the strategy paper reviews the status of this Constitutional provision and discusses what might be necessary to further strengthen urban local bodies (ULBs) to assume these roles effectively. The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) widens the policy debate on urban poverty, taking the position that while urban poverty and slum upgrading are an assignment issue, these are equally a function of urban sector reforms which, among others, include making land and housing markets function and sensitive to the needs of the urban poor, universalization of services, tenurial security for the urban poor, a system of accounting that would permit an estimate of what is being spent on the urban poor, and putting in place structures that would bring the urban poor into the decision-making processes. The strategy paper takes the position that these are crucial and compelling initiatives and need to be closely tied and reinforced in order to produce the desired outcomes.

The final section presents a strategy for poverty reduction. The centre-piece of the proposed strategy is **slum-free cities**. As the paper will show, slums account for 40-60 million persons, or perhaps even larger numbers, depending on how these are counted. In several cities, slums account for 30-50 percent of their populations. Many more live in derelict and dilapidated houses. These are the visible manifestations of urban poverty, and are characterized by low levels of productivity which keep slum dwellers at subsistence or below-subsistence levels. Improving the slum habitat, equipping them with basic infrastructural services, providing to slum residents tenurial security, ensuring that their assets can be leveraged and applied for productive purposes, and building up capacities of slum residents so as to assist their integration into the formal labour market can bring about extraordinary transformation to their quality of life and productivity levels. The strategy for choosing “slum-free cities” as the mainframe is that the slum settlements are spatial entities, and they are possible to be identified, targeted and reached. This is the guiding principle for the proposed strategy.

This strategy paper takes note of the address of the President of India on July 4, 2009 which states, “My Government proposes to introduce a Rajiv Awas Yojna for the slum dwellers

and the urban poor on the lines of the Indira Awas Yojana for the rural poor. The schemes for affordable housing through partnership and the scheme for interest subsidy for urban housing would be dovetailed into the Rajiv Awas Yojana, which would extend support under JNNURM to States that are willing to assign property rights to people living in slum areas. My Government's efforts would be to create a slum free India in five years through the Rajiv Awas Yojana". The Strategy Paper proposes that while Rajiv Awas Yojana may retain its identity, its implementation be dovetailed with the proposed "slum-free cities" strategy. That way, it will provide greater synergy and reduce leakages that are implicit in interventions that are targeted at the urban poor.

The strategy paper recognizes that slum settlements have significant proportions of the non-poor, and likewise, significant proportions of the poor as identified by the consumption criterion live outside the slums. The latter have uniformly been difficult to reach and target even by methods of self-selection. Programmes aimed at them have had high proportion of leakages with adverse income distribution effects. Several abuses have come to be associated with such programmes. This paper has taken note of the problems associated with the implementation of such programmes, and suggested that such programmes be run selectively, and included not as stand-alone interventions but as a part of proposed safety nets for the urban poor.

The extent and nature of urban poverty in North-Eastern states (Assam, Manipur, Tripura, Meghalaya, Mizoram, Arunachal Pradesh, Nagaland, and Sikkim) is barely known and much less understood. In order to arrive at the poverty ratio for these states, the poverty ratio of Assam is applied to all North-Eastern states, on the ground that the sample size of household consumption surveys in these states is not large enough to produce robust results. The Census of India (2001) records population living in slums in only Assam, Meghalaya and Tripura. There are no studies that have looked into the nature of urban poverty in these states. Even the process of urbanization in these states is different from that observed elsewhere. This paper has, therefore, not been able to make any reference to the poverty situation in North-East states nor offer any suggestions as to how it might be dealt with. A separate study on the nature and extent of urban poverty in these states and possibly even in such states as Himachal Pradesh and Jammu and Kashmir, which report a low consumption poverty ratio, may need to be commissioned.

The past 6-8 months have seen a turmoil of an unprecedented scale and intensity in the global and Indian financial markets. According to a draft paper (Impacts of the Financial, Food and Fuel Crisis on the Urban Poor: November 13, 2008), the effects of the recent financial crisis are only beginning to be felt in many developing countries, but economic activity is declining rapidly with far reaching impacts. The draft paper estimates that the

high food and fuel prices, even after softening, have increased the number of the extremely poor in the world by at least 100 million, *with the urban poor having been the hardest hit*. In a context not altogether unconnected, India being a signatory to international agreements under the WTO means exposure of households in India as in other developing countries to both the new market opportunities that are thrown open by such agreements and the risks that are implicit in such agreements if the needed reforms are not adequately understood and undertaken. These are important developments, needing a close examination of the possible impacts on poverty of what happens on a larger scale, both within India and globally; the current practice of looking at just the numbers of the consumption poor and those living in slum settlements without coming to grips with the impact of larger macro-economic and global forces on the urban poor is hardly adequate to effectively and decisively addressing urban poverty issues.

A final point: addressing urban poverty is an integral part of the way in which the entire process of urbanization is viewed and understood and the way in which it is managed and governed. Urbanization can be exclusionary as it has often been - no formal place for the poor in cities and towns being the obvious evidence - or it can be made inclusive by jettisoning the archaic ways in which cities are planned, designed and governed. The size, depth and nature of urban poverty are directly affected by these considerations as these are by other macro-economic and global events. It is hoped that this strategy paper would, on the one hand, help to launch a frontal attack on urban poverty dedicated on “slum free cities”, and on the other hand, open up a route for studying the phenomenon of urban poverty on a continuous basis.

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Sustained reduction in urban poverty requires high income growth, an inclusive urban policy focused on a functioning land and housing market, adherence to the JNNURM protocol, and a dedicated mission to make cities slum-free - this is the conclusion of a study undertaken to produce "a draft National Urban Poverty Reduction Strategy". Although there is no robust evidence to suggest that poverty in India is urbanizing itself - the rate at which the numbers of the urban poor have risen is lower than the rate of urbanization, but the numbers of the urban poor are large and many more people are on the fringe of the poverty line. Moreover, as urbanization in India picks up pace, there are fears that pressure on cities for lands and services, for skills that are compatible with the changing labour market requirements, and affordable credit will mount enormously. The urban poor in India can ill-afford the high cost of such lands and services, or of skill upgradation, and of credit. The strategy paper argues for a fuller implementation of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) which, on the one hand, commits cities to reform the existing tenurial system and urban land use policies, and on the other hand, undertakes to reduce the cost of urban development, both contributing to urban poverty reduction. The strategy paper calls for integrating tenurial security, basic services including education and health, skill upgradation, and micro-credit into a dedicated mission for all slums with a population of 300 persons, supplemented with a safety net for the urban poor.

Growing Concern for Urban Poverty

Over the past three decades, India has made noticeable progress in accelerating economic growth and reducing poverty. Per capita gross domestic product (GDP) at constant prices has trebled over a 30-year period, rising at annual rates ranging between 4.1 percent (1973-83), 4.9 percent (1983-93) and 6.1 percent (1993-2004).¹ The incidence of poverty as measured by the headcount ratio has declined from 54.1 percent in 1973-74 to 27.5 percent in 2004-05 and the numbers of the poor from 321.3 million to 301.7 million during the same period. Aiming at inclusive growth, the Eleventh Five Year Plan (2007-12) has fixed a target of 10 percentage points reduction in the headcount ratio of

consumption poverty, via income growth, employment expansion, higher levels of investment in health, education, water and sanitation, and child nutrition, and directly-targeted poverty reduction programmes.²

While this record is impressive, poverty in the urban areas continues to be a matter of heightened concern for India's development policy and strategy. For one thing, despite an extraordinarily large increase in the urban share of the gross domestic product (GDP) from 41 percent in 1980-81 to 51.7 percent in 1999-2000 and currently estimated at about 60 percent - the numbers of the **urban poor** have continued to rise, with their share in the total having escalated from 18.7 percent in 1973-74 to 26.8 percent in 2004-05. Many observers

1. Reserve Bank of India. 2008. Handbook of Statistics on the Indian Economy 2007-08. Table 2. Mumbai.

2. Planning Commission. 2008. Eleventh Five Year Plan 2007-12. pp 23. Oxford University Press. New Delhi.

attribute such a rise in the numbers of the urban poor to the forces of urbanization. Looked at in the context of a decline both in the numbers and headcount ratio of the rural poor where the numbers of the rural poor have fallen by 40.3 million and the headcount ratio from 56.4 percent to 28.3 percent over a 30-year period, these trends have fuelled fears that poverty in India, as in many other developing countries³ may have begun to urbanize itself, and as urbanization picks up speed, poverty in cities and towns may worsen, and impact negatively on the country's growth and other development goals and objectives:⁴ Even at the current level of urbanization which is extremely low by most comparisons (29.6%: 2009), and an equally low rate of urban population growth, urban deprivation levels are high, with cities and towns unable to provide basic shelter and associated infrastructural services. According to the National Sample Survey Organisation (NSSO), 40-50 percent of urban population lack safe drinking water and basic sanitation; nearly 35 percent of urban households live in

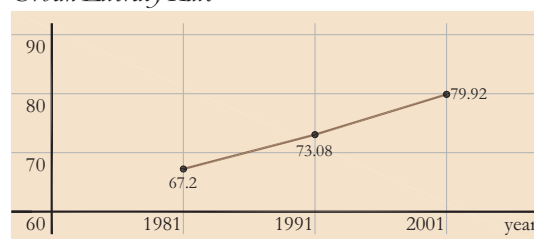
3. See Martin Ravallion et al. 2007. *New Evidence on the Urbanization of Global Poverty*, where he states that one-quarter of the World's consumption poor live in urban areas and that their proportion has been rising over time. The World Bank, Washington D.C.

4. A formal count of the numbers of the poor in India began with the fixing up by the Task Force on the Projection of Minimum Needs and Effective Consumption Demand (1979), the average calorie requirements for rural areas (2400 calories) and urban areas (2100 calories) and their money equivalents by using the household consumption expenditure data of the 28th round (1973-74) of survey conducted by the National Sample Survey Organisation

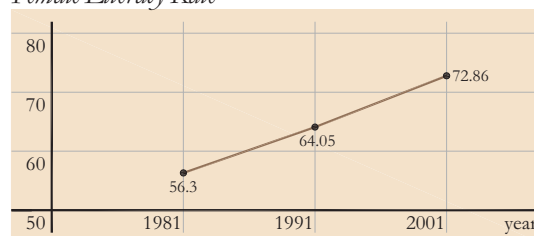
extremely crowded conditions and many more live in squatter and slum settlements. Other human development indices for urban areas such as infant mortality rates (IMR), life expectancy, and literacy rates particularly among females, even after registering improvements, continue to be in an unsatisfactory state.

Figure 1

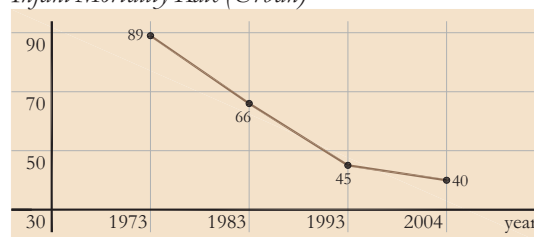
Urban Literacy Rate



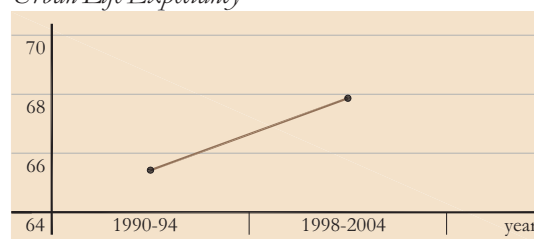
Female Literacy Rate



Infant Mortality Rate (Urban)



Urban Life Expectancy



Internationally too, India's performance in meeting the poverty-related Millennium Development Goals (MDG) and targets i.e., a 50 percent reduction in the proportion of people with incomes below US\$ 1/day between 1990-2015 AD, or halving by 2015, the percentage of people without access to safe drinking water or achieving a significant improvement in the lives of the slum dwellers by providing to them access to tenure and improved sanitation, lags behind considerably.⁵ Further, according to the extreme poverty goalpost of US\$ 1 established by the World Bank and updated to US\$ 1.08 per capita per day in purchasing power parity terms (2002), the numbers of the urban poor are higher than estimated by using the domestically-used poverty line.⁶ The World Bank estimates the number of the urban poor to be 115.9 million, which account for 39 percent of the World's urban poor. *Lifting 115.9 million people out of poverty as estimated by the World Bank or 80.8 million counted as urban poor by the Planning Commission is thus important not only for India but also for reducing global poverty.*

5. For a fuller discussion on the poverty-related Millennium Development Goal (MDG) and targets, see United Nations- HABITAT, *The Challenge of Slums: Global Report on Human Settlements 2003*. Earthscan Publications Ltd. London and Sterling, 2003.

6. See, the World Bank 2008. "Revised Poverty Estimates: What does that mean for India". The World Bank release points out that India has made steady progress against poverty. A look at the 25-year period between 1981 and 2005 shows that India has moved from 60 percent of its people living on less than US\$ 1.25/day to 42 percent. The number of people living below a dollar a day (2005 prices) has also come down from 42 percent to 24 percent in the same period.

Table 1

Urban Poverty using a Poverty Line of US\$ 1.08/day (PPP 2002)

Region	Number of Poor (million)	Head Count Ratio (%)
India	115.86	39.30
East Asia and Pacific (including China)	15.82	2.20
East Europe and Central Asia	2.48	0.83
Latin America and Caribbean	38.33	9.49
Middle east and North Africa	1.21	0.75
South Asia (including India)	134.76	34.61
Sub-Saharan Africa	98.84	40.38
Total	291.44	13.18
<i>Source: Martin Ravallion et al. New Evidence on the Urbanization of Global Poverty</i>		

Population, Economic and Social Base of the Urban Poor

Urban poverty is a complex phenomenon and has many dimensions. One dimension is clearly that of poverty measurement.⁷ On the one hand, there exists a general acceptance of the proposition that poverty reflects the inability of an individual to satisfy certain basic minimum needs.⁸ The inability is expressed in terms of a level of income or expenditure that is considered necessary to satisfy those minimum needs.

7. Measurement of poverty is an unresolved issue in India. The Planning Commission has set up an Expert Group to examine the issue of poverty line. See Eleventh Five Year Plan. Ibid.

8. The concept of a minimum needed expenditure for estimating poverty owes itself to Seehohm Rowntree who in 1899 undertook a survey of working class families in the English city of York, and estimated 10 percent of city's population as poor. See his *Poverty: A Study of Town Life*. 1901. London. McMillion.

Those who are not able to attain that level of income or expenditure are counted as poor and others as non-poor. According to this criterion which has been decomposed into laying down the basic minimum needs i.e., the calorie and associated non-food needs and the corresponding expenditures, there were in 2004-05, 80.8 million persons or 25.7 percent of the country's total urban population, who were unable to attain the requisite level of expenditure to stay above the poverty line and were identified as urban poor.⁹ The average monthly per capita consumption expenditure of the urban poor was about Rs. 400.81, 34 percent lower than the threshold level of Rs. 538.6, considered essential to stay above the poverty line.

In addition, there were anywhere between 40-45 million urban residents who subsisted on the periphery of the poverty line, and remained vulnerable to economic and business vicissitudes and cycles. In terms of the trends, the consumption expenditure of the bottom 20 percent of urban households rose at a slower pace compared to that of the top 20 percent, signaling signs of growing inequalities in income distribution, with the urban poor losing out in the development process.¹⁰

9. The incidence of urban poverty is higher among the scheduled castes, scheduled tribes, and other backward classes. See, Eleventh Five Year Plan, Chapter on Rapid Poverty Reduction. Ibid.

10. The borderline poverty is taken here as those whose monthly per capita expenditure (MPCE) lies between Rs. 538.6 and Rs. 580 and Rs. 581-675. The World Bank uses a US\$ 2 (or US\$ 2.25 at 2002 ppp) as the cut-off for counting those who are vulnerable to market conditions.

Table 2

Other Indices of Urban Deprivation

Urban Deprivation Indices	(%)
Percent of urban population	
- without tap water within premises	49.8
- without sanitation within premises	48.2
Percent of urban work force (usually employed)	
- casually employed (male)	15.4
- casually employed (female)	28.4
Category of employment among the working poor	
- self employed	49.0
- regular wage employed	21.5
- casual labour	29.6
Percent of urban population	
- illiterate	20.1
- female illiterates	46.3
Life expectancy (years)	67.9
Under 5 years mortality rate / 1000 persons	40

Besides the deficit in consumption expenditure, urban poverty in India is equally represented by a large number of people who live in squatter and slum settlements, the extent to which they have access to basic services and labour market, as also the extent to which they are able to participate in the decision-making processes. Slum and squatter settlements are the physical manifestation of poverty in cities and towns, and reflect what analysts call, a dimension of social exclusion. On these measures, cities and towns in India present a disconcerting picture. In 2001, 42.58 million persons in 640 cities and towns lived in slums and squatter settlements, representing 15 percent of the country's total urban population and 23.1 percent of the population of 640 cities and towns that reported slums. According to the Census of India (2001), 41.6 percent of

the country's slum population are in cities with over 1 million population, with Mumbai, Delhi, Kolkata and Chennai accounting for about one-fourth of the total slum dwellers. According to the Eleventh Plan, these settlements lack water and sanitation, have high incidence of vector borne diseases, and are vulnerable as they have no back-up savings, food stocks, or social support systems. It adds: "even though there is concentration of health care facilities in urban areas, the urban poor lack access; initiatives in the country to date have been limited and fragmented".¹¹ Only one-fifth of the working force in slum settlements have "regular wage employment", others being either self-employed or casually employed. A survey of the "health" of urban population in India shows extremely high infant mortality rates, high fertility, and low access to piped water and toilet facility among the

urban poor households in comparison with the urban non-poor households.

Box 1

The Census of India defines slums as a "compact area of at least 300 persons or about 60-70 households of poorly built congested tenements, in unhygienic environment usually with inadequate infrastructure and lacking in proper sanitary and drinking water facilities"¹²

Urban Poverty, Urbanization and Economic Growth

Consumption poverty is on the decline, worldwide and in India. Over a 11 year period ending in 2004-05, 18 million persons were lifted out of poverty countrywide, but the numbers of the urban poor rose and even though the increase was modest - 4.4 million persons, it has led many to observe that poverty is urbanizing in India under the combined impact of urbanization and urban-led exclusionary economic growth. On an annual basis, 8-9 million persons were added to the urban

Table 3

Urban Poor Versus Urban Non-Poor 2005-06

Indicator	Urban Poor	Urban Non-Poor
Infant mortality rates/1000 population	54.60	35.50
Fertility rate (TFR)	2.80	1.84
Underweight children	47.10	26.20
Deliveries in health facility (%)	44.00	78.50
Medically treated Tuberculosis/1,00,000 population	46.10	25.30
Access to piped water at home (%)	18.50	62.20
Access to toilet (%)	47.20	95.90

Source: Ministry of Health, Health of the Urban Poor in India (Results from the National Family Health Survey, 2005-06)

11. The Eleventh Five Year Plan. Ibid. pp. 61. volume II

Box 2

One-quarter of the world's consumption poor live in urban areas and that the proportion has been rising over time. By fostering economic growth, urbanization helped reduce absolute poverty in the aggregate but little for urban poverty. Over 1993-2002, the count of 1\$ a day poor fell by 150 million in rural areas but rose by 50 million in urban areas. The poor have been urbanizing even more rapidly than the population as a whole.

Martin Ravallion, Ibid

12. See Office of the Registrar General and Census Commissioner. 2005. Slum population: Census of India 2001. New Delhi. In addition, slums also comprise all those settlements that are notified as slums under the Slum Acts and those recognized as slums by the State governments. This definition understates the slum population considerably.

areas of the country during 1993-2004. Likewise, the urban share of GDP increased from 45.7 percent in 1993-94 to 51.7 percent in 2004-05, or about 1 percentage point annually.

Urbanization of poverty is commonly understood as a phenomenon where the rate of growth in the numbers of the urban poor exceeds the rate of growth of urban population. In India, no such trends have been observed over the three reference periods. Urbanization has not placed any pressure on the numbers of the urban poor or the headcount ratio in that the rate of urban population growth has not been such as to adversely affect the urban poverty ratio. In fact, urbanization and GDP growth appear to have reduced poverty, albeit at rates which suggest that growth has been far less inclusive. Income elasticity of poverty is low but positive and economic growth has not left the poor behind.¹³

States at High Poverty Risk

Economic growth is a powerful force and a necessary condition for poverty reduction. The consequences of economic growth for urban poverty reduction in India are notable, with the incidence of urban poverty declining from 49 percent in 1973-74 to 25.7 percent in 2004-05. A one-

percent point increase in gross domestic product is associated with a 0.7 percent decline in the incidence of urban poverty. Growth has also made it possible to undertake reforms that aim at poverty reduction. At the same time, there are significant differences across states and over time in how much poverty reduction occurs at a given rate of economic growth, suggesting that the differences in the rates of economic growth and in the rates at which growth translates itself into poverty reduction are a function not of just growth, but its pattern and composition, the pace and direction of urbanization, and the structure of investment. These reflect a complex set of interactions between policies, and institutions and the initial standing of states. As a result, some states have been able to use the urban-income growth nexus for reducing poverty, while others have lagged behind and stand exposed to high poverty risk; a phenomenon that reflects low growth, low urbanization, high IMR, low expectancy and high urban poverty incidence.

India is thus faced with multiple challenges: first of bridging the consumption gap so as to eliminate consumption poverty among the 80-115 million urban poor; second of ensuring that those who are on the borderline do not slip into poverty; third of making cities and towns “slum-free”, by working on those institutional and other barriers that inhibit extension of services to the slum settlements, keep them at sub-subsistence levels, and prevent them from accessing credit, skills, and training so as to improve their productivity levels and finally, of ensuring that no new slum settlements are set up.

13. Gaurav Datt and Martin Ravallion. 2002. “Is India's Economic Growth Leaving the Poor Behind”. Journal of Economic Perspectives. Vol. 16. No. 3 pp 89-108.

Table 4*States at High Urban Poverty Risk*

State	Percentage of Urban to Total Poor 2004-05	Per Capita GDP Rs 2005-06	Percentage Level of Urbanization 2001	Percentage Literacy Rate 2001	IMR 2004	Life Expectancy 1998-2004
Bihar	34.6	8890	10.46	71.93	47	66.8
Madhya Pradesh	42.1	17649	26.46	79.39	56	64.3
Orissa	44.3	20250	14.99	80.84	58	65.6
Rajasthan	32.9	19330	33.92	76.20	42	66.1
Uttar Pradesh	32.8	15383	20.78	69.75	53	63.1
Chattisgarh	41.2	24255	20.09	80.58	52	NA
India	25.7	29678	27.82	79.92	40	67.9

Approach to Urban Poverty Challenges

Policy and programme interventions aimed at directly reaching the urban poor have evolved in India as a result of a broad based appreciation and understanding of the problems of urban poverty as also the realisation that income growth by itself may not be sufficient to alleviate urban poverty and may need redistributive inputs, including direct transfers. In the 1950s and 1960s, policies considered expansion of housing stock as a viable response to the problem of “slums”¹⁴. Slums, as the First Five Year Plan (1951-56) noted, were “a disgrace to the country” and took the position that “from the national point of view it was better to pay for the cost of clearing slums than to continue to pay the mounting cost of slums and suffer their destructive effects upon human lives and property indefinitely”. In the 1970s, perceptions developed that given the

14. The Five Year Plans of the earlier period viewed slums as manifestations of urban poverty. The Plans did not specifically refer to the term “urban poor”.

constraint on financial resources, public housing could not be expected to solve the problem of slums, and therefore, it was necessary to focus on amelioration of the living conditions of slum dwellers and creation of safety nets in the form of procurement and distribution of public goods and employment for selected backward groups. The 1980s explicitly recognized the problems of the urban poor which were seen to be linked with creation of employment opportunities, shelter upgrading, and access to basic services involving community level organisations. This basic thrust has been reinforced in the Eleventh Five Year Plan which notes: “rapid growth will be essential to reduce the number of the urban poor and for sustaining poverty reduction, but for growth to benefit the poor, it will have to be accompanied by more rapid employment expansion than hitherto, greater investment in health, education, water and sanitation and child nutrition than achieved so far, and directly targeted poverty-reduction programmes”¹⁵. These policy frameworks

15. Eleventh Five Year Plan. *ibid.* Vol. III. Pp. 79

have been backed by specific programmes and schematic interventions. These include both area-based interventions such as Environmental Improvement of Urban Slums (EIUS) and Urban Basic Services for the Poor (UBSP) as well as those that are targeted at the urban poor.

Most of such interventions have, however remained as the background note of the Ministry, and other evaluation studies suggest, uncoordinated and disjointed, and failing to make the expected impact. Several of them with focus on the urban poor have suffered from “targeting”. Successive Five Year Plans have also pointed out the deficiencies in the design and implementation of the urban poverty alleviation interventions. These include:

- isolation of urban poverty alleviation programmes from other related sector and area-specific activities, reducing their effectiveness
- fragmentation and overlapping objectives and strategies
- ineffective targeting, particularly in employment-related programmes
- frequent changes in the make-up of the programmes and the institutional frameworks for implementing them
- peripheral use of the community and community-based organisations in designing and developing strategies for implementing programmes and schemes.

The observations of the Tenth Five Year Plan (2002-2007) in this regard are instructive. It notes: “the implementation of programmes for the urban poor is beset with enormous problems. The understanding of the programmes, their objectives and modalities relating to implementation has been weak and superficial, leading to inaction in many areas that are of vital concern for the urban poor”. The plan draws attention to the failure to provide specific provisions in municipal laws for dealing with issues relating to the urban poor, slums, and economic planning for poverty alleviation etc. which flow from the 74th Constitutional amendment.

*This paper takes note of these deficiencies and suggests strategic interventions and use of the existing institutional channels that are in conformity with the Constitution (seventy-fourth) Amendment, 1992.*¹⁶

Urban Poverty and Post-1990 Initiatives

The Constitution (seventy-fourth) Amendment Act, 1992 and the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) constitute a major departure from the way urban poverty has been conceptualized and addressed in the country, advancing an altogether different framework for its alleviation. Both these

16. See for details, Planning Commission, Government of India, Tenth Five Year Plan (2002-07), Vol. II, pp 627 and 629.

initiatives rest on the postulate that sustainable reduction in urban poverty requires (i) empowered urban local bodies (ULBs) where they can play a vital role in urban poverty reduction, slum improvement and upgradation, and urban planning, (ii) an intergovernmental fiscal system that would ensure adequate flow of funds for poverty reduction, and (iii) urban sector reforms.

Schedule 12 is a key provision accompanying the 74th Constitutional amendment. It envisages the urban local bodies (ULBs) to take on developmental and redistributive roles in addition to those that they have been responsible for historically, i.e., provision of local public and merit goods such as water supply, disposal of wastewater, solid waste management, intra-city roads and street lighting. Most states have incorporated the Schedule 12 functions into the municipal statutes without, however, specifying the role of the ULBs vis-à-vis those of the state and state-level agencies in functions such as planning for economic and social development, poverty alleviation, and slum improvement and upgrading. In a de facto sense, there is no change in the functional domain of the ULBs, following the 74th Constitutional amendment. Many attribute the status quo to the reluctance on the part of state governments to transfer any powers or functions to the ULBs. Others put up operational difficulties in assigning redistributive roles to ULBs, taking defence from the traditional theories of fiscal federalism.

Box 3

A review of the fiscal federalism literature undertaken to complement this study allocates activities of the government into three parts: macroeconomic stabilization, income distribution, and resource allocation corresponding to the goals of stability, equity, and efficiency. Of these, the primary responsibility for macroeconomic stabilization and redistribution of income and wealth in the form of assistance to the poor, according to the theory, rests with the central government, while the sub-national governments have a primary role in resource allocation. The basic rationale for allocating income distribution functions to the central government is that the lower governmental tiers face serious limitations in their attempts to pursue redistributive policies. Given the potential mobility of both the poor and high-income residents, an aggressive local redistribution initiative in support of the poor could induce an influx of the poor and exodus of the rich who face the burden of such programmes. If poverty alleviation is a redistributive task, implementing policies should be the responsibility of the central government, because of the externalities involved.*

Significantly, literature also points out to the divergence between theory and practice, and shows that sub-national governments do play an important role in designing and implementing poverty alleviation strategies. In many countries, local governments have responsibilities for reducing income poverty and improving food security because of the presumed lower information and transaction costs associated with identifying the poor. Decentralization allows poor people a greater voice. Literature also suggests that different levels of government may need to be simultaneously involved in the same broad services delivery area but in different ways.

** See. Om Prakash Mathur and Chandrima Sinha. 2009. Poverty Alleviation in a Fiscal Federalism Framework. Mimeo; prepared for the Ministry of Housing and Urban Poverty Alleviation (Government of India). National Institute of Public Finance and Policy. New Delhi.*

The urban sector reforms envisioned under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) aim at eliminating those statutory provisions and procedures that have constrained the functioning of the land and housing market - this being the single most important reason for the proliferation of slums in Indian cities and towns - conferment of property rights, and putting in place governance structures that are sensitive to the needs of the urban poor and civil society. In addition, it mandates cities to undertake major reforms in urban land use policies and tenurial systems with the objective of earmarking lands for the urban poor and providing security to slum dwellers. This strategy paper urges:

- adherence to the JNNURM protocol - any relaxation in implementing the reform agenda will undermine the goals and objectives that the JNNURM stands for, and slow down the process of transforming cities and reducing poverty.
- bringing about synergy in implementing the reform agenda e.g., by integrating the land-related reform constituents of the JNNURM.
- doing away with the dichotomy that currently exists between city-level infrastructure (UI) and shelter and services to the poor (BSUP).
- recognizing the primacy of ULBs in designing and implementing urban poverty strategies and programmes.

The ongoing Swarna Jayanti Shahari Rojgar Yojana (SJSRY) and the recently-launched Rajiv Awas Yojna (RAY) are other initiatives that aim at urban poverty reduction. The former aims at encouraging the unemployed and under-employed urban poor to set up self-employment ventures, while the latter focuses on accelerating the pace of construction of housing for the urban poor. As has been argued in this paper, a prerequisite for initiatives that aim at the **urban poor** is effective targeting. Given the information system in the country, targeting as also its monitoring are difficult and entail huge costs. The strategy paper proposes that while these initiatives may retain their identities, their implementation should be dovetailed with the proposed slum-free cities strategy.

A New Deal for the Urban Poor

Making cities and towns “slum-free” and ensuring that no new slum settlements crop up form the centerpiece of the proposed national urban poverty reduction strategy. Economic growth is central to poverty reduction. But urban poverty is an outcome not of just economic but social, physical and political processes. Fighting urban poverty and these processes means giving to the urban poor recognition, security, and stability. These being the primary considerations, this strategy paper suggests (i) establishment of a ten-year national programme (2010-2020 A.D.) of slum renewal and redevelopment, (ii) a safety net for the urban poor, designed to mitigate the possible adverse effects of

events such as the economic meltdown and more narrowly, of reform measures on the urban poor, and (iii) laying down a policy to bring additional lands into the urban fold on a continual basis. It is critical to ensure that land supplies are not a constraint to meeting the needs of urbanization and urban-based economic pursuits.

The proposed national programme of slum renewal and redevelopment will have the following constituents:

- Security of tenure
- Redirection of public expenditure towards basic services including health and education
- Extension of basic skills and upgradation
- Micro-credit for promoting self employment
- Market finance for shelter upgradation, using tenurial security as collateral
- Spatial planning and reorganisation of slum spaces

Security of tenure holds the key to such a programme. While there are no estimates, anywhere between 30-35 percent of urban households in India live under conditions of insecure tenure, without access to network services and financial markets. Absence of tenurial security does not allow them to build assets or use assets for productive purposes. The benefits of secured tenure have long been studied and

cited.¹⁷ The United Nations Committee on Economic, Social and Cultural Rights have expressed a global concern for some form of tenurial security:

“All persons should possess a degree of security of tenure which guarantees legal protection against forced eviction, harassment and other threats. States parties to the ICESCR should consequently take immediate measures aimed at conferring legal security of tenure upon those persons and households currently lacking such protection”.

The Strategy Paper argues that while tenurial rights of all individuals and groups to effective protection by the state against forced eviction, are a pre-requisite to poverty reduction, property rights are also a means of making people feel secure enough to invest in their houses and neighborhoods. There are several ways of conferring security.

The Strategy Paper suggests property rights be conferred on those needing them, without giving them the right to trade in such rights, as a part of the ten-year programme of slum renewal and redevelopment. Such tradeable rights may, however, be considered after the lapse of the ten-year programme.

17. See Hernando de Soto. 1989. *The Other Path*. I.B. Tauris & Co. Ltd. London, and Hernando de Soto. 2000. *The Mystery of Capital*. Transworld Publications. London.

Forms of Tenure

- Freehold
- Leasehold
- Co-operative tenure
- Collective tenure
- Use rights
- Regularised Squatting
- Tenure with leveraging rights

Safety Net for the Poor

Most countries have safety nets for protecting the poor. These are formulated as part of poverty reduction strategies, and are aimed at redistribution of income to the poorest and most vulnerable. Public distribution system (PDS) is one such safety net. The Strategy Paper proposes that a safety net for the urban poor may be established so as to firstly, mitigate the possible adverse effects of reform measures on the poor, and secondly, protect them from the economic uncertainties which may increasingly affect India's cities and towns. Thus, a safety net may comprise (i) price subsidies to benefit slum households in respect of food and energy, (ii) employment on labour-intensive works schemes, and (iii) in-kind transfer to urban poor households in slum settlements, subject to compliance to specific conditionalities on health and education.

The New Deal for the Urban Poor is not a stand-alone intervention; it requires

- preparation of city-wide Master Plans for slum renewal and upgrading
- concomitant changes in the town planning and building bye-laws to allow earmarking of lands for urban development and renewal and redevelopment of slum settlements
- a special-purpose vehicle to support the ULBs in designing and implementing the Master Plan for slum renewal and redevelopment, and
- a dedicated fund for slum renewal and redevelopment.

The Future Load of Urban Poverty

As a part of this study, an attempt is made to estimate the likely future load of urban poverty in India. Will it rise or decline? Several scenarios have been drawn up to the year 2020 A.D., according to which the numbers of the poor could range between 86.5 million and 113.7 million.¹⁸ These, however, do not take into account the possible impact of the proposed New Deal for the Urban Poor.

18. The four scenarios are: (i) continuation of the 1993-2004 trends, (ii) maintaining the causal relationship between the numbers of the urban poor and urbanization level, and maintaining the GDP Growth of 6.3 percent observed during 1993-2004, but increasing the urban population growth rate by 0.5 percent, (iii) maintaining the causality between the numbers of the urban poor and the GDP growth rate and the urbanization growth rate at 2.7 percent, but raising the GDP growth rate to 6.8 percent and (iv) a GDP growth rate of 8 percent and an annual growth rate of 3 percent in urban population.

The Eleventh Five Year Plan (2007-2012) aims at inclusive growth and a 10 percentage points reduction in poverty levels. Bringing down the level of urban poverty to 15.7 percent by 2012 from the 2004 level of 25.7 percent is a formidable target given the fact that at least 68 million persons will have been added to the urban population base by that year. **Achieving the Eleventh Plan Target will mean lifting 23 million persons out of poverty. It is a difficult target to reach.** The GDP growth rate that is planned for the Eleventh Plan is not high enough to make such an impact on poverty ratios. Mounting a frontal attack on urban poverty, combining (i) a national programme of slum renewal and redevelopment, (ii) safety nets for the urban poor, with food, housing and employment as the key components of the safety nets, (iii) an urban land policy that would enable additional lands to be brought for urban use on a continual basis¹⁹, (iv) rigorous and coordinated implementation of the Constitutional amendment, the JNNURM and the newly launched Rajiv Awas Yojana (RAV) and (v) a dedicated institutional mechanism for implementing the proposed strategy so as to make the country slum-free by 2020 A.D. will help the country attain the goal of “slum-free cities”. The Strategy Paper places emphasis on a land policy that would enable additional lands to be brought in on a continual basis. It is integral to preventing the emergence of slums, and of course,

19. See the Report of the High-Level Task Force on Affordable Housing, Ministry of Housing and Urban Poverty Alleviation. 2008.

meeting the land requirements for upcoming urbanization and urban growth.

A Continuing Task

A comprehensive urban poverty strategy needs proper and sound information and a data base. Poverty and poverty-related data bases in India are narrow and limited, and do not allow a proper analysis and understanding of this phenomenon. Contemporary research on urban poverty provides at most, a few facts on the numbers of the consumption poor and a few general characteristics about the slum dwellers. What causes and impacts urban poverty is hardly known and understood. Even the role of rural-urban migration in urban poverty is often misrepresented. According to a World Bank paper (*The World Bank. 2008. Impacts of the Financial, Food and Fuel Crisis on the Urban Poor. Mimeo Draft. Number 13, 2008*) the number of the extremely poor has increased by 100 million persons as a result of the spurt in food and fuel prices. Other macro economic and international events make important impacts on the urban poor. Such assessments are hardly undertaken in India. This strategy paper underlines the importance of research and an improved data base for evolving a far better and comprehensive response to the urban poverty problem. It also underlines the need for mounting a separate study on the nature and dimension of urban poverty in North-Eastern states and Himachal Pradesh and Jammu and Kashmir, about which little is known.

Urbanization of poverty is a global phenomenon. As the world has urbanized - 50 percent of the world's population currently lives in urban areas - so has poverty. As Martin Ravallion notes: "by fostering economic growth urbanization helped reduce absolute poverty in the aggregate but little for urban poverty. Over 1993-2002, the count of US\$ 1 a day poor fell by 150 millions in rural areas but rose by 50 million in urban areas. The poor have been urbanizing even more rapidly than the population as a whole". A key question is whether India, which is just about 30 percent urban, has entered the "urbanization of poverty" syndrome. Has urbanization and urban-led economic growth been exclusionary in nature? This section addresses these questions.

Introduction: Poverty Measures

An extraordinarily large amount of work has been done in India on what poverty is, what measures it, and what distinguishes the poor from the non-poor.²⁰ A review of the work shows that while the subject continues to be highly contentious, there exists a broader acceptance of the view that poverty reflects the inability of an individual to satisfy certain basic minimum needs. The inability is expressed in terms of a level of expenditure or income that is considered necessary to satisfy those minimum needs: those who are not able to attain that level of expenditure or income are counted as poor and others as non-

poor. Among the attempts that have been made to determine what those minimum needs are and what is the money equivalent or the level of expenditure corresponding to those needs, include the reports of the Nutrition Expert Group of the Indian Council of Medical Research (1968) and the Task Force on the Projection of Minimum Needs and Effective Consumption Demand (1979). The Nutrition Expert Group laid down the per capita calorie norms for population differentiated by age, sex and the nature of work; the Task Force on the Projection of Minimum Needs and Effective Consumption Demand used these norms to work out the average calorie needs,²¹ separately for rural and urban areas, and their monetary equivalents by using the household consumption expenditure data of the 28th round (1973-74) of the NSSO surveys. Using appropriate conversion factors, the Task Force estimated that on an average, Rs. 49.09 per capita per month satisfied a calorie requirement of 2435 per capita per day in the rural areas, and Rs.

20. See in particular, the seminal contribution of V.M. Dandekar and Nilkantha Rath. 1971. *Poverty in India*. Indian School of Political Economy. Bombay; Amartya Sen. 1980. *Levels of Poverty: Policy and Change*. The World Bank, Washington D.C.; and EPW Research Foundation. 1993. *Poverty Levels in India*. Economic and Political Weekly. Mumbai; Asian Development Bank. 2009. *Urban Poverty in India*. New Delhi; Ministry of Housing and Urban Poverty Alleviation, Government of India. 2009. *India: Urban Poverty Report*. Oxford. New Delhi; and the World Bank. 2009. *Perspectives on Poverty in India: Stylized Facts from Survey Data*, draft. Mimeo, Washington D.C.

21. Average requirements of 2400 calories for rural areas and 2100 calories for urban areas as fixed by the Task Force have not undergone any change.

56.64 per capita per month satisfied a calorie requirement of 2095 per capita per day in the urban areas, both at 1973-74 prices. These levels of expenditures have formed the basic poverty lines in the country, and been used in all official estimates with suitable adjustments for price changes (Table 6). In addition, several scholars have made independent assessments of poverty, and arrived at conclusions that are at variance from the official estimates; interestingly, such assessments do not question the conclusions but only the rate at which poverty incidence has shifted over time.²²

Table 5

Monetary Value of the All India Poverty Line, Urban

Year	Monetary Value Corresponding to the Poverty Line (Rs)
1973-74	56.64
1983	115.65
1993-94	281.35
2004-05	538.60

In addition to the poverty line so established, slum settlements represent the visible manifestations of poverty in the country's cities and towns. The Census of India, 2001 undertook for the first time, a countrywide count of population in slum settlements. As the Census Commissioner notes: "It is for the first time in the history of Census in the country that the slum demography is presented on the basis of

the actual count".²³ There are thus no time series that indicate whether the slum population in the country has risen or declined. The National Sample Survey Organisation (NSSO) periodically undertakes surveys that provide data on the access of slum dwellers to basic services. This Strategy Paper looks at both the trends in urban poverty as per the NSSO data and also the demography of slums as provided in the Census of India's "Slum Population".

Mention may be made here of the three recent (2009) publications viz., (i) *India: Urban Poverty Report 2009*, brought out by the Ministry of Housing and Urban Poverty Alleviation (MHUPA); (ii) *Urban Poverty in India*, brought out by the Asian Development Bank; and (iii) a draft report on *Perspectives on Poverty in India: Stylized Facts from Survey Data*, being brought out by the World Bank which provide a comprehensive analysis of the poverty trends in the country as also of the other facets of urban poverty such as access of the poor to basic services, changing sectoral profile of the urban economy and its implications for urban poverty, urban microfinance, participatory urban governance and its role in reducing poverty, and the like. These studies are selectively used in the preparation of NUPRS.²⁴

22. See in particular, A. Deaton and V. Kozel. 2005. *The Great Indian Poverty Debate*. Delhi. McMillian India Ltd., and Gaurav Datt and Martin Ravallion. 1999 *When is Growth Pro Poor?* The World Bank, Policy Research Working Paper No. 2263.

23. Census of India. 2001. *Slum Population*. Registrar General of India. New Delhi.

24. For the reason that a detailed account of the trends in urban poverty is available in these publications, this paper does not repeat what is generally known and instead focuses on those facts that are vital to the preparation of the paper.

Table 6*Urban Poor: Numbers and Headcount Ratio*

Year	Combined		Rural		Urban	
	Number (million)	Headcount Ratio (%)	Number (million)	Headcount Ratio (%)	Number (million)	Headcount Ratio (%)
1973-74	321.3	54.9	261.3	56.4	60.1	49.0
1983	322.9	44.5	251.9	45.7	70.9	40.8
1993-94	320.4	36.0	244.0	37.3	76.3	32.4
2004-05	301.7	27.5	220.9	28.3	80.8	25.7

The core of the analysis of poverty trends as contained in the vast amount of literature is that absolute poverty in India measured in terms of the numbers of the poor and the headcount ratio is large and widespread, and accounts for close to one-third of the world's poor, but has registered a fall over the past three decades. The numbers of the poor have fallen from 321.3 million to 301.7 million and the headcount ratio from 54.9 percent to 27.5 percent over the 1973-74 2004-05 period. Rural Poverty - poverty in India remains disproportionately rural at the aggregate level - has also declined in terms of the numbers as well as the headcount ratio.

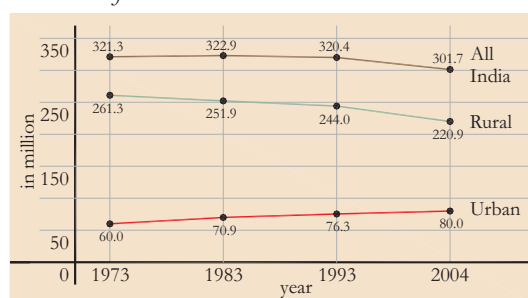
In comparison, the evidence on urban poverty is mixed: its incidence measured by the headcount ratio has dipped from 49 percent in 1973-74 to 25.8 percent in 2004-05, but the numbers of the urban poor have risen from 60 million to 80.8 million persons, and the share of urban poor in the total from 18.7 percent to 26.8 percent over the 1973-74 to 2004-05 period.

Further extension of the analysis shows that while the headcount ratio of urban poverty has been on a declining curve, the average rate of decline has slowed down in the most recent decade of 1993-2004.

Moreover, urban poverty, both the numbers of the poor as well as the headcount ratios, have shown an upward trend in states such as Orissa and Rajasthan; several other states have posted a rise in the numbers of urban poor. These facts, i.e., tapering off the average rate of decline in the headcount ratio and the rising numbers of the urban poor in several states, combined with the fact that the same period witnessed a substantial fall in the headcount ratio of the rural poor, have been used to argue that poverty in India may be shifting towards cities and towns, and continuation of these trends could well push India into a “urbanization of poverty” syndrome. Other facts such as a high poverty gap for urban India (5.9 percent in 2004-05) in comparison with the poverty gap of 5.5 percent for rural poverty are also used to buttress the argument that poverty reduction strategies have made far less impact on urban poverty. A World Bank study also notes that “urbanization of poverty in India is underway although it is occurring at a relatively slow rate”²⁵.

25. The World Bank. 2009. Perspectives on Poverty in India. Mimeo. Draft.

Figure 2
Numbers of the Poor



Urban Poverty: An Assessment

This Strategy Paper underlines a few facts that are vital to formulating a national urban poverty reduction strategy and analyses the trends further to test out if poverty in India has begun to urbanize itself and if urbanization and urban-led economic growth have in any way been exclusionary in nature. These have important implications for developing a poverty reduction strategy. The following are the key facts:

I. Urban poverty in India is large and widespread.

In 2004-05, 80.8 million people out of an estimated urban population of 309.5 million persons were below the poverty line in that their per month consumption was less than Rs. 538.6. These numbers constitute a significant proportion of the world's total urban poor estimated at 291.4 million.²⁶ Over the past three decades (1973-2004), the numbers of the urban poor have risen by 34.4 percent and the shares of the urban poor in the total from 18.7 per cent in 1973 to 26.8 percent in 2004-05. In comparison the numbers of the rural poor have registered a 15.5 percent decline over this period. In

26. See Martin Ravallion. Ibid.

addition, about 40-45 million persons are on the border²⁷ line of poverty. This process has meant an increasing share of the urban poor in the total.

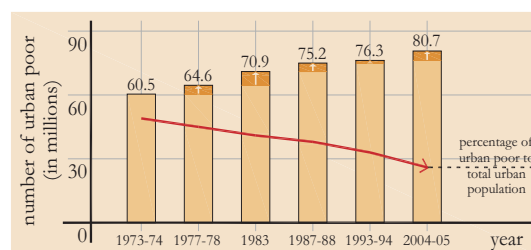
Table 7
Percentage Change in Numbers of the Poor over time

Year	Combined %	Rural %	Urban %
1973-74	-	-	-
1983	0.5	-3.6	18.0
1993-94	-0.8	-3.1	7.6
2004-05	-5.8	-9.5	5.9
1973-74 to 2004-05	-6.1	-15.5	34.4

Table 8
Share of the Urban Poor in the Total

Year	Percentage Share
1973-74	18.70
1983	21.97
1993-94	23.83
2004-05	26.78

Figure 3
Trends in Urban Poverty



II. The headcount ratio of urban poverty has declined steadily over the decades but its rate of decline is lower than that of rural poverty. From about 50 percent of the urban population living below the poverty line in 1973-74, the proportion declined to about one-fifth of the urban population in 2004-05. Over the three decades, the headcount ratio of urban

27. National Sample Survey Organization (NSSO) Report No. 508: Level and Pattern of Consumer Expenditure. 2004-05

poor declined by about 47.6 percent; on an annual basis, the average rate of decline varied between 1.8 and 2.3 percent.²⁸ What has attracted attention is the slowing down of the rate of decline in the decade of the 1990s, compared to the period 1983-1993. What has also been noted by scholars is that the rate of decline in urban poverty has lagged behind that of rural poverty in recent decades.

Figure 4

Headcount Ratios - Poverty

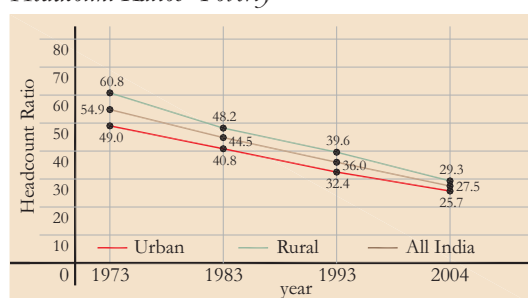


Table 9

Annual Average Rate of Decline in the Headcount Ratios of the Poor

Period	Annual Average Change		
	Urban	Rural	Combined
1973-74 to 1983	1.8	2.1	2.1
1983 to 1993-94	2.3	2.0	2.1
1993-94 to 2004-05	2.1	2.5	2.4

III. *The poverty gap, i.e., the depth of urban poverty measured as the aggregate poverty deficit of the poor in relation to the poverty line has declined to 5.9 percent from a high of 11.9 in 1983 but continues to be deeper compared to poverty in the*

*rural areas.*²⁹ Also, the gini coefficient - a measure of consumption inequalities - is not only higher for cities and towns compared to the inequalities in the rural areas, but has risen continually since 1983, suggesting that while there has been an increase in the monthly per capita expenditure (MPCE) across the various classes, lower MPCE classes registered smaller increases in consumption compared with higher MPCE classes³⁰. Between 1993-94 and 2004-05, the percentage increase in the monthly per capita expenditure in the lower percentile group of population was observed to be less than 10 percent compared to rest of the percentile groups. In the top 20 percent of the percentile groups, the increase was over 15 percent as may be seen in table 11.

IV. *Non-wage, informal employment is a dominant characteristic of the urban poor households.* In 2004-05 between 72 and 82 percent of the usually employed male urban poor and between 78 and 80 percent of the usually employed female urban poor were reported to be either self-employed or

29. Poverty Gap is assessed as under::

$$PG = \sum_{i=1}^q \left(1 - \frac{y_i}{z}\right) / n$$

where z denotes the poverty line and y is consumption.

It reflects the average distance of the poor below the poverty line and gives a better idea of the depth of poverty.

30. The Economic Survey 2008-09 reports that there has been an improvement in consumption across all MPCE levels in both rural and urban areas. "This is indicative not only of favourable poverty reduction trends but also of the inclusive nature of growth as consumption has improved across the entire distribution in 2005-06 and 2006-07, both for urban and rural population and more so for the latter."

28. The Strategy Paper has used the following equation for calculating the annual average rate of change:

$$\frac{1}{t_2 - t_1} * LN \left(\frac{\text{value at } t_2}{\text{value at } t_1} \right)$$

casually employed. Wage employment among them is limited to just about 20 percent compared to an All-India average of about 40 percent. It is this fact that imparts a high degree of instability to the income profile of the urban poor, and restricts their access to any form of institutional and market finance.³¹

Table 10

Poverty and Inequality

Year	Poverty Gap (%)		Gini Coefficient (%)	
	Urban and Rural		Urban	Rural
	Urban	Rural		
1983	11.9	13.6	33.9	30.4
1993-94	8.3	8.4	34.4	28.6
2004-05	5.9	5.5	37.6	30.5

Table 11

Monthly Per Capita Expenditure (MPCE) Change Between 1993-94 and 2004-05

Per Capita Group of Population %	50th Round 1993-94	61st Round 2004-05	% Change
0-5	133	141	6.0
5-10	176	186	5.7
10-20	211	223	5.7
20-30	248	269	8.5
30-40	287	316	10.1
40-50	332	368	10.8
50-60	381	433	13.6
60-70	448	512	14.3
70-80	543	619	14.0
80-90	698	804	15.2
90-95	923	1088	17.9
95-100	1673	2137	30.1
All India	458	531	15.9

V. Progress in terms of reducing the incidence of urban poverty has been highly uneven in the country, with a little over 40% of the urban poor concentrated in the states of Bihar, Madhya

31. See for further details, National Sample Survey Organization. Report no. 515, New Delhi

Pradesh, Orissa, Rajasthan, and Uttar Pradesh³². Moreover, the NSSO data show that concentration of poverty has intensified in these states, with the proportion of the urban poor registering an increase from 31.1 percent in 1973-74 to 42.0 percent in 2004-05. On the other hand, urban poverty has declined much more impressively in states such as Gujarat and Punjab; in Kerala and Tamil Nadu, where urban poverty was higher than the all-India average in 1983 but declined to well below the national average in 2004-05. Thus, the evidence is both significant decline in some states, and noticeable increases in others.

Table 12

Distribution of the Urban Poor - State-wise Percentage

States	1983	1993-94	2004-05
Andhra Pradesh	7.1	9.8	7.6
Assam	0.6	0.3	0.2
Bihar*	6.3	5.6	5.6
Delhi	2.5	2.0	2.8
Goa	0.2	0.2	0.2
Gujarat	6.3	5.6	3.4
Haryana	1.1	1.0	1.3
Himachal Pradesh	Neg	Neg	Neg
Karnataka	6.9	7.9	7.9
Kerala	3.5	2.7	2.1
Madhya Pradesh*	8.8	10.8	11.6
Maharashtra	13.7	14.7	18.1
Orissa	2.4	2.6	3.3
Punjab	1.7	1.0	0.8
Rajasthan	4.2	4.4	5.9
Tamil Nadu	11.1	10.5	8.6
Uttar Pradesh*	15.3	14.2	15.6
West Bengal	7.1	5.9	4.3
Others	0.5	0.4	0.4
Total (million)	70.9	76.3	80.6

* The poverty data for Jharkhand, Chattisgarh and Uttarakhand are included with that of Bihar, Madhya Pradesh and Uttar Pradesh respectively

32. The poverty data for Jharkhand, Chattisgarh and Uttarakhand are included with that of Bihar, Madhya Pradesh, and Uttar Pradesh respectively.

The NSSO surveys provide the base for estimating poverty levels and gaps; the base also permits an analysis of the pattern of consumer expenditure. The surveys, however, do not shed light on who the urban poor are, what they do, and where they live.³³ Absence of such basic information represents a serious handicap in designing poverty alleviation programmes, that can be focused on them.

VI. Slum settlements - often referred to as informal settlements without any formal title - represent the most visible manifestation of poverty in urban India. The 2001 Census puts the slum population at 42.6 million which forms 15 percent of the country's total urban population and 23.1 percent of population of cities and towns reporting slums.³⁴ The Census further reports that

33. Rakesh Mohan and Nancy Hartline. 1984. The Poor of Bogota: who they are, what they do, and where they live. World Bank staff working papers. Number 635. The World Bank. Washington D.C.

34. The Census of India, 2001 collected the slum population data from cities and towns having population of 50,000 and more in 1991. There were a total of 743 cities and towns in that category, of which 640 reported slums. Admitting that it is the first time that the Census of India operations were extended to separately enumerate the slum population in the country, limiting the operations to firstly the notified and recognized slums, and secondly those which had a threshold size of 60-70 households has considerably understated the size of the slum population. Moreover, count of slum population in several cities such as Patna (0.3% of city's population), Lucknow (8.2% of city's population) and many others prima facie, appears erroneous. It is also significant that while the Census collected data on the social composition of slum population, on literacy, and the structure of employment, it did not record the number and sizes of slum settlements.

slums are an urban phenomenon confined to big-town and cities, supporting it with the fact that 41.6 percent of the total slum population resides in cities with over one-million population. *Informal settlements occupy one-third of the large city spaces: 34.5 percent of the population of Mumbai, Delhi, Kolkata, and Chennai live in slum settlements.* The slum settlements have a higher proportion (17.4 percent) of scheduled castes compared to non-slum settlements. Also, expectedly, the literacy level of slum population is lower, 73.1 percent in comparison with 85 percent for rest of the urban population.

Table 13
Distribution of Slum Population in cities and Different Size Groups

City Size	Number of Cities and Towns	Slum Population (million)	% of Total
> 4 million	5	11.06	26.0
2-4 million	8	3.76	8.8
1-2 million	14	2.88	6.8
500,000 to 1 million	42	5.81	13.7
100,000 to 500,000	309	13.94	32.7
< 100,000	262	5.13	12.0
Total	640	42.58	100.0

The National Sample Survey Organisation (NSSO) in its report on Housing Condition in India³⁵ reports that while service deprivations are commonly observed in cities and towns, the extent of deprivation is higher in slum and squatter settlements; 26 percent of households living in slum

35. National Sample Survey Organisation. 2005. Housing Condition in India. 58th Round (July 2002- December 2002).

settlements have no access to any arrangement for garbage collection and 18 percent suffer from insufficient drinking water, the comparable proportions for non-slum areas being 19 percent and 10 percent respectively. What needs to be noted is that 75 percent of slum households have not received any benefits from any of the governmental programmes designed to alleviate poverty; 15.7 percent of households received land-related benefits and the balance received other miscellaneous benefits.

Box 4

Slums are the products of failed policies, bad governance, corruption, inappropriate regulation, dysfunctional land markets, unresponsive financial systems and a fundamental lack of political will. Each of these failures adds to the load on people already deeply burdened by poverty, and also constrains the enormous opportunity for human development that urban life offers.

*The Challenge of Slums
Global report on Human Settlements: 2003
UN-HABITAT., Nairobi*

There are no estimates in the country on the number of slum settlements and the area under them. *The crude estimates put the space under slum settlements at about 18,000 million 20,000 million sq. feet, which is said to be in illegal and unauthorised occupation of slum dwellers. Hernando de Soto calls it “dead capital” which is productive but can not be used or leveraged by those who live and work there.* Significantly, the NSSO data show 55 percent of slum dwellers have been living in them for over 15 years and another 12 percent between 10-15 years, establishing that slums are an integral part of the phenomenon of

urbanization, and are contributing significantly to the economy of cities by being a source of affordable labour supply for production, both in the formal and informal sectors of the economy”³⁶ but are a reflection of the exclusionary socio-economic policies and planning in the country.

Table 14

Number of Years Households have been Living in Slums

Years	Percentage of Slum Households
< 5	22
5-10	10
10-15	12
> 15	55

Proliferation of slums, as much of the evidence both in-country and international suggest, is not so much a manifestation of demographic shifts, but the result of the failure of the land and housing policies, and legal and delivery systems. The UN-HABITAT observations in respect of slum settlements are relevant. “The urban poor are trapped in an informal and illegal world in slums that are not reflected on maps, where waste is not collected, where taxes are not paid and where public services are not provided. Officially, they do not exist. In the majority of cases, slum dwellers exist outside of the law where they live and work. They are not able to access most of the formal institutions of society, and lacking a legal address they are often unable to access

36. Office of the Register General and Census Commissioner. 2005. Slum Population: India, New Delhi.

social services”³⁷ The Strategy Paper takes the slum and informal settlements as potential and viable entry points for addressing the visible manifestations of poverty in cities and towns. They are identifiable, and although outside of the legal system, have acquired stability, and have vast amount of potential currently constrained by distorted and exclusionary policies.

Urbanization, Income growth and Urban Poverty

In the context of these trends, the Strategy Paper has extended the analysis to explore the links between, urbanization, economic growth and urban poverty. Questions have been raised if urbanization in India and the way in which it has spread out in the country has affected the numbers or the headcount ratios of the urban poor. Likewise, many scholars have taken pains to suggest that income growth of the 1990s was far less inclusive and may have bypassed the poor. A proper understanding of these issues is important to the formulation of a national urban poverty reduction strategy.

Urbanization, it must be underlined, has occurred in India at a *modest pace*, an annual exponential growth of 2.74 percent during the census decade of 1991-2001 and 3.09 percent in the earlier decade of 1981-91,

37. UN-HABITAT, 2003. The Challenge of Slums: Global Report on Human Settlements. Earthsea London.

but has a few distinctive features:

→ rural-urban migration is not a dominant factor in the country's urbanization process. During 1991-2001, it contributed just about 20-21 percent to the urban population growth in the country, with much of the increase in urban population occurring as a result of the excess of births over deaths. In the earlier decade too, the share of rural-urban migration was roughly the same. Thus, urban poverty in India is not necessarily a product of urbanization associated with rural-urban migration, but could well be linked with urban population growth occurring as a result of the excess of births and deaths,

→ there is increasing concentration of urban population in comparatively larger cities; 68.7 percent of the total urban population is reported to be in cities with over 100,000 population (2001 Census), the shares of medium-sized and small towns being 21.9 percent and 9.4 percent respectively. Such concentration is expected to continue in the future; and

→ the pattern of urbanization is diverse in India, with several states having attained an urbanization level of over 40 percent and others still to reach the 1951 level of urbanization.

At the global level, India's urban importance in overall hierarchy measured in terms of its share in world's total urban population has progressively risen, from 8.7 percent in 1950 to 10.1 percent in 2005. At

the same time, it ranks low in terms of the level of urbanization vis-à-vis other large developing countries. Thus, any notion that India is urbanizing at a rapid rate and is one of the principal reasons for infrastructure constraints or rise in the numbers of the poor must be corrected.³⁸

Urbanization of poverty, the study postulates, is a phenomenon where the rate of increase in the numbers of the poor is higher than the rate at which urban population grows. According to Martin Ravallion, the urban sector's share of the total number of poor is an increasing convex function of the urban share of the total population. It is also possible to analyse it by calculating the effect of x percent increase in the rate of urbanization on the numbers of the urban poor. The following two tables give the results of the exercise, the first table indicating the proportion of the net increase in the numbers of the urban poor to the net increase in urban population, and the latter giving the elasticity of urban poverty to urbanization. The two tables do not provide any robust evidence of either the urban poor being a major component in the urbanization process - in fact the proportion of the urban poor in the net increment to urban population has declined significantly over the decades, or of the numbers of the urban poor being sensitive to the urbanization processes.

38. Of the ten most populated countries, India's level of urbanization is the lowest with the exception of Bangladesh and Vietnam. See United Nations. 2005 World Urbanization Prospects. New Delhi.

Table 15

Urbanization and Urban Poverty

Year	Net Increment (million)		Net Increment in the Numbers of the Urban Poor to Net Increase in Population (%)
	Urban population	Urban Poor	
1973-83	51.4	10.9	21.2
1983-93	61.7	5.4	8.8
1993-2004	78.8	4.5	5.7

Table 16

How Sensitive is Urban Poverty to Urbanization?

Period	Elasticity of Number of Urban Poor to Urban Population	Elasticity of Headcount Ratio to Urban Population
1973-83	0.476	-0.523
1983-93	0.214	-0.758
1993-2004	0.197	-0.803

Table 16 suggests that a one-percent increase in urban population (AAGR) was associated with an increase of 0.476 percent increase in the numbers of the urban poor during 1973-83; an increase of 0.214 percent during 1983-93, and of 0.197 percent during 1993-2004. Similarly, a one percent increase in urban population was associated with a decline in the headcount ratio of urban poverty by -0.523 over the period 1973-83; of -0.758 during 1983-93; and -0.803 during 1993-2004. Due caution, however, is necessary in drawing robust conclusions from the above set of elasticities. Poverty reduction is a function that cannot be explained simply by urbanization and urban growth.

The issue whether income growth is an essential condition for poverty reduction is in the forefront of many discussions on

development. A recent paper entitled “Is India's economic growth leaving the poor behind” pointed out that the high income growth era did not help much in reducing poverty.³⁹ Emphasis on inclusive growth as embodied in the Eleventh Five Year Plan also alludes to the fact that while income growth is necessary for poverty reduction, it may not be a sufficient one. Following is the evidence on urban poverty and per capita domestic product. It points out that the gross domestic product in India has risen consistently since 1973 at rates ranging between 4.1 percent and 6.08 percent over the past three decades or so. During the same period, as has been pointed out, the numbers of the urban poor rose at annual average growth rates varying between 0.52 and 1.66 percent and the incidence dipped at annual rates ranging between 1.83 and 2.3 percent. An exercise similar to the one above shows that 1 percent increase in GDP was associated with a fall of 0.44 percent in the headcount ratio of urban poverty during 1973-83; of 0.47 percent during 1983-93, and of 0.35 percent during 1993-2004. While in general, income growth has contributed to poverty reduction, the fact that income elasticity of poverty dipped, gives support to the proposition that growth in the 1990s wasn't inclusive enough to make a dent in urban poverty. In part, it explains why the decline in urban poverty was slower in the 1990s, vis-à-vis rural poverty.

39. Gaurav Datt and Martin Revallion. 2002. “Is India's Economic Growth leaving the poor behind”. Journal of Economic Perspectives. Vol. 16. No. 3, pp 89-108.

Table 17
Urban Poverty and GDP

Period		1973-83	1983-93	1993-2004
AAGR	GDP	4.11	4.86	6.08
	Number of the Urban Poor	1.66	0.73	0.52
	Headcount Ratio	1.83	2.30	2.11
ELASTICITY	GDP to the Number of Poor	0.405	0.151	0.085
	GDP to Headcount Ratio	-0.44	-0.47	-0.35

The income-urban poverty links throws interesting insights at state levels. As the table shows, the income elasticities - income at the state level is represented by net state domestic product (NSDP) vary hugely - Andhra Pradesh where a one-percent average increase in NSDP was associated with a decline of 0.703 percent in the incidence of urban poverty and Gujarat and Tamil Nadu where a one-percent in net state domestic product (NSDP) was associated with a reduction in the headcount ratios of 1.56 percent and 1.36 percent respectively. In Haryana and Maharashtra, reduction was far less than observed in the above-mentioned states. Evidence from Bihar, Orissa and Rajasthan is that the headcount ratio of urban poverty actually rose under conditions of an increase in NSDP, raising critical questions with regard to (i) the adequacy of the rate of NSDP growth in reducing urban poverty, (ii) composition of NSDP growth, and (iii) operation of other factors impacting on urban poverty. These states are at high poverty risk. As shown in Table 4 (pp 7), these states suffer from low gross domestic product (GSDP), low level of urbanization, high infant mortality rates

(IMR), and comparatively low life expectancy. Although the Strategy Paper focuses on slum free cities in these states and a fuller implementation of the 74th Constitutional amendment and the JNNURM, these states need a larger developmental agenda for addressing poverty and other problems.

Table 18

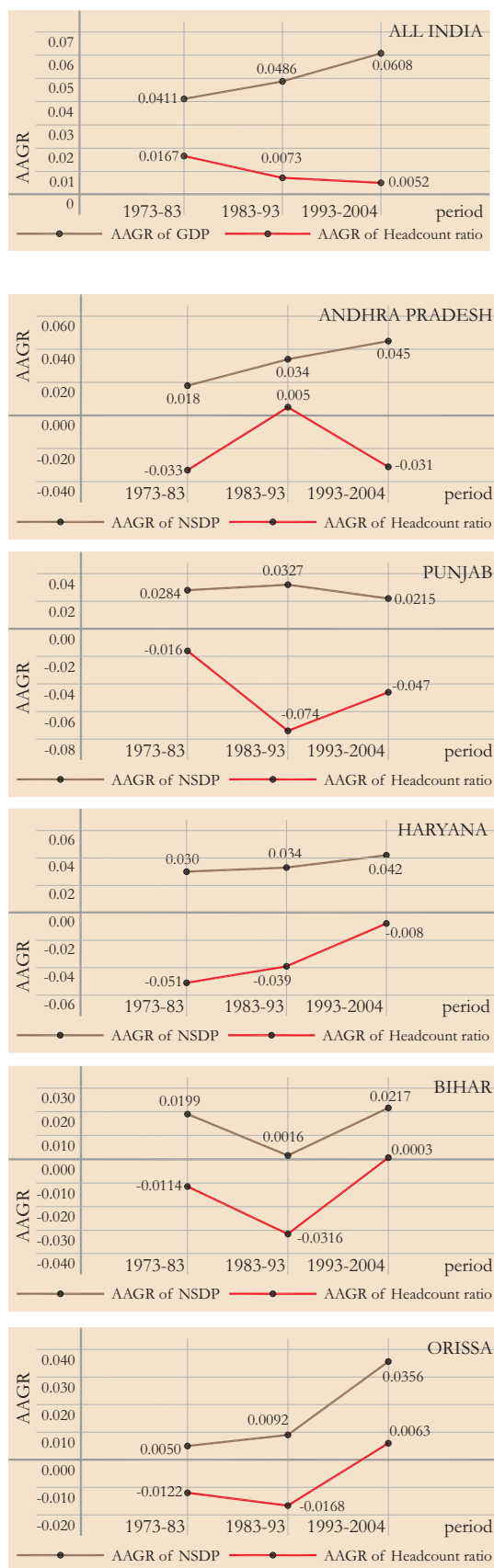
Income Elasticity of Poverty 1993-2004

States	AAGR of NSDP	AAGR of Headcount Ratio	Elasticity
Andhra Pradesh	0.04453	-0.03132	-0.70347
Assam	0.01397	-0.08473	-6.06460
Bihar*	0.02166	0.00029	0.01336
Gujarat	0.04877	-0.07637	-1.56599
Haryana	0.04185	-0.00826	-0.19733
Karnataka	0.04842	-0.02071	-0.42761
Kerala	0.04497	-0.01971	-0.43824
Madhya Pradesh*	0.01813	-0.01395	-0.76898
Maharashtra	0.03383	-0.00891	-0.26330
Orissa	0.03560	0.00629	0.17664
Punjab	0.02152	-0.04735	-2.20062
Rajasthan	0.03680	0.00757	0.20584
Tamil Nadu	0.04279	-0.05838	-1.36433
Uttar Pradesh*	0.01516	-0.01457	-1.96142
West Bengal	0.04669	-0.04144	-0.88755

** The poverty data for Jharkhand, Chattisgarh and Uttarakhand are included with that of Bihar, Madhya Pradesh and Uttar Pradesh respectively*

Figure 5

Income - Urban Poverty Linkages



Direct attack on poverty via dedicated programmes in combination with economic growth strategies are a common recipe for alleviating poverty in the developing countries. India too uses the same recipe, combining growth strategies with programmes that aim at providing basic services, shelter and shelter upgradation, and employment and skills to the urban poor. Under this schema, the programmes are designed to reach out to the lower income or expenditure percentiles who remain untouched or inadequately touched by economic growth. Many of such programme, however, have had a short tenure. Since the 1990s, India has changed its course and opted for an altogether different policy framework for urban poverty alleviation. The framework and the accompanying programmes viz., the Constitution (seventy-fourth) Amendment Act, 1992, the Swarna Jayanti Shabari Rozgar Yojana (SJSRY), the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), the National Urban Housing and Habitat Policy 2007, and the Rajiv Awas Yojana represent the current approach to urban poverty alleviation. The Strategy Paper calls for a reinforcement of this policy framework and suggests integration of the existing programmes with the proposed slum-free cities strategy.

Public policy instruments for urban poverty alleviation fall into two categories: (i) indirect instruments which use resources to accelerate growth and employment, and impact on the living standards of the urban poor; and (ii) direct instruments i.e., those which rely on public provisioning of shelter, services, and employment and skill upgradation. The primary distinction between the two categories is that the former focuses on income generation and hence consumption, while the latter is directed to providing consumption via transfers and subsidies. The former relies on trickle down effect of growth across income groups, and the latter are designed to produce productivity-enhancing effects from publicly provided services.

Many scholars have sought to explain how poverty and immiseration are produced within the scope of such a framework,

focusing attention on the relationships between economic development, urbanization, social change, and the exercise of political power as it impinges on the poor.⁴⁰ Still others have attempted to trace, within the public policy framework, connections and linkages between exchange rates, monetary policies, interest rates and poverty.⁴¹ Recent years have begun to produce a debate on why decentralization may be good for the poor and why it may hurt them.⁴²

40. Jagdish Bhagwati. 1988. Poverty and Public Policy. World Development. Vol 16 # 5, pp 539-555.

41. The World Bank. 2001. World Development Report. 2000/2001. Washington D.C.

42. Joachim von Braun and Ulrike Grote. 2000. Does Decentralization serve the Poor? Centre for Development Research, University of Bonn. Germany, and United Nations Economic and Social Council. 2005. Policy Dialogue: Decentralization for Poverty Reduction. Bangkok.

Urban Poverty in India's Planning Framework

Poverty removal as an **explicit** variable entered into India's development strategy during the Fifth Five Year Plan (1974-79)⁴³. It noted that despite gains of economic development and improvement in the living standards, “large numbers have remained poor”. It stressed the need to raise the share of the bottom 30 percent in total private consumption, and sought to reduce the incidence of poverty **via** economic growth processes, and highly selected programmes such as the Minimum

43. The initial years of planning and development recognized the haphazard growth of cities and towns in India including, of slums and sub-standard housing. The First Five Year Plan, for instance, notes “Slums have grown in practically all the major cities of India as a result of laxity in enforcing building regulations, the indifferent attitude to conditions of living amongst industrial workers and the high land values prevalent in certain cities--”. The Second Plan also made similar observations. “The existence of slums in every large town is a matter of serious concern”. The Third and Fourth Plans proceeded to observe that “The experience of public housing so far is that its unit costs are high and that with the constraint of resources it is not possible for public operations to touch even the fringe of the problem. Slum clearance schemes often lead to creation of new slums or deterioration of conditions in some of the older slums. In growing cities of a reasonable size, it should be part of government policy to encourage, through proper planning and land policy, adequate supply of housing. In cities where the slum population is large, this approach would not be effective and it would be necessary to try to ameliorate the living conditions of dwellers of slums as an immediate measure. Emphasis should be on limiting the rise in prices of land, providing financial assistance to cooperative and private efforts and assuming legal powers for reconditioning of slums”. The Fifth Plan recognized “poverty removal” as an explicit variable in the country's development strategy.

Needs Programme (MNP), public procurement and distribution of public goods, and employment for selected backward groups. The Fifth Five Year Plan made **no** distinction between rural and urban poverty.

The Sixth Five Year Plan, 1980-85 marks the commencement of a more definite approach to poverty alleviation in the country. It recognized the limits of “income growth” approach to reducing the incidence of poverty, and observed that “it will not be realistic to rely only on the growth processes to find a solution to the problem”. Placing a high priority on poverty issues, the Sixth Plan laid emphasis on (i) identification and measurement of the levels of poverty, (ii) development of realistic targets, and (iii) formulation of specific programmes to meet the targets. Using the norms recommended by the Task Force on the Projection of Minimum Needs and Effective Consumption Demand (1979), and utilizing the NSSO household consumption expenditure data, the Sixth Plan observed that nearly 50 percent of the country's total population were living below the poverty line. The Plan identified specific poverty groups and pointed out that with growth and distribution policies and specific programmes, it should be possible to substantially bring down poverty incidence in the country.

The Sixth Plan did not address urban poverty issues directly, and continued to display a distinct bias towards rural poverty. However, it provided for moving nearly six

million **urban poor** above the poverty line, through the provision of additional consumption benefits and better and more equitable distribution of health, education, sanitation, water, slum improvement and environment improvement programmes, and provision of additional consumption benefits. *The Sixth Plan laid the foundation for direct attack on urban poverty by establishing a centrally-sponsored programme called the Environmental Improvement of Urban Slums (EIUS), and taking up slum improvement and upgrading and sites and services projects in several cities.*

The Seventh Five Year Plan, 1985-90 constitutes the first conscious attempt to **directly** address urban poverty issues. There are two features of the Seventh Plan approach that need to be especially noted. One: it takes explicit note of the growing incidence of poverty in the urban areas, manifest in (a) the rapid growth of slums caused by persistent rural-urban migration, and (b) overcrowding in the informal sector; two: it accordingly places emphasis on improving the living conditions in the slum areas. In line with this approach, the Seventh Plan proposed multi-pronged strategies for improving the access of the urban poor to basic services, providing gainful employment to the unemployed, and raising the earnings of those in low-paid jobs.

This approach as laid out in the Seventh Plan led to the launching of two programmes aimed at directly assisting the urban poor, namely, the Urban Basic

Services (UBS) and the Self Employment Programme for the Urban Poor (SEPUP). The Eighth Plan, 1992-97 reinforced the employment thrust of programmes meant for the poor by replacing SEPUP with a new employment programme, called the Nehru Rozgar Yojana (NRY), and enlarged the scope of the urban basic services programme (UBSP).

The Ninth and Tenth Five Year Plans continued to build on and reinforce the strategies contained in these programmes. Urban poverty related programmes taken up in the preceding plan periods have been continued, albeit under different nomenclature, with at best a cosmetic shift in substance. At the beginning of the Tenth Plan (2002-07), various schemes - the National Slum Development Programme (NSDP), Swarna Jayanti Shahri Rozgar Yojana (SJSRY), VAMBAY, a programme of building of night shelters, Accelerated Urban Water Supply (AUWSP), and Low-Cost Sanitation - were in place to provide a range of services to the urban poor including the slum-dwellers. Many of the schemes here included identification of the urban poor, formation of community groups, self-help thrift and credit activities, training for livelihood, credit and subsidy for economic activities, housing and sanitation, environmental improvement, community assets, wage employment, and convergence of services.

The Strategy Paper notes that frequent changes have been made in the make-up and composition of the programmes as well as

Box 5

URBAN POVERTY ALLEVIATION PROGRAMMES FROM UCD TO SJSRY TO BSUP/JNNURM	
1958	Urban Community Development (UCD)
1972	Environmental Improvement of Urban Slums (EIUS)
1981	Low Cost Sanitation for Liberation of Scavengers
1986	Urban Basic Services (UBS)
1986	Self Employment Programme for the Poor (SEPUP)
1989	Nehru Rozgar Yojana (NRY)
1990	Urban Basic Services for the Poor (UBSP)
1995	Prime Minister's Integrated Urban Poverty Eradication Programme
1996	National Slum Development Programme (NSDP)
1997	Swarna Jayanti Shahari Rozgar Yojana (SJSRY)
2005	Basic Services for Urban Poor (BSUP) / Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

Box 6

CONTENT OF SELECT URBAN POVERTY ALLEVIATION PROGRAMMES

... provision of environmental sanitation, primary health care, pre school learning, vocational training and convergence of other social services at the level of slums.

... enhance the survival and development of women and children of urban low income families

The Urban Basic Services (UBS), 1986

... aim at encouraging unemployed and under-employed youth to take up self employment ventures, with a loan-cum-supply assistance

... provision for creating wage opportunities for the urban poor by utilizing their labour for construction of socially and economically useful assets

The Nehru Rozgar Yojana (NRY), 1989

... upgrade urban slums by providing physical amenities, community infrastructure, and shelter.

... focus on community empowerment, and improvement and convergence of social sector programmes through creation of sustainable support systems.

The National Slum Development Programme (NSDP), 1996

... facilitate the construction and upgradation of dwelling units for those below-the-poverty line living in slums.

Valmiki Ambedkar Awas Yojana (VAMBAY), 2001

the institutional frameworks for implementing them. Employment-related programmes have faced enormous problems of effective targeting; and many others of fragmentation and overlapped

jurisdiction. The Strategy Paper notes that despite the crucial nature of the programmes, no systematic evaluation of any of the programmes has been carried out, with the result that there is no evidence

on what works and what does not. The Tenth Five Year Plan, for instance, noted that monitoring of the urban poverty alleviation programmes has been ineffective, adding that the “understanding of the (urban poverty) programmes, their objectives and modalities relating to implementation has been weak and superficial, leading to inaction in many areas that are of vital concern to the urban poor”.⁴⁴

The Tenth Plan points to other deficiencies in urban poverty alleviation programmes, as well, a few of which are noted here:

- failure to provide specific provisions in municipal laws for dealing with issues relating to the urban poor, slums, and economic planning for poverty alleviation etc., which flow from the Constitution (seventy-fourth) Amendment Act, 1992;
- failure to build capacities in municipal bodies to provide the required services to slum communities and the urban poor;
- continuing uncertainty regarding institutional arrangements for slum improvement programmes, between the municipal bodies, development authority, slum boards, housing boards, and parastatals, and failure to provide a coordinating mechanism;
- failure to provide a “place for the poor in the town planning process”; and

44. Planning Commission. 2002 Tenth Five Year Plan 2002-2007. Vol II, pp 627. New Delhi.

- lack of a commitments to achieve a breakthrough in bringing slum dwellers out of the stigma and misery of living in slums, and instead use public funds for tinkering with the symptoms.⁴⁵

The Strategy Paper has used this assessment to develop a “Slum-Free Cities” strategy which it considers necessary, viable and feasible for addressing the problem of urban poverty in India.

Decentralization, Urban Reforms, and the Urban Poor

Since the 1980s, there is a worldwide trend towards decentralization, involving a transfer of functions and responsibilities from the central or national-level governments to lower tiers, in particular local governments. Nearly all countries are experimenting with decentralization, which has often been portrayed as a panacea for the problems of development. The burgeoning global literature suggests that most countries have taken steps to devolve some decision-making powers to local governments, with several purposes, i.e., expanding their role in the national socio-economic system, improving governance, and broadening the participation of civil society in decision-making.⁴⁶ The early

45. Tenth Five Year Plan. Ibid. pp 628-29.

46. Decentralization refers to the process of devolving political, fiscal and administrative powers to sub national units of government. Although there are many entry points and strategies for decentralization, a country is not considered to have decentralized unless it has a locally elected sub national government. It is argued that decentralization can increase the efficiency and responsiveness of government.

decentralization debates hardly focused on its effects or likely effects on poverty.⁴⁷ In recent years, however, issues about the link between decentralization and devolution of powers and poverty have surfaced and questions are being asked: does decentralization serve the poor or hurt the poor?; does decentralization promote participation of the poor in local decision making?; does decentralization improve the quality of poverty-reducing public services, such as health and education etc.? Many of the researches on the subject have focused on testing the hypothesis that participatory local governments are generally better informed about the needs and preferences of local populations than the central government and hence are in a position to design strategies for addressing the needs and priorities of the poor. In a decentralized system, monitoring by local communities is easier as elected local governments are stated to be more accountable and responsive to poor people, and equally at involving the poor in the political processes. Decision-making at the local level gives more responsibility, ownership, and incentives to producing local public goods. On the other hand, it is hypothesized that the problems of expenditure control which are more

complicated in a decentralized set-up could lead to elite capture of public resources and administrations at the local level. Decentralization can also exacerbate political tensions between sub-national entities if there are significant spatial differences in income levels and natural resource endowments. In short, literature tends to suggest that while successful decentralization may improve the efficiency and responsiveness of the public sector to the needs of the poor, a badly designed decentralization could threaten economic and political stability with negative outcomes for the delivery of public services relevant to the poor.

The post-1991 era is marked by one of the most extraordinary shifts that have come about in India in the approach and thinking about cities and urbanization and the institutional and financial frameworks that should be in place for addressing issues of widespread urban poverty and other related urban issues such as the provision of shelter, services, infrastructure, governance, accountability and participation. The shift in approach and thinking stems, at least in part, from firstly, the need to realign the urban sector policies and programmes to the emerging macroeconomic context of the post-1991 period, and secondly, the growing importance of the role of cities and urban centres in the domestic economy reflected in their contribution to the country's gross domestic product and urban productivity. Both these factors have led to a series of important initiatives and interventions comprising (i) Constitution

47. See in particular, UN-HABITAT's International Guidelines on Decentralization and Strengthening of Local Authorities which, interestingly enough, refer to the role of decentralization in fostering democracy at the local level, and map out the principle of subsidiarity in determining the powers and responsibilities of local authorities as also their financial powers, but does not specifically discuss the role of decentralization in poverty reduction.

(seventy-fourth) Amendment Act on Municipalities,⁴⁸ (ii) capital market financing of municipal infrastructure,⁴⁹ (iii) Urban Reform Incentive Fund (URIF),⁵⁰ (iv) the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and (v) Rajiv Awas Yojana. The Constitution (seventy-fourth) Amendment - 1992, aims at empowerment of municipalities, via provisions that relate to the constitution and composition of municipalities, electoral procedures, functional powers and responsibilities combined with an institutional mechanism for determining their fiscal and financial base, and establishment of a planning body to bring about an interface between rural and urban areas.⁵¹ The accompanying

Schedule 12 (Article 243 W) comprising such functions as urban poverty and slum improvement opens up the functional space for municipalities, ending the period where they were responsible for the provision of local public and often some merit goods, to assuming larger developmental and redistributive responsibilities. The Schedule 12 represents a major functional reform of municipalities in India.⁵²

Box 7

EXPANDING FUNCTIONAL HORIZON OF MUNICIPALITIES

- Urban Planning including Town Planning
- Regulation of Land Use and Construction of Buildings
- Planning for Economic and Social Development
- Urban Forestry, Protection of the Environment and Promotion of Ecological Aspects
- Slum Improvement and Upgradation

48. The 74th Constitutional Amendment of 1992 was preceded by the Constitution (sixth-fifth) Amendment Bill, 1989. The 1989 Bill was defeated in the Rajya Sabha.

49. Capital market financing of municipal infrastructure comes in two formats: (i) initiative of the urban local body itself with due processes of credit-rating etc., and (ii) tax-free municipal bonds provided for under Article 10(15) of the Income Tax Act, 1960.

50. The components of the Urban Reform Incentive Fund (URIF) stand absorbed in the JNNURM.

51. The “why” of the Constitutional amendment, according to the Gazette of India September 16, 1991 is that in many states, local bodies had become weak and ineffective on account of the failure to hold regular elections, prolonged supersession and inadequate devolution of powers and functions. As a result, urban local bodies were not able to perform as vibrant democratic units of self government. Having regard to these inadequacies, it was considered necessary to bring in provisions relating to (a) the relationship between the state government and urban local government in respect of functions and fiscal powers, (b) regular conduct of elections, and (c) providing adequate representation for the weaker sections of the population.

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM), launched in

52. Note should be taken of the fact that there has rarely been any public debate on which tier of government should provide various services and which tier of government has the requisite resources to provide those services. Note may also be taken of the fact that if the failed 65th Constitutional amendment had been adopted, it would have substantially changed the functional space of municipalities, to include functions such as investment promotion and development of industrial and commercial estates, urban electrification and non-conventional energy sources, women and child development, city passenger transport, and hospitals and dispensaries. See Bill No. 50 of 1989.

December 2005, reinforces the aims enshrined in the Constitutional amendment and complements it with reforms that would enable cities and towns in India to meet the contemporary challenges of maintaining and accelerating the GDP growth rate on the one hand, and increasing access of the urban poor to shelter and basic services such as water and sanitation thereby making cities “inclusive”, on the other. It focuses on increasing local government efficiency, balanced with an increase in local accountability. The Mission is unique in that it combines a grants-in-aid component with urban sector reforms, whose purpose is similar to that of the economic reforms of the 1990s, i.e., eliminate those legal and statutory provisions that have constrained the functioning of the land and housing markets; do away with the pricing regime that impedes the flow of investment into urban infrastructure; undertake tax

reforms particularly of property taxation so as to bring about fiscal viability among municipalities; safeguard the interests of the urban poor households by ring-fencing of municipal expenditures meant for them, and bring in accountability by putting in place disclosure and accountability laws and the like. The JNNURM requires that basic services including security of tenure be provided to the urban poor and that the budgets for basic services to the urban poor be earmarked (see Box). Several other reforms such as the repealment of Urban Land (Ceilings and Regulation) Act, 1976 are also expected to contribute to poverty reduction.

Taken together, the 74th Constitutional amendment and the JNNURM, signal a different approach to urban poverty bringing in several new dimensions in coming to grips with urban poverty issues. These initiatives raise and address such vital

Box 8

JNNURM REFORMS RELATING TO THE URBAN POOR

- Internal earmarking, within urban local bodies, budgets for basic service to the urban poor
- Provision of basic services to the urban poor including security of tenure at affordable prices, improved housing, water supply and sanitation, education, health, and social security.
- Implementation of decentralization measures as envisaged in the 74th Constitutional Amendment Act.
- Enactment of a public disclosure law to ensure release of quarterly performance information to all stakeholders.
- Enactment of a community participation law to institutionalize citizen's participation and introduce the concept of the Area Sabha in urban areas.
- Earmarking at least 20-25 percent of developed land in all housing projects (both public and private agencies) for EWS and LIG category with a system of cross subsidization.

questions as what characterizes urban poverty?; which tier of government is best suited to respond to urban poverty and deal with issues relating to slum improvement and upgrading?; in what alternative ways should the developmental priorities of the urban poor be assessed and acted upon?; what mechanisms and channels might be used for urban poverty alleviation strategies and programmes, given that these have redistributive attributes?; and what are the different ways for ensuring that there is no diversion of resources to the non-poor households?. These are basic questions in formulating any approach to urban poverty.

A closer examination of these initiatives bring out several interesting features of the approach:

- urban poverty and slum improvement and upgrading are best addressed at the level of the municipalities and, therefore, should form an integral part of their functional domain;
- urban poverty is not just inadequacy of incomes to be able to buy a fixed amount of calories, but it is equally represented by inadequate access to improved housing, water supply, sanitation, and above all **security of tenure**. It is also a manifestation of the constraints to the delivery of education, health, and social security services to the urban poor.
- the developmental priorities of the urban poor including their infrastructure and service needs should

be determined by municipalities and incorporated in the City Development Plan (CDPs). Necessarily, these require a long term perspective and vision;

- identification of the developmental priorities of the poor needs to be a participatory, and not a top-down and “one-size fits all” process;
- urban poverty alleviation strategies require multiple channels of financing, including a specially designed inter-governmental transfer system, and ring-fencing of such funds so as to minimize scope for their diversion to other uses.

53

Mention may also be made here of the National Urban Housing and Habitat Policy 2007, the Swarna Jayanti Shahari Rozgar Yojana (SJSRY), and the recently-launched Rajiv Awas Yojana. The Habitat Policy lays emphasis on in-situ development of slums and preparation of a special action plan for slum dwellers with particular reference to the socially disadvantaged groups of urban population. The SJSRY aims at:

53. In the pre-1991 period, urban local governments were responsible for the provision of those public goods that were local with no or little inter-jurisdictional spillovers. Likewise, the financing of such goods and services was undertaken via tax bases that were immobile in nature, limiting the cost burden of services to local governments jurisdiction. The two sides were expected to be in some kind of a balance. The 74th Constitutional Amendment, by affecting a change in the functional profile of the urban local bodies (i.e., inclusion of redistributive responsibilities) has brought in place a new institutional mechanism for assessing their financial needs; and provide for the same by a mix of municipal fiscal reform and an inter-governmental transfer system.

- Promotion of gainful employment
- Supporting skill development in line with employment opportunities opened by the market, and
- Formation of self-managed community structures for developing employment strategies

The central approach of the Rajiv Awas Yojana is to redress the shortages of urban land, amenities and shelter that lead to the creation of slums. It explicitly recognizes that slums are a creation of faulty town planning, and that assigning property rights to slum dwellers and bringing them into the formal system would enable them to access adequate shelter and other amenities that are otherwise denied to them.

The Strategy Paper has taken note of these developments and suggested, in accordance with the terms of reference of this study, ways of refocusing and harmonizing the existing policy and programmes for increased efficiency and effectiveness.

Slum settlements and poverty in cities and towns are commonly observed in much of the world. According to the Global Report on Human Settlements 2003, almost 1 billion people or 32 percent of the world's urban population, live in slums, the majority of them in the developing world. The same report observes that "slums represent the worst of urban poverty and inequality" and points out that "without concerted action on the part of municipal authorities, national governments, civil society actors and the international community, the number of slum dwellers is likely to increase in most developing countries. And if no serious action is taken, the number of slum dwellers worldwide is projected to rise over the next 30 years to about 2 billion".⁵⁴ Decades of experimentation with alternative approaches to dealing with slums and urban poverty have shown what works, where and under what conditions. Experiments have shown that solutions lie not so much in providing a water link or constructing affordable housing units but in improving governance, in strengthening the capacities of citizen groups and local authorities, and more important, in developing strategic and inclusive responses, involving the slum and poor communities. Using these assessments drawn from a large number of developing countries as well as the lessons learnt from implementing the urban poverty alleviation programmes in the country, this Strategy Paper advocates a strategy of "slum-free cities". A slum-free cities strategy combined with other complementary initiatives including the one that aims at preventing the formation of new slums is more likely to make a decisive dent on the problem of urban poverty.

The Future Load of Urban Poverty

As India moves closer to the mid-point of the Eleventh Five Year Plan, urban poverty remains a problem of huge proportions. Of the world's total number of urban poor, 39 percent live in India on less than US \$1.08/day (PPP 2002). On measures applied domestically, one in every four urban residents in India survives on less than Rs. 19/day. Over 62 million persons live in slum settlements under threat of eviction and without access to even the barest of the services. *The poverty reduction targets fixed for the Tenth Five Year Plan 2002-07 according to which the numbers of the urban poor should have declined to 49.6 million*

54. Kofi Annan. 2003. In Foreword to the UN-HABITAT Report on the Challenge of Slums. Earthscan Publications. London.

Table 19

Urban Poverty Reduction Targets: The Tenth Five Year Plan

State	Urban Poverty 2004-05		Tenth Plan Targets	
	Numbers	%	Numbers	%
Andhra Pradesh	61.4	28.0	41.8	19.0
Assam	1.3	3.3	1.8	4.5
Bihar	32.4	34.6	54.7	32.7
Gujarat	27.2	13.0	4.4	2.0
Haryana	10.6	15.2	1.5	2.0
Karnataka	63.8	32.6	16.3	8.0
Kerala	17.2	20.2	8.0	9.3
Madhya Pradesh	74.0	42.1	74.5	31.8
Maharashtra	146.3	32.2	72.7	15.2
Orissa	26.7	44.3	23.6	37.5
Punjab	6.5	7.1	1.9	2.0
Rajasthan	47.5	32.9	23.4	15.4
Tamil Nadu	69.1	22.2	31.6	9.6
Uttar Pradesh	117.0	30.6	111.3	26.2
West Bengal	35.1	14.8	22.2	9.0
Delhi	22.3	15.2	3.2	2.0
All India	808.0	25.7	495.7	15.1

Source: The Tenth Five Year Plan. Table 6.6. pp 133.

persons and the headcount ratio to 15.1 percent have not been achieved.⁵⁵

Table 20

Numbers of the Urban Poor: Alternative Scenarios for the Year 2020 A.D.

Alternative Scenarios	Estimates Numbers the Urban Poor Million
1. Continuation of the 1993-2004 urban poverty trends (simple extrapolation)	87.82 (20.7%)
2. Regression estimates:	
a. Maintaining the causal relationship between the numbers of the urban poor and urbanization level, and maintaining the GDP growth rate of 6.3 percent observed during 1993-2004, but increasing the rate of urban population growth by 0.5 percentage points (to 3.2 percent)	113.60 (26.7%)
b. Maintaining the causality between the numbers of the urban poor and GDP growth rate, and maintaining the urban growth rate at 2.7 percent, but raising the GDP growth rate by 0.5 percentage point i.e., to 6.8 percent	86.47 (20.3%)
c. An 8 percent GDP growth rate and an annual urban population growth rate of 3 percent	90.54 (21.3%)
<i>Figures in parenthesis are the percentages of the urban poor to the projected urban population in 2020 A.D.</i>	

These numbers are staggering.⁵⁶ A basic question that arises is: will the numbers of the urban poor rise in the coming decade or begin to taper off and decline? What is the likely future scenario? An attempt is made here to estimate the numbers under alternative urbanization and growth scenarios: viz., firstly by simple extrapolation of past trends, and secondly by simulating the combined effect of urban population growth rates and growth rates of gross domestic product. Projections are made for the year 2020 A.D. Table 20 gives the results of the alternative scenarios.

The numbers of the urban poor under these alternative scenarios range between 86.5 million and 113.7 million persons. *These scenarios suggest that over the 2010 and 2020 A.D. period, the numbers are unlikely to decline, although the proportions of the urban poor under these scenarios could dip to a low of 20.3 percent or rise to a high of 26.7 percent by the year 2020 A.D.*

Table 21

Projected Urban Population

Year	Population (million)
2009	343.21
2010	350.57
2015	387.76
2020	425.18
<i>Source: Registrar General 2006: Population Projection for India and States 2001-2026</i>	

55. The Tenth Plan targets for urban poverty reduction were to be met by the year 2007. Although the NSSO data on poverty estimates beyond 2004-05 are not available, indications from the thin survey conducted for the year 2006-07 are that the achievement of the targets is a long way off.

56. The Tenth Plan does not provide details of the basis on which these targets were fixed.

The Eleventh Five Year Plan 2007-2012 aims at inclusive growth and a 10-percentage points reduction in poverty

levels.⁵⁷ Bringing down the level of urban poverty from 25.8 percent in 2004-05 (2007-08 data are not available) to 15.8 percent by 2012 will be a formidable task, given that at least 58 million persons will have been added to the urban population base over the 2004-2012 period. Many more will be added to the urban population by the year 2020 A.D. (Table 21). *This Strategy Paper contends that a far bigger effort than provided just by growth strategies and other stand-alone initiatives will be necessary to address the problem of urban poverty.*

The National Urban Poverty Reduction Strategy (NUPRS)

The proposed National Urban Poverty Reduction Strategy (NUPRS) has four components:

- Slum-free cities: making cities and towns slum-free forms the centerpiece of the proposed NUPRS and is designed here to have a decisive impact on reducing poverty in cities and towns;
- A long-term Urban Land Policy that will estimate the future urban land requirements and provide for a system under which lands are to be added on a continual basis for urban use with the needed provision for the urban poor.
- Reinforcing the implementation of the Jawaharlal Nehru National Urban

Renewal Mission (JNNURM). The Strategy Paper considers reinforcement of this Mission as indispensable to urban poverty reduction and slum improvement and upgrading; and

- Safety net for the Urban Poor: as India gradually integrates into the world economy and as the country's cities and towns become sensitive to events beyond its borders, be it the price of food or of energy or of other tradeable goods and services, or upturns and downturns in the financial markets, they affect the urban poor. The Strategy Paper considers it essential to put in place a safety net for the urban poor.

Outlines of each of the four constituents are as under.

1. Slum-Free Cities Strategy

Slum-free cities strategies aim at slum renewal and redevelopment. Slum renewal and redevelopment in the proposed framework consists of the following components:

- security of tenure to slum residents in the form of property rights, outlined later in the section
- extension of basic network services including health and education to slum settlements
- provision of skills and training and non-wage, self employment assistance, the self-employment component in the SJSRY is proposed to be used in slum settlements covered by the slum-free

57. The Eleventh Five Year Plan. Ibid.

cities strategy

- microfinance for shelter upgradation; the relevant provision in the Rajiv Awas Yojana is proposed to be integrated with the slum-free strategy
- spatial planning and re-organization of slum space

Security of tenure as a strategy for alleviating urban poverty and as a component of slum renewal and redevelopment has been a contentious issue in India as in other developing countries. The debate on tenural security is multifaceted. Granting security is interpreted as rewarding illegal behaviour. Many of the informal and slum settlements are on prime lands. The process of granting titles is expensive and time-consuming, and

Box 9

The cornerstone of regularization policies as implemented in some developing countries such as Mexico during the 1990s is primarily based on the massive provision of individual freehold titles, or other forms of real rights. Rights can be transferred, inherited and mortgaged. Such responses require a series of complex procedures to identify the holders of rights and their beneficiaries; to resolve disputes; to delineate plots by surveying; to pay out compensation, if required, and to provide land registration and titling. Although it gives beneficiaries sound security of tenure, it is an expensive and time-consuming process, especially in contexts where the processing capacity of the administrations involved is limited, where land-related information is out of date or insufficient, and where centralized land registration procedures are complicated.

P. McAuslan. 1998. "Urbanisation, Law and Development: A record of research", in E. Fernandes and A. Varley (Eds). Illegal Cities: Law and Urban Change in Developing Countries. Zen Books Ltd., London.

often beyond the capacity of governments in the developing countries, involve as it does, identification of the holders of rights in case the slum settlements happen to be on private lands, delineation of plots by surveying, determining compensations, assigning titles and land registration, and resolving disputes. Many analysts have pointed to the other adverse efforts of granting title e.g., making the slum dwellers immobile or falling prey to the temptation of the market (See Box 9).

The Strategy Paper has considered the ramifications of granting security to slum

Box 10

In developing countries, municipalities have to cope with severe inequities in access to land and services which have led to the proliferation of informal and squatter settlements and the marginalization of poor populations. Access to land, infrastructure and microcredit are the fundamental ingredients of empowerment. They enable families to start improving their income as well as their living conditions. In developing countries the rapid growth of urban population fed by a massive influx of rural migrants and more complex migratory patterns of workers in search of better employment opportunities have led to the proliferation of slums and squatter settlements. This unplanned urbanization has overwhelmed the capacity of municipalities to release serviced land and extend services to poor communities in the peri-urban fringe.

NGOs and CBOs have become key partners for municipalities in efforts to improve the lives of the poor. Their outreach, mobilization and organizational capacities are critical to the success of social inclusion initiatives. Their partnerships have allowed municipalities to interlink programmes, address pressing needs and extend outreach to the very poor.

"Slum Action Plan in Sao Paulo" in Partnerships and Targeted Progress to improve the lives of Slum Dwellers. Graduate School of Design: Harvard University

dwellers. Reviews have also been carried out of the experiences with granting pattas in Madhya Pradesh. *The paper has taken note of the various forms of tenurial security, and considering the immense gains that could be derived from tenurial security for poverty reduction and converting the “dead capital” into assets, the paper suggests that slum dwellers be provided with inalienable but not tradable property rights.*⁵⁸

Box 11

FORMS OF TENURE

- Freehold
- Leasehold
- Co-operative tenure
- Collective tenure
- Use rights
- Regularised Squatting
- Tenure with leveraging rights

Effective implementation of slum-free cities strategy requires (i) establishment of slum community organisations, (ii) preparation of a city specific slum renewal and redevelopment plan as a key component of City Development Plans, (iii) changes in City Master Plans to allow for slum renewal and redevelopment and concomitant changes in the town planning legislations and city-specific building by-laws, (iv) a special purpose vehicle for designing and implementing the city-specific plans for slum renewal and

58. The legal sustainability of such rights and the mortgageability of rights will need to be worked out.

redevelopment, and (v) creating a fund for slum renewal by pooling resources from various programmes such as SJSRY, RAY and JNNURM.

2. Formulation of a long-range Urban Land Policy

Slum-free cities strategy deals with the renewal and redevelopment of existing slum settlements. Preventing the formation of new slums is as critical as dealing with the existing slum settlements. A key component of the preventive strategy is the availability of developed lands at affordable prices, set aside for meeting the needs of the urban poor. The Deepak Parekh Task Force in Affordable Housing for All⁵⁹ points out that urban land policy in India is long outdated, and the failure to make any adjustment to the urban land policy framed in the 1960s has resulted in encroachments on public and private lands and serious shortages of urban land at affordable prices. The Task Force recommends the commissioning of a professional study to examine the range of issues concerning urban land. The Strategy Paper endorses the position that additional lands should be brought in for meeting the land and housing requirements of urban areas, adding that “failure to add new lands will lead to encroachments, unauthorized occupation of public and private lands and create conditions for social disorder and insecurity”. *The Strategy Paper reinforces the need for action on the Report of the Task Force on*

59. Ministry of Housing and Urban Poverty Alleviation 2008. report of the High Level Task Force on Affordable Housing for All. New Delhi.

Affordable Housing for All as a step to prevent the formation of new slums.

3. Implementation of Reforms under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

Central to moving forward with the slum-free cities strategy is the implementation of the JNNURM reform agenda. Much has been written about the rationale of the JNNURM as also about its expected outcomes. *Making cities work especially for the urban poor require timely and rigorous implementation of the JNNURM reforms.* Although the scope of the reforms is wider, there are three sets of reforms that impinge on and contribute to urban poverty reduction viz.

A. those that deal with the assignment of responsibility in respect of urban poverty alleviation, slum improvement and upgrading, urban planning, and planning for economic and social development to urban local governments. As pointed out earlier, literature on fiscal federalism is divided on “which government functions and instruments are best centralized and which are best decentralized”.⁶⁰ This paper uses the weight of several crucial statements from the literature review in suggesting that *the urban local bodies play a direct role in poverty alleviation, slum improvement and upgrading, and urban planning:*

→ local governments are in a better

position to produce that level of public output and services which meet the demands of the population in that jurisdiction. It will have a higher level of welfare than the one where the central government provides a single, uniform level of public output;

→ local governments can address redistributive functions effectively because of the presumed lower information and transaction costs associated with the urban poor;

→ the central government is too distanced from local needs and preferences.

B. those that deal directly with urban poverty reduction and slum improvement and upgrading, namely (a) provision of tenurial security and basic services, (b) earmarking 20-25 percent of developed lands for economically weaker sections, and (c) internal earmarking of budgets for basic services;

C. those that relate to the elimination of land and housing market distortions comprising reform of rent control laws, reduction of stamp duty, conversion of rural lands for urban use, and property titling.

This Strategy Paper argues that these JNNURM reforms are integral to reducing urban poverty and utmost attention needs to be given to their implementation.

60. See for literature review, Om Prakash Mathur and Chandrima Sinha *ibid.*

Safety Net for the Poor

Most developing countries establish safety nets for the urban poor, in conjunction with, or as a supplement to, the urban poverty alleviation programmes. The primary rationale for a safety net is that the urban poor face greater risks and uncertainties; the urban poor are more linked with the market economy which makes them sensitive to macro economic shocks. These shocks are said to be transmitted via (i) the impact of the prices for such goods as food and energy which directly impact on the living conditions of the urban poor, (ii) downturns and upturns in the financial market, and (iii) changes in the structure of the labour market. The purpose of the safety net is to neutralize the negative effect of such shocks on the urban poor. As India integrates into the global economy, the need for establishing a proper safety net for the urban poor as a complement to the mainframe programme of slum renewal and redevelopment becomes crucial.

The Strategy Paper underlines the need for a safety net as an instrument that would help:

- the slum and other urban poor communities to achieve a minimum level of well-being
- mitigate the short-run adverse effects of reform measures on the urban poor, and
- protect the urban poor from unanticipated shocks like the financial downturns

The Strategy Paper suggests that the safety net for the urban poor be centered on the following:

- price subsidy for slum dwellers in respect of food and energy
- wage employment on labour intensive works: The SJSRY's component "Urban Wage Employment Programme (UWEP), the paper suggests, be integrated with the safety net for its effect and better targeting.⁶¹

A key aspect of the safety net is effective targeting. As alluded to earlier in this paper, many of the urban poverty alleviation programmes have yielded little on account of ineffective targeting. The purpose of targeting is to make the programme efficient. It is not an end in itself, but important to decide how much to target and how to do so on programme-specific activities.

This Strategy Paper suggests geographic targeting, i.e., designing safety net for the slum settlements covered under this strategy. The advantage of geographic targeting is that it is administratively simple and does not carry any stigmatization⁶² or possibilities of leakages.

61. The revised guidelines in respect of SJSRY note: "The programme seeks to provide wage employment to beneficiaries living below the poverty line within the jurisdiction of urban local bodies by utilizing their labour for construction of socially and economically useful public assets.

62. Accurately distinguishing between who is and who is not poor, incurs costs. There are costs of exclusion as well as costs of inclusion. Even in self-targeting, administrative cost of ascertaining the eligibility is said to be high.

Urban Poverty in Northeastern States

Northeastern states viz., Arunachal Pradesh, Assam, Manipur, Meghalaya Mizoram, Nagaland, Sikkim and Tripura display a different pattern of growth and development. The urban base of these states is limited, although in terms of the proportion of urban to total population, these states compare with the diversity that is observed in rest of the country. In Mizoram, 49.6 percent of the state's total population is classified as urban; Sikkim's urban population is only 11 percent of the total. Many of the states are currently facing growing urban growth pressures. However, outside of the Census numbers of population, there is little that is known about the nature of urban growth and urbanization or about the factors that are propelling urban growth and the like. Similarly, the nature and extent of poverty both rural and urban - is barely known and much less understood. As mentioned earlier in this paper, in order to arrive at the

poverty ratio for these states, the poverty ratio of Assam is applied to all Northeastern states on the ground that the sample size of household consumption surveys in these states is not large enough to produce robust results. The Census of India (2001) records population living in slums in only Assam, Meghalaya, and Tripura.

It is worth noting that urban poverty levels in the Northeastern states, measured in terms of the household consumption expenditures, is far below the All-India average and lower than all other states. The average monthly per capita expenditure (MPCE) in many of these states (see Table below) is higher in comparison with the All-India average. The incidence of slums in the three states for which data are recorded is also low.

The Strategy Paper has not been able to make any suggestions on how to address urban poverty issues in these states. It suggests that a separate study on the nature of the problem of urban poverty and slums in these states may be mounted before extending the proposed strategy to these states.

Table 22

Urbanization, Urban Poverty and Slums in Northeastern States

States	Level of Urbanization % (2001)	Incidence of Slums % (2001)	Average MPCE 2004/05 (Rs)	Level of Urban Poverty 2004/05
Arunachal Pradesh	20.7	-	881.1	3.3
Assam	12.9	2.4	1058.0	3.3
Manipur	26.6	-	726.4	3.3
Meghalaya	19.6	19.0	1190.1	3.3
Mizoram	49.6	-	1200.5	3.3
Nagaland	17.2	-	1498.5	3.3
Sikkim	11.1	-	1106.8	3.3
Tripura	17.1	5.5	1000.5	3.3
All India Average	27.8	15.0	1052.4	25.7

Research, Capacity Building and Urban Policy Making

Research: This Strategy Paper has been prepared under severe constraints of data, information and analysis. Besides the Census (2001) data on slums, collected and released for the first time with no grip on the trends, and the NSSO's quinquennial surveys of household consumption expenditure and occasional papers on housing conditions and employment, there exist no other data on the urban poor and slum dwellers. The result is that there is no way to come to grips with who the poor are, where they live and what they do. Three examples of data deficiency are indicated here: (i) the survey of slums undertaken by the Register General of India covers only slum settlements with 60-70 households, and notified and recognized slums in cities and towns of +50,000 population, which would be a gross underestimate of slum population, (ii) it uses an occupational classification that has little relevance for urban settlements, and (iii) it produces data on slum population for all metropolitan cities which, in several cases, is prima facie wrong. Similarly, the NSSO's consumption expenditure surveys are far less relevant in the context of the increasing divergence between the NAS and NSS estimates. Such gaps and limited data constrain a robust analysis of the poverty trends.

Of greater concern, however, is the absence of any impact studies of macroeconomic and other policies on the urban poor. The urban poor are affected in a major way by the shifts in the labour

market, trade policies and international agreements. They are also affected, as many NGOs have contended in recent years, by the implementation of JNNURM reforms. However, little is known about the impact of such policies and policy prescriptions, formulated with a very limited base. *The Strategy Paper proposes that actions be initiated to redesign the Census and NSSO data collection strategy in so far as the urban poor are concerned. It further suggests establishment of a research programme, dedicated to studies to assess the impact of macro and micro policies on the urban poor.*

Capacity: Addressing urban poverty issues is a comparatively recent undertaking in India. Most urban poverty alleviation and slum upgrading programmes have been formulated centrally, with little inputs from or participation by the state and city governments. The proposed slum renewal and redevelopment strategy in combination with the JNNURM place new responsibility upon urban local bodies and other local stakeholders, civil society and NGOs. *The Strategy Paper proposes a massive country-wide capacity building programme, focused initially on the design and implementation of the National Urban Poverty Reduction Strategy (NURPS) and later on the overall issues of inclusive urbanization, urban finance, and urban management.*

Urban Policy-making: Addressing urban poverty is an integral part of the way in which the entire process of urbanization is viewed and understood and the way in which it is managed and governed. Urbanization can be exclusionary as it has often been, no formal place for the poor in

cities and towns being the obvious evidence, or it can be made inclusive by jettisoning the archaic ways in which cities are planned and governed. The size, depth and nature of urban poverty are directly affected by these considerations as these are by other macro-economic and global events. It is hoped that this strategy paper would, on the one hand, help to launch a frontal attack on urban poverty dedicated on “slum free cities”, and on the other hand, open up a debate on the methodology used for studying the phenomenon of urban poverty on a continuous basis.

What is presented here is a strategy for reducing urban poverty - a framework and major contours of the strategy. The message of the strategy is:

INVEST IN SLUM RENEWAL AND REDEVELOPEMNT.

What form should this framework and message take is wholly a local responsibility and a local decision.

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This paper captures the basic features of the urban poverty alleviation programmes implemented since the mid-1980s.

Urban Basic Services (UBS) Scheme

The Urban Basic Services Scheme (UBS) was initiated on a pilot basis in 1986, with the involvement of the UNICEF and the State Governments, for the provision of basic social services and physical amenities in urban slums. The primary objective was to enhance the survival and development of women and children of urban low income families. It also aimed at provision of learning opportunities for women and children, and community organization for the slum population. The services to be delivered included environmental sanitation, primary health care, pre-school learning, vocational training and convergence of other social services at the slum level.

UBS applied to all urban slums.

Urban Basic Services for the Poor (UBSP)

During 1990-91, the previous UBS scheme was revised and enlarged with 100% Central funding and came to be known under the new name of Urban Basic Services for the Poor (UBSP).

UBSP sought to bring about a functional integration between the provision of social services under the previous UBS, and the provision of physical amenities under the

State sector scheme of Environmental Improvement of Urban Slums (EIUS).¹ It sought to provide an integrated package of social services by creating neighbourhood committees of the residents at the slum level. Its emphasis lay on mother and child healthcare; supplementary nutrition and growth monitoring, pre-school, non-formal and adult education; and assistance to the handicapped or destitute. In 1993-94, the UBSP mission was expanded to include the achievement of the objectives of the National Action Plan for children. By the end of the 8th Plan, the primary objective of UBSP programme was “to create participatory based community structures which identify and prioritize social service needs, and help implement, maintain, and monitor delivery”.²

UBSP emphasized community based management. It envisaged the appointment of Community Organizers (CO) and setting up of Neighbourhood level

1. EIUS was a high priority programme that was applicable to all notified slums in urban areas and aimed at providing seven basic amenities to slum households, namely: water supply, storm water drains, community baths and latrines, widening and paving of existing pathways and street lighting and other community facilities. The Seventh Plan placed great emphasis on EIUS increasing the per capita assistance from Rs. 250 to Rs. 300.

2. Annual Report 1996-97

Development Committees (NDCs) who would ultimately select the services to be provided. Priority was given to women while setting up these committees, and their participation was sought in selection of services. The onus of choosing from competing social inputs lay with the Neighbourhood Committees of the slum dwellers. The Scheme sought to empower communities by allowing the creation of registered Community Development Societies - drawing one representative each from ten Neighbourhood Committees. UBSP was eventually subsumed under the Swarna Jayanti Shahari Rozgar Yojana (SJSRY).

Nehru Rozgar Yojana (NRY)

NRY was a Centrally Sponsored scheme launched in October 1989 with the objective of providing employment to the unemployed and underemployed urban poor - targeted towards persons living below the poverty line. Within the target group of the urban poor the Scheduled Castes and the Scheduled Tribes had special coverage through earmarking of funds. NRY activities included skill upgradation, assistance for setting-up micro-enterprises, wage opportunity through construction of public assets and assistance for Shelter Upgradation. The NRY consisted of three schemes

1. The Scheme of Urban-Micro Enterprises (SUME)

SUME was designed to encourage unemployed and under-employed youth to

take up self-employment ventures. This scheme was applicable to all urban settlements. The scheme envisaged that 30% of beneficiaries would be women. The scheme had a loan-cum subsidy component and a training and infrastructure component. The expenditure on the subsidy element of the scheme was shared between the Central Government and the State Government/Urban Local Bodies on a 50:50 basis. Under this Scheme several States set up State Urban Development Agencies/District Urban Development Agencies (SUDAs/DUDAs) for streamlining the administrative mechanism for implementing the Nehru Rozgar Yojana.

2. The Scheme of Urban Wage Employment (SUWE)

The SUWE provided for creating wage opportunities for the urban poor by utilizing their labour for construction of socially and economically useful public assets within the jurisdictions of Urban Local Bodies. Construction works like community centres, common worksheds, and common selling places for the poor, paving of lanes, low cost water supply, construction of drains and sewers, pay-and-use community baths-cum-latrines and childrens' ponds were included in the scheme. This scheme was applicable to all urban areas with a population below one lakh.

3. The Scheme of Housing and Shelter Upgradation (SHASHU)

The scheme aimed to provide employment for those involved in housing and building activities. It had two components viz.

training and subsidy-cum-loan assistance. The training component was meant for skill upgradation and subsidies and loans were meant to provide infrastructure support facilities to beneficiaries, and machinery equipment to training institutions. The scheme operated in urban settlements having a population between 100,000 and 2 million with relaxation in the population criteria for hilly states, Union Territories (UTs) and new industrial townships. HUDCO was responsible for monitoring SHASHU and providing the requisite institutional finance.

Scheme for Educated Unemployed for Employment Generation in Urban Localities (SEEGUL)

SEEGUL was aimed at providing self employment opportunities for the educated unemployed by providing training in technical skills. It applied to towns with a population above one lakh. The scheme targeted all the unemployed who were matriculates, ITI diploma holders or had attended a Government sponsored technical training course of at least six months duration and whose family income did not exceed a specified level.

Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP)

The first integrated poverty reduction programme, the Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP) was launched in

November, 1995 to address urban poverty problems of small towns, which face a graver problem due to lack of resources for planning their environment and development.

The foremost objective of the new programme was to attack several root causes of urban poverty in an integrated manner with an appropriate and suitable plan strategy. This would include covering the inputs available from other sectoral programmes of Central Governments, Ministries/Departments as well as Non-Governmental Organisations by envisaging participatory implementation of the programme.

The scheme applied to towns with a population between 50,000 and 100,000 as per 1991 census, provided municipal elections were held in the cities (a singular exception was made in 1995-96). The district towns of North-East, Sikkim, Jammu and Kashmir, Himachal Pradesh, Garhwal & Kumaon regions of Uttar Pradesh, with population not more than 100,000 were also included. The Programme was implemented on a wholatown/project basis. Scheduled Castes and Scheduled Tribes constituted special target groups among urban poor.

The programme envisaged that the under-employed and unemployed urban poor youth would set up small enterprises relating to services, small businesses and manufacturing through skill development. PMIUPEP also aimed to provide basic physical amenities such as water supply, general sanitation, garbage and solid waste

disposal including small construction activities like roads pavements, drainage, community baths/latrines etc. on a whole town basis.

In order to facilitate direct participation of targeted groups through Community based Organisations (CBOs), Neighbourhood Development Committees (NDCs) comprising of women were to be set up. The NDCs were to be linked up to form Community Development Societies (CDSs) at the town level. Besides, Thrift and Credit Societies for urban poor women were to be formed as a significant step towards Women and Community Empowerment.

PMIUPEP was subsumed into the SJSRY after two years. At that stage, the States were only at the preparatory stages of data collection.

Swarna Jayanti Shahri Rozgar Yojana (SJSRY)

The SJSRY was launched on December 1, 1997, to provide gainful employment to the urban unemployed or underemployed (below the poverty line) by encouraging setting up of self-employment ventures or provision of wage employment. It subsumed the earlier three urban poverty alleviation schemes, namely UBSP, NRY and PMIUPEP. The programme was based on the same pattern of community organizations as prescribed under UBSP.

SJSRY consists of two major components, namely: (i) The Urban Self Employment

Programme (USEP) (ii) The Urban Wage Employment Programme (UWEP). A subcomponent of USEP is the Development of Women and Children in Urban Areas (DWCUA). The SJSRY rests on the foundation of community empowerment, and relies on creation of suitable community structures and delivery of inputs through ULBs. Towards this end, community organisations like Neighbourhood Groups (NHGs), Neighbourhood Committees (NHCs) and Community Development Societies (CDSs) are to be set up in the target areas based on the UBSP pattern.

1. Development of Women and Children in Urban Areas (DWCUA)

DWCUA aims at helping groups of urban poor women in taking up self-employment ventures. The group should consist of at least 10 women. The ceiling of subsidy under the scheme is Rs. 125,000 or 50% of the cost of the project (whichever is less). Where the group sets itself up as Thrift and Credit Society, in addition to its self employment ventures, it is also eligible for an additional grant of Rs. 25,000 as Revolving Fund at the rate of Rs. 1000 maximum per member. The Fund is meant for purposes like purchase of raw materials and marketing, infrastructure support, one time expense on child care activity, expenses upto Rs. 500 on travel cost of group members to bank, payment of insurance premium for self/spouse/child by maintaining savings for different periods by a member and any other expense allowed by the State in the Group's interest. The

Revolving Fund can be availed by a Group only after one year of its formation.

(IEC) Information, Education and Communication Component: States may utilize up to 2% of their allocation for activities under the IEC component. The State is expected to ensure that full use is made of the material made available by the Department of UEPA and the recognised national institution in this regard.

2. The Urban Wage Employment Programme (UWEP)

UWEP sought to provide wage employment to beneficiaries living below the poverty line within the jurisdiction of urban local bodies by utilizing their labour for construction of socially and economically useful public assets. This programme applied to urban local bodies where the population was less than 500,000 as per the 1991 Census. List A set the order of priority for the missing minimum services whereas List B set the order of priority for other required infrastructure. These lists alongwith the remarks of the CDS with respect to where such services should be located etc. are to be forwarded to the Town Poverty Eradication Cell at the beginning of the year. The DUDA or the ULB, whosoever is empowered on behalf of the State Government accords the final sanction. In the Tenth Plan, there was a target of assisting four lakh urban poor in setting up individual/group micro enterprises and imparting skill training to five lakh urban poor.

National Slum Development Programme (NSDP)

The objective of NSDP was the upgradation of urban slums by providing physical amenities like water supply, storm water drains, community bath, widening and paving of existing lanes, sewers, community latrines, street lights etc. Besides, funds could also be used for provision of community infrastructure and social amenities such as pre-school education, non-formal education, adult education, maternity, child health and primary health care including immunization etc. The programme also had a component of shelter upgradation as well as improvement and convergence of different social sector programmes through creation of sustainable support systems. The focus was to be on community infrastructure, provision of shelter, empowerment of urban poor women, training, skill up gradation and advocacy and involvement of NGOs, CBOs, private institutions and other bodies.

NSDP was subsumed under Jawaharlal Nehru Urban Renewal Mission (JNNURM) and was discontinued from the financial year 2005-2006.

Valmiki Ambedkar Awas Yojana (VAMBAY)

Launched on December 2, 2001 in the final year of the Ninth Plan, the primary aim of the Centrally sponsored scheme VAMBAY was to facilitate the construction and upgradation of dwelling units for people

living below the poverty line in urban slums and who do not possess adequate shelter. It also aimed to provide health services and an enabling urban environment through community toilets under **Nirmal Bharat Abhiyan**, a component of the scheme. Twenty per cent of the total allocation under VAMBAY was to be provided for sanitation, and community toilets were to be built for the urban poor and slum dwellers.

VAMBAY was the first scheme of its kind meant exclusively for slum dwellers with a Government of India subsidy of 50 per cent, the balance 50 per cent was to be arranged by the State Government with ceiling costs prescribed both for dwelling units/community toilets. The upper limit for upgradation of an existing unit was 50 per cent of the cost ceiling specified for the construction of a new house. The programme was implemented in partnership with State Governments, who were to set up the implementation machinery, arrange for land where required, and arrange for the credit component of the housing programme.

The entitlement of the States under the scheme was in proportion to their slum population. The State's share may consist of funds from any source in the form of subsidy or loan from Housing and Urban Development Corporation Limited (HUDCO) or any other agency. Proposals were submitted by the State nodal agencies to HUDCO who, in turn, processed and forwarded them to the Ministry with their recommendations. The funds were released by the Ministry only after a

VAMBAY account was opened by the State Nodal Agency and the share of the State/UT Government was deposited in that account. The programme has since been subsumed under JNNURM.

Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

The Ministry of Housing and Poverty Alleviation (MoHUPA) is the nodal ministry for the JNNURM Sub-Mission on **Basic Services to the Urban Poor (BSUP)** covering the 63 identified mission cities, and for the **Integrated Housing and Slum Development Programme (IHSDP)** that covers non-mission towns and cities. The programmes provide housing and basic amenities (such as sanitation, water supply, sewerage, solid waste disposal, etc.) to the urban poor, especially slum dwellers.

Night Shelters for the Homeless

This scheme provides night shelters and sanitation facilities to footpath dwellers in urban areas. Initially introduced in the metropolitan cities, it has now been extended to all urban areas having the problem of footpath dwellers to improve the shelter conditions of such vulnerable target groups. The per capita development cost provided for this is Rs.5000, 20 percent of which is financed by Central Government and 80 per cent from implementing agencies or a HUDCO loan. The overall implementing agency is HUDCO. The scheme allows for loan and

subsidies for the construction of shelter and sanitation facilities such as pay-and-use toilet seats, baths and urinals.

Two Million Housing Programme (2MHP)

A loan based scheme aimed at Economically Weaker Sections (EWS) and Low Income Groups.

Integrated Low-Cost Sanitation Scheme (ILCS)

The Centrally Sponsored Scheme of Urban Low-Cost Sanitation for Liberation of Scavengers was initiated in 1981. An important Eighth Plan scheme for urban sanitation, the implementation of the Integrated Scheme of Low Cost Sanitation and Liberation of Scavengers introduced in 1989 was accelerated during 1990-91 for achieving the target coverage of 500 towns. The scheme is being operated through the Ministry of Urban Affairs and Employment (earlier Ministry of Urban Development) since 1989-90, and by MHUPA from 2003-2004.

The Eighth Plan provision was Rs. 150 crore in the Central Plan, which was only about 25 percent of the required assistance to meet the objective of conversion of all the existing dry latrines in urban areas of the country numbering 50 lakh units into low-cost pour-flush sanitary latrines and 100 per cent liberation of scavengers on "whole town" coverage basis.

The Ninth Plan found that the impact of the programme on the physical and financial front had been unimpressive. A variety of reasons were cited including insufficient schemes provided by the State Governments, delays in preparing documents and papers for sanction of loan and subsidy (separately for each beneficiary), slow release of subsidy due to inadequate physical progress, inappropriate technology, lack of awareness and reluctance of State Governments to give guarantee. An evaluation of the programme in three States, sponsored by the Central Ministry of Urban Affairs and Employment had brought out evidence to show that the objectives of the scheme were not strictly adhered to, the recommended technology was often unsuitable, relatively better-off families took over a substantial number of the pour-flush latrines and funds were inadequate or not available for the superstructure.

The scheme was revised from a demand-driven, loan cum subsidy scheme and re-launched in February 2008 as a subsidy scheme with targets.

The challenges of urban poverty, both in terms of the growing numbers of urban poor and the task of meeting the increasing requirements of education, health, housing, infrastructure and employment, have in recent times become a prime concern for planners and policy makers. It should be noted that even though efforts were initiated in the Fifth Five Year Plan (FYP, 1974-79) to tackle the problem of urban poverty, it was only during the Seventh Plan period (1985-90) that concerted efforts were made to engage with the issues in a coordinated manner.

Seventh Five Year Plan (1985-90)

The Seventh Plan document did not specifically mention the importance of urban poverty alleviation, and laid emphasis on two programmes namely: Environmental Improvement of Urban Slums (EIUS) and Integrated Development of Small and Medium Towns (IDSMT). However, for the first time after independence, during the 7th Plan period an integrated view of urban poverty alleviation began to emerge with the development of a package of programmes such as Nehru Rozgar Yojana (NRY), Urban Basic Services (UBS), Environmental Improvement of Urban Slums (EIUS), Low Cost Sanitation (LCS), etc.

The NRY, designed to promote self-employment ventures and wage employment for the unemployed and the underemployed urban poor, was launched at the end of the Seventh Plan period in October, 1989. UBS envisaged support for basic services, especially social services while EIUS aimed at provision of basic physical amenities in all notified urban slums. The Integrated Scheme of Low Cost Sanitation (ILCS) and Liberation of Scavengers were introduced in 1989 for the

elimination of scavenging through construction of Low Cost Sanitation units. The Footpath Dwellers Night Shelter Scheme was introduced in 1988-89 to provide shelter, and later on also sanitation facility, to the pavement dwellers in cities.

More explicitly, the Seventh Plan further stated that the needs of the poor were to be taken into account in all physical planning exercises.

Annual Plans (1990-91 and 1991-92)

The Annual Reports of the associated ministry for 1990-91 and 1991-92 highlight the ministry's efforts at monitoring three UPA programmes, namely EIUS, UBSP and NRY. The emphasis was on the need to assist the urban poor by helping them to set up micro-enterprises, provide them avenues for enhancement or supplementation of their incomes, and housing or shelter upgradation.

Nehru Rozgar Yojana (NRY)

The Centrally Sponsored programme NRY which was recast in March 1990 with suitably revised guidelines consisted of three components namely: the Scheme of Urban Micro Enterprises (SUME), the

Scheme of Urban Wage Employment (SUWE), and the Scheme of Housing and Shelter Upgradation (SHASU). The Central Government indicated its overall contribution while the essential task of identifying, earmarking and coordinating the relevant sectoral inputs was undertaken by the State Governments.

Urban Basic Services for the Poor (UBSP)

The previous UBS scheme was revised and enlarged with 100% Central funding during this period to bring about functional integration with EIUS and came to be known as, Urban Basic Services for the Poor (UBSP). Its emphasis was on mother and child healthcare; supplementary nutrition and growth monitoring, preschool, non-formal and adult education; and assistance to the handicapped or destitute.

Environmental Improvement of Urban Slums (EIUS)

In terms of Plan outlay, EUIS remained the most significant programme in the urban sector during the Seventh Plan and Annual Plans.

Eighth Five Year Plan (1992-97)

While the Seventh Plan made a new beginning by explicitly identifying the problems of urban poor which were seen to be linked with creation of employment opportunities, the Eighth Plan recognized

that urban policies could directly contribute to achieve these goals. The high incidence of marginal employment and urban poverty was recognized as a pressing problem, especially in the informal sector, which accounts for a large share of total employment in large cities. The Eighth Plan recognized the need to upgrade informal sector occupations and their integration with the urban economy at large.

Recommendations of 8th FYP

The Eighth Plan document emphasized the need for improving and implementing urban development programmes, taking it beyond the existing ad-hoc and isolated manner. The key recommendations of the Plan included:

Better co-ordination of related programmes: IDSMT, housing and infra-structural development programmes of HUDCO, and employment generation scheme under NRY can be suitably integrated.

Urban poverty and unemployment: NRY to be made more effective by identification of potential and more appropriate activities, and by suitable organisation at the district/local level and people's participation.

Access of the urban poor to basic services: A combined package of UBSP and EIUS may provide effective means of overcoming the problems like water supply, sanitation, health and education.

Thrust area in the Eighth FYP

There was a stress within this plan on integrating both employment generation

and access to basic services involving community level organisations for urban poverty programmes. Most of the programmes were an extension of those of the Seventh Plan and 1990-91/91-92 Annual plans, but the content, physical coverage and funding pattern were revised in most cases in accordance with the thrust areas.

EIUS, UBSP and NRY remained the prime urban poverty alleviation programmes during the 8th FYP.

UBSP was finally implemented as a Centrally Sponsored Scheme during the Eighth Plan. The specific objectives of UBSP were better defined under the Plan as effective achievement of the social sector goals; community organisation, mobilization and empowerment; and convergence through sustainable support systems. It added another major objective to the programme - the achievement of the goals of the National Plan of Action (NPA) for Children.

The scope of the EIUS was widened to ensure that the EIUS, the UBSP, the NRY and the Scheme of Liberation of Scavengers formed a coordinated whole. Assurance of providing tenurial rights and evolving feasible cost recovery mechanism were recognized as important pre-conditions for the success of the EIUS in a longer term context.

Implementation mechanism for NRY monitoring at the State level (SUDA) and District level (DUDA).

NGOs to play an important role

The community structures created under UBSP were to be mobilized for the NRY, as it was to be implemented in convergence with other schemes.

PMIUPEP and SJSRY

The Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP) was launched in November, 1995. The PMIUPEP sought to address urban poverty problems of especially the small towns which face a graver problem due to lack of resources. The PMIUPEP gave priority to women, and Scheduled Castes and Scheduled Tribes which constituted special target groups among urban poor. The PMIUPEP lasted only for a short period of less than two years while still in the survey and assessment stage before it was subsumed in a subsequent new scheme, SJSRY.

Major Findings of the review of 8th FYP

A review of the performance of Urban Poverty Alleviation Programmes (UPAPs) operating under the Eighth Plan highlighted:

“that although urban poverty was no less severe than rural poverty, the common perception was that urban poverty was a transfer of rural poverty into urban areas;

that UPAPs were highly fragmented and had *overlapping objectives and strategies*.

that integration of UPAPs with sectoral development and area development programmes had been overlooked.

that the role of voluntary organisations and

community based organisation in planning and implementation of UPAPs was on the periphery.”¹

Ninth Five Year Plan (1997-2002)

The Ninth FYP highlighted for the first time the necessity to view urban poverty as distinct from rural poverty and not as a mere transfer of rural poverty into urban areas.

The above mentioned observations led to the modification of urban poverty alleviation programmes in the 9th FYP which are detailed below.

Schemes under 9th FYP

Swarna Jayanti Shahri Rozgar Yojana (SJSRY)

After experiments with a variety of combinations of schemes for employment generation, the integrated programme of Swarna Jayanti Shahri Rozgar Yojana (SJSRY) was launched in 1997.

SJSRY consists of two major components, namely:

- The Urban Self Employment Programme (USEP) and;
- The Urban Wage Employment Programme (UWEP).

While the NRY, PMIUPEP and UBSP were phased out, the self-employment and wage employment components of the

1. Ninth Five Year Plan.

NRY and PMIUPEP were re-organised under this single programme.²

The National Slum Development Programme (NSDP)

NSDP was initiated in the year 1997 as a scheme of Special Central Assistance to provide additional central assistance to State Governments for slum improvement. The shelter upgradation components of both NRY and PMIUPEP were merged with the NSDP.

Valmiki Ambedkar Awas Yojana (VAMBAY)

The Ninth FYP witnessed the launch of VAMBAY in the final year of the Plan in 2001-02. VAMBAY sought to fill a longstanding gap in programmes for slum-dwellers, namely, provision of a shelter or upgrading the existing shelter of people living below the poverty line in urban slums.

Night Shelter

The Ninth Plan also aimed to collect feedback regarding the impact of the scheme of Night Shelters/Sanitation Facility to Footpath Dwellers in urban areas

2. Hashim committee recommendations: (1) the self-employment component of NRY and PMIUPEP be combined into a single programme valid for all the urban areas all over the country; (2) the urban wage employment component as well as the physical infrastructure development component under the NRY and the PMIUPEP be merge and be made applicable to all the urban areas with a population less than 5 lakhs, and the wage component may be separated from the self-employment component as a separate scheme with a distinct identity; and (3) the shelter upgradation/housing component under NRY and PMIUPEP be retained either as a separate scheme or merged with the Slum Development/Basic Services Schemes operating at present.

in terms of actual users, coverage of the footpath dweller population and their satisfaction level information that was not yet available.

Strategy and Implementation:

Focusing on the need for effective implementation and management of UPAPs, the Ninth Plan highlighted the importance of *targeting* of urban poor as an essential component for the success of any anti-poverty programme. Thus, the plan recognized that the UPAPs should be designed to accommodate *flexibility* in operation. Key components of the strategy adopted in the Ninth plan are:

- effective targeting using either a self-identification system or a selection process by institutions responsible for financing and managing UPAPs.
- A "bottom up" approach to be adopted and routed through community based organisations. Effective participation of community institutions for extending loans and for aiding loan recoveries made under UPAPs.

Institutional changes in Project Administration:

It was proposed to appoint a Community Organizer (CO), preferably a woman, for about 2000 identified families. At the town level, there was to be an Urban Poverty Eradication Cell under the charge of a Project Officer. The Project Officer was to be responsible for coordinating the activities of all the Community Development Societies (CDSs) and COs.

At the district level, the State Government was to constitute a DUDA with an officer designated as the District Project Officer. At the State level, there was to be a SUDA, headed by a full-time senior officer of the State Government. The SUDA was designated as the State Nodal Agency for urban anti poverty programmes. At the national level, the relevant Department under the Ministry was the nodal department. The programme was monitored and overseen by the UPA Division. At the end of the Ninth Plan, UPAPs in existence included SJSRY, VAMBAY, NSDP, LCS. Night Shelters, Two Million Housing Scheme were the two programmes dealing with the urban poor.

Tenth Five Year Plan (2002-07)

The 10th FYP Plan focused on the drawbacks in the design and implementation of the existing UPAPs. During the 10th Plan, the various Central Government schemes providing services to the urban poor including slum-dwellers included NSDP, SJSRY, VAMBAY, Night Shelters, Two Million Housing Scheme, Accelerated Urban Water Supply Programme (AUWSP), and Low-Cost Sanitation. Services provided included identification of the urban poor, formation of community groups, involvement of non-government organisations (NGOs), self-help/thrift and credit activities, training for livelihood, credit and subsidy for economic activities, housing and sanitation,

environmental improvement, creating community assets, wage employment, convergence of services, etc. The 10th FYP stated that meeting the needs of the slum-dwellers should be better organized and effectively administered, and duly monitored at both State and Central levels.

Community and Convergence

Recognizing that urban poverty was a more complex phenomenon than rural poverty, The 10th Plan called for a multi-dimensional strategy which would focus on empowerment of the urban poor. The focus was on “convergence for achieving synergy”. The main focus was on water supply, drainage, solid waste management, as well as on health care, family welfare, education, *anganwadis* and creches.

Community Investment

A significant focus of the 10th FYP was community involvement and community empowerment. This was to be an effective way to give the poor a forum to talk about their needs and, ensure that their demands are met.

Capacity Building

The plan also emphasized greater capacity building among the people responsible for providing for the needs of the urban poor, for improving the level of services and satisfaction of the beneficiaries, and for providing coordinated services from a number of line agencies. The creation of UPA cells had to be followed up by training personnel in techniques of convergence and team formation, communication and planning.

SJSRY Improvements and Implementation

The 10th Plan document stated that SJSRY contained the two basic requirements of any programme of poverty alleviation namely, community involvement and empowerment, and employment generation. Suggested corrective measures for improved implementation of SJSRY included:

- The wage employment component to be used only for building assets and infrastructure relating to the urban poor, and not for general municipal works. The requirements and modes of implementation to be selected by beneficiaries themselves.
- Simplification of guidelines making them more concise, removing all ambiguities and contradictions.
- Revamping of the component of vocational training and improvement in the quality of training;
- Community organizers and project coordinators to be appointed wherever these are not present, with persons qualified in social work. The role of NGOs in projects to be strengthened. Full involvement of community structures created under the scheme in the activities under the scheme, including selection and implementation of works, formation of thrift and credit groups and groups of economic activities, etc. Encouragement of community structures to fulfill their role as pressure groups for highlighting issues relating to their betterment.

- Monitoring of the project at both the Central and State levels to be strengthened.
- Greater availability of credit for urban informal sector, especially the self-employed urban poor. Banks to finance self-help groups which provide micro-credit for informal sector activities.
- A thorough review and overhaul of the vocational training under SJSRY, which the Plan suggested, had failed to equip the candidates with “any sustainable level of skills or for self-employment”³

Recommendations of the 10th FYP (Additional schemes):

NSDP: To ensure proper utilisation, the NSDP funds were to be released for specific projects. States were to submit annual plans for projects which would upgrade selected slums.

Night-Shelters for the Homeless scheme: The Tenth Plan made the establishment of special night shelters for shelter less women and children a focal area.

VAMBAY and the Two Million Housing scheme were to be used to provide immediate benefit to the most disadvantaged segments.

From 2006-2007, under the Prime Minister's 15-Point Programme for the Welfare of Minorities, 15% of the physical and financial targets regarding assistance for micro-enterprises and skill training

3. Tenth Five Year Plan.

under SJSRY were to be earmarked for the minority communities. Further, the eligibility criterion for setting up microenterprises under (SUME) was tightened from 2006-07. Along with the existing family income criterion, *the beneficiary must be residing in the town for at least three years .and should not be a defaulter to any Nationalized Bank/ Cooperative Bank.*⁴

Eleventh Five Year Plan (2007-12)

Objectives for the 11th FYP

- To provide affordable shelter and decent living and working conditions.
- To make adequate provision of land for the poor in the Master Plans.
- To help in developing self-employment enterprises and job creation for the wage employment earners.
- To protect the economic interest and safety of women and other vulnerable sections of society.

In view of the increasing gap between the urban rich and the urban poor, the 11th Plan focused on “inclusive growth' in the urban areas. In this regard, it envisaged a two-pronged plan to empower the persons engaged in the informal sector living in urban areas. It aimed to provide training for better skills, higher productivity, and higher incomes on the one hand, and provide greater voice in the decision-making by

4. Ibid.

implementing the 74th CAA on the other hand. The Plan document also stated that the 11th Plan would focus on providing affordable urban services to slum dwellers and grant them tenure rights.

Conclusions

The SJSRY scheme was found to have been unsuccessful in providing effective employment opportunities to the urban poor, and was sought to be revised in keeping with the fact that urban areas have developed new skill requirements. In the light of the above, in 2005-06, a programmatic shift under 11th FYP was sought to be undertaken, with the revised SJSRY to be a market-led approach, combined with an integrated provision of backward and forward linkages. The scheme was to be revised in terms of all three components: self-employment, wage-employment, and the structural and organizational component.

In terms of future strategies for poverty alleviation, the 11th Plan strongly advocated the need for adopting the Mission approach, as seen in successful programmes like the 'Kudumbshree' model in Kerala, in order to make poverty alleviation systematic, scientific and time bound. After the launch of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), housing and basic amenities to urban poor, especially slum dwellers are to be delivered via the BSUP and IHSDP. These schemes/programmes, in addition to improved housing, also cater to other basic services such as sanitation, water supply, sewerage, solid waste disposal, etc.

The 11th FYP also approved the changes in the Integrated Low-cost Sanitation (ILCS) Scheme that was under revision. The revisions were expected to make the scheme more comprehensive and to complete the process of liberation from manual scavenging in the country. The revised scheme changed the target beneficiaries (now available only to EWS), the subsidy structure, raised the ceiling cost, and made subsidy available for constructing the super structure in addition to the plinth level (as was provided earlier).

Summary

The number of urban poor is increasing although the head count ratio is declining. Despite almost twenty years of market-driven higher growth and decades of urban poverty alleviation programmes with large expenditure outlays, the number of urban poor remains substantial and visible in the rising number of slums in Indian cities. While new and expanding factories and establishments offer several job opportunities and escape from poverty, vast numbers have not been able to participate in this growth and prosperity process. For the inclusion of such disadvantaged households, directed interventions are required. The span of urban poverty interventions thus far covers security of shelter and habitat; provision of basic services, that is, water and sanitation, solid waste disposal, street lighting, road connectivity, preventive health, and secondary education; and, access to employment opportunities. In most cases the success lies in interventions (i) developed in an integrated manner with strong local and community participation, (ii) with service delivery converging at the local level where capability, capacity, and sensitivity exist, and (iii) with market-driven employment programs.

Now, added is a focus on skill development to enable access to job opportunities. Proposed here is (i) a menu approach to services such that while programs are

integrated, the components are offered based on economic principles and beneficiaries can exercise choice in selecting the component that works best for them, and, (ii) intensive and sustained engagement including follow-up with beneficiaries post-intervention to achieve not just securing better employment but also “staying better employed” and “staying connected.” The interventions are structured as (i) securing rights to shelter, (ii) providing basic services, (iii) skilling and placement for higher earnings (through wage or self employment) targeted at the working poor, and (iv) skill retooling and re-employment or re-placement for out-of-work persons due to adverse market conditions, health shocks, etc.

Services with a public good component, or those for universal access, involving externalities or based on availability of complementary inputs, or involving property rights require governmental role. These include lease rights to shelter, basic services, ensuring provision of complementary inputs such as credit, infrastructure and logistics support, security and transportation for commuting to places of work. Partnering with the government are service providers of private goods and for-profit activity such as skill providers and skill demanders or employers. A key role is generating trust and acceptability of programmes, and subsequent hand-holding during the intervention. This is a not-for-

profit activity, requiring motivation and sustained involvement; best performed by local community groups and civil society institutions.

The returns of skilling have been found to be lower than expected, less than 8 percent per year, in studies conducted in the United States. Such evidence for Indian programs is not yet available. Moreover, the gains from the interventions dissipate as the higher earnings' jobs are not sustained. Two issues arise. One, given the high skill deficit among the poor and assuming similar low returns, either the skill investment level is scaled up or the expectation of poverty reduction is aligned to lower returns. Further, based on available evidence, sustaining the interventions will require sustained involvement as well. A mechanism to follow-up with beneficiaries can be evolved through the use of information technology. An account for each beneficiary with their training and employment history can be kept using a "Smart Card" that is part of a database. This will help to gather evidence on gains as well as in determining further skill development as desirable.

Second, evidence from Indian programmes must be generated for the NUPRS implementation to be effective. A formal monitoring mechanism or a Management Information System (MIS) needs to be put in place. Further, to know which interventions are performing and to

what extent, it is necessary to conduct formal impact evaluations. To do this, the evaluation must be built-into the intervention at the design stage to enable proper baseline data collection and setting-up of appropriate control groups wherever feasible.

Developing Interventions¹

The number of urban poor is increasing although the head count ratio is declining. Analysis shows that there is no robust evidence of poverty urbanizing itself. However, urban inequalities have risen and urban poverty is deepening. The percent of marginal workers among the urban poor is marginally different from that among the non-poor. The social groups more affected by urban poverty are scheduled castes and minorities. Urban poverty alleviation programmes have not made a dent in reducing urban poverty. The 11th Five Year Plan (FYP) states that rapid growth with more employment generation and directed poverty reduction programmes are required to reduce poverty.

The key planks of National Urban Poverty Reduction Strategy (NUPRS) must correspond to the causes of urban poverty. While the causes are difficult to establish, the characteristics of urban poverty can help to gauge the source of urban poverty and thus its effective solutions. One visible characteristic is housing poverty, slum-living and poor habitat conditions. Accordingly, as in earlier programs, the proposed interventions will include

security of shelter and habitat through rights to use/improve the slum shelter; and, provision of basic services, namely, water and sanitation, solid waste disposal, street lighting, road connectivity, preventive health, and secondary education. Another aspect is providing a safety net to those most vulnerable such as scheduled castes, minorities, women and children.

If most of the urban poor are regular workers (proportion of marginal workers is about the same among the poor), then despite working full-time, these workers remain poor. While in rural areas, the better-paying jobs may be hard to come by, the same cannot be said for urban areas. Then, a high proportion of working poor indicates low employability for the “better” jobs. While economy-wide high growth with employment creation and targeted assistance for the urban poor are major planks of NUPRS, added is an emphasis on skill development to increase employability and earnings, and reduce income poverty.

Increasing earnings by providing opportunities for skilling hinges on the creation of market demand driven skilling opportunities for the urban poor. Being market driven would lead to placement of workers in higher wage jobs. Similarly, for the self-employed, skilling toward higher value added products and services would increase earnings. The increase in earnings would help close the poverty gap and bring the beneficiaries out of poverty. With the increasing market orientation of the Indian economy and globalization, changes in

1. The author thanks Dr. Govinda Rao for enabling this study, Prof. Om Prakash Mathur for several discussions and guidance, and Renu Khosla, Robert Lalonde, P.K. Mohanty, and Manish Sabharwal for sharing their respective expert opinions. Many thanks are also due to Mr. Dubey, Mrs. Kaur, and Ms. Usha Mathur for their able assistance, usually at short notice. This study is based on discussions, interviews, slum-visits, and existing literature.

demand and adverse market conditions lead to redundancies and job losses. Health shocks could also lead to prolonged job loss. Out-of-work experienced persons also need retooling of skills and re-employment.

From the urban poverty alleviation programmes implemented so far, the key lessons are that success lies in interventions (i) developed in an integrated manner with strong local and community participation, (ii) with service delivery converging at the local level where capability, capacity, and sensitivity exist, and (iii) with market-driven employment programs. These lessons are blended with economic principles provision of public and private goods aligned to the nature of goods/services offered, choice in use of services by beneficiaries and competition amongst service providers.

For the purpose of delivering directed services, the focus should be on locations of agglomeration of urban poor, namely, slums. Thus, slum dwellers are the primary beneficiaries. Reduction of urban poverty would be manifest in improved living conditions and higher earnings, that is, earnings above the poverty line. The impact expected is reduction in the urban head count ratio, the poverty gap, and urban inequality.

Structure of Interventions

Interventions in the past have been focussed on one of the key aspects

security of shelter and habitat, basic services, safety net for the most vulnerable, and access to employment opportunities. These can be classified as comprehensive or strategic.

Comprehensive interventions, continuous and extensive in nature: These interventions have universal reach and need to be provided on a continual basis. Thus, this would typically include security of shelter and habitat for all, and, provision of basic services for all. Provision of a safety net for the most vulnerable also requires broad access and is in the nature of a comprehensive intervention.

Strategic interventions, recurrent but intensive in nature: Access to employment opportunities requires intensive engagement for the targeted beneficiaries. The coverage is not universal. The purpose here is to provide the desired assistance (skills) such that the beneficiary learns and improves outcomes (higher earnings) and therefore does not require the same assistance again. As such, these are in the nature of strategic interventions.

The span of interventions included here covers both comprehensive and strategic components, these components are inter-dependent, and offering these in an integrated package is likely to be more successful than offering these individually and sporadically.

Institutional Roles

Services with public good characteristics, or for universal access, involving externalities or based on availability of complementary inputs, or involving property rights require governmental role. These include lease rights to shelter, basic services, ensuring provision of complementary inputs such as credit, infrastructure and logistics support, security and transportation for commuting to places of work.

Partnering with the government are service providers of private goods and for-profit activity such as skill providers and skill demanders or employers. A key role is generating trust and acceptability of the program and subsequent hand-holding during the intervention. This is a not-for-profit activity requiring motivation and sustained involvement; best performed by local community groups and civil society institutions.

Providing and ensuring rights to shelter, basic services, a safety net for the most vulnerable, and ensuring the provision of complementary inputs in a coordinated manner will require active cooperation of the urban local bodies and convergence of delivery at the local level. Capability and capacity along with sensitivity towards the urban poor will need to be enhanced at the local level. Where necessary, talent may be augmented by hiring project specific staff with competitive remuneration.

Types of Interventions: A menu Approach

The interventions proposed here are to be an integrated package encompassing security of shelter and habitat, basic services, safety net for the most vulnerable, skilling and placement for higher wage jobs or higher earnings' occupations along with provision of complementary inputs, re-skilling for re-employment where the initial point of contact and interaction is accessible from within the slum itself. These are described below. Each enhances the value or gain from others, that is, there are positive externalities. A working poor person may be provided with skill training but is unable to secure a job because his health is at risk, he contracts viral fever and is unable to perform and loses the newly found job. Skilling for higher value-added services remains un-utilized because the person has no credit availability and no way of using her shelter as collateral.

The key services must therefore be offered in an integrated manner. However, the choice of services or the particular selection/order of services from the menu of services on offer (that any beneficiary may avail of) must be left to the beneficiary. To ensure service delivery, competition as embodied in the increasing market orientation must be embedded within this package. So, for instance, several skill providers may be enlisted and the beneficiary can have the choice of selecting whichever is best for him/her. Where competition is not possible, for example, provision of water and sanitation,

monitoring mechanisms must be used to ensure delivery.

Shelter

A dwelling, shelter or housing is an emotive issue. The basis is economic. Housing being a major household asset is a source of security, stability, confidence and optimism, and a basis for future household growth and prosperity. The housing sector is a source of economy-wide growth with multiplier effects. The policy objective, first-best, is affordable housing for all and slum-free cities. However, the reality is that 39 percent of slum-dwelling households have been living there for over 20 years, another 37 percent for 10-20 years, and just 24 percent are migrants within the last 10 years (GOI 2008, page 3, para 4). This continual slum dwelling existence is characterised by largely no rights to the land or dwelling in which they reside since slums are unapproved. Further, there is no accepted address. The threat of eviction without any compensation is real. Insecurity of tenure poses restrictions, the shelter remains unsecure even after decades of residing in it, the dwelling cannot be used as collateral to obtain credit, lack of address proof limits participation in government schemes as well as in the economic mainstream.

Given the reality of slums and extended periods of slum-living, the second best option for the government is to provide rights for the use of slum-shelter while aligning the second best options to

movement toward the first best outcome of affordable housing for all and cities without slums. The contours of how to provide rights - providing clear titles, limited titles, right to use dwelling or property, limited marketability or transfer of property, trade of shelter without altering land-use, enabling use as collateral for bank credit, provision of ration card or other address proof without overload on administrative (e.g., registrar's office) capacity, without distorting urban land and housing markets, and with in-built incentive for beneficiaries to move on to better shelter/habitat - is a thorny problem and merits experimentation and innovation (see Payne 2000).

Though difficult, a range or menu of options (some as stated above) needs to be devised, implemented, evaluated, and modified suitably for the purpose of securing shelter and enabling its use to increase earnings. To ease administrative load, e-governance could be useful. To serve the poor better, the website design can incorporate pictorial symbols and local language. To ease access by the poor, internet kiosks with an operator can be established via the integrated slum intervention proposed here. Second, financial products must be designed to allow (i) use of limited titles or rights to slum property as collateral for credit, and (ii) upward movement from slum-dwelling to affordable dwelling and beyond.

Provision of Basic Services

The range of services includes water and sanitation, solid waste disposal, street

lighting, road connectivity, preventive health (including awareness and counselling about ill-effects of substance abuse), secondary education (including additional benefits for the first two children), and enabling access to cooking gas and metered electricity connections. These are under the ambit of urban local government bodies. To improve provision of services, (i) integrate service delivery with housing and skilling interventions, point of contact of slum-dwellers with officials from within the slum, this would also help ensure provision of complementary inputs for the higher-skilled activities, (ii) build capability, capacity, and sensitivity of personnel at the local level, offer opportunities to local governments to do so, (iii) ensure commensurate financing avenues for the urban local bodies, (iv) recognize those urban local bodies that have exemplary performance and generate competition through performance ranking amongst cities or other urban local bodies, and (v) institute mechanisms of monitoring service delivery (see the section on Sustaining Interventions, Monitoring and Evaluation).

Safety Net for the Most Vulnerable

Most urban poor are working and incentivised to improve their lives by any reasonable means offered to them. However, the most vulnerable scheduled castes, minorities, women and children need direct assistance for survival and

subsistence. The assistance (i) would cover temporary shelter and availability of food, and (ii) must have incentives to exit and move on. Such a shelter with food can be clustered with slums. Peer support and counselling for such disadvantaged persons can be mobilised in the slum, helping to boost motivation to move on using assistance from the other components of the integrated slum-centric package.

Skill Development

Unlike the preceding interventions, skill development is a targeted intervention even among the urban poor. The objective is to enable a sustained increase in earnings of the chronic poor to achieve above-the-poverty-line or APL status. The urban poor are appropriate candidates as a majority of these are working poor. Thus, they have a habit of working and given opportunities to improve their employability, they would be willing. Thus, the participation in a skilling program may be high. However, the ability to learn and apply that learning in a sustained way is difficult and can require intensive engagement. Participants need to have high motivation and so the uptake or participation in a program may be low. Further, skilling requires more resources and therefore limits the number of beneficiaries possible.

A skilling intervention involves

- Identifying skills for training - must be driven by market-conditions or specified by prospective employers. A

clearing house or bank of skilling requirements can be built up at a national node into which local bodies can tap into while designing their specific interventions. Similarly, they could also add to this inventory of skill requirements in the economy.

- Identifying and mobilizing skill-providers - a directory of local skill-providers can be prepared. Further, the framework of training the trainers beefing up skilling capacity provided by the National Skill Development Mission (NSDM) can be tapped. Depending upon the skills demanded and the skill-providers' capacity, a menu of skilling opportunities can be included in the slum-centric intervention.
- Matching beneficiaries and skill-providers - While individual candidates' abilities are limited and resources to impart skilling are limited, it is not quite feasible to deny participation to those seeking it. It might therefore be prudent to randomly select participants or choose participants through a lottery. Of the participants so chosen, matching to one of the menu of skilling/training options may be based on objective criteria such as aptitude and attitude tests.
- Training, stipend, testing and certification Stipends are offered during the training to compensate for lost earnings. Anecdotal evidence indicates participation for collecting the stipend and nothing more. A

mechanism to discourage such practices can be found in linking part of the stipend to successful testing at different points of training. For the skilling to be marketable, credible certification is also necessary.

Market placement for the skilling or ensuring the skilling is productive

- Matching the skilled workers to jobs - skill providers must offer placements to participants successfully completing the training. As in business schools, where one benchmark of performance is the extent of placements (100 percent placement being a hallmark of A-grade business schools), so for skill providers' ranking and continued enlistment, placements must be a major criterion.
- Ensuring a market for the higher value-added products and services from micro-enterprises - the skill provider must ensure tie-ups with buyers or end-users. Ranking of skill providers and recognition for those excelling is one mechanism to facilitate performance.
- Ensuring the provision of complementary inputs such as credit, infrastructure and logistics support, security and transportation for commuting to places of work must also be integral to the intervention in order to ensure that the investment can begin to bear fruit. On provision of credit, linking the skilling intervention with property rights to slum shelter and devising financial products to enable credit would improve productivity of

the investment in skilling. Both housing poverty and income poverty would be reduced. Services like transportation have links with provision of basic services by urban local bodies. While local bodies need not enter into provision of private goods, they could facilitate such provision through this integrated slum-centric intervention.

Handholding for a defined period of time

While it is difficult to obtain a higher wage job or engage in higher value-added micro-enterprise, it is harder to sustain it. Follow-up, counselling and hand-holding are often a part of skill training. The appropriate period is not quite established. Anecdotal evidence suggests that even six months may not be enough to enable “staying employed.” Improving the returns from the investment in skilling would benefit from suitable experimentation and formal evidence on this component.

Skill retooling

With increasing market origins of economic activity in India and with globalization, workers are rendered out-of-work due to adverse market conditions emanating from internal and external shocks. Further, health shocks add to such occurrences. Workers are rendered poor, albeit temporarily, until they can find another job. For such persons, skill retooling is beneficial. This must also be accompanied by re-placement or re-

employment. A modular approach to skills could help to provide quicker access to skill retooling while limiting costs.

More on skilling: the economics of skill training

The returns of skilling have been found to be quite variable and on average, lower than that expected in US studies (Lalonde 1995). The returns to an additional year of schooling are about 8 percent increase in the average worker's earnings or about US\$ 2000. However, the returns from most job training programs (barring one) would be several hundred dollars. The returns from the more expensive but also more comprehensive and intensive training program, the Job Corps, would be equivalent or higher than returns from schooling. The skill deficit for the poor is large. With the scale of investments undertaken and the returns estimated from these programs, it appears that such returns would not be sufficient to ensure escape from poverty and thus a reduction in overall poverty. Moreover, the gains from the interventions may dissipate if the higher earnings' jobs are not sustained. Similar evidence for Indian training and skilling programs is not yet available. Given the high skill deficit among the poor and assuming similar low returns, either the skill investment level needs to be scaled up or the expectation of poverty reduction aligned to lower returns and a reduction in the poverty gap if not much reduction in the poverty level. Also to form appropriate expectations and aid policy-making, it is necessary to generate Indian data and analysis.

Sustaining the Interventions, Monitoring and Evaluation

Based on available evidence, sustaining the interventions will require sustained involvement as well. It begins with monitoring, to ensure that the intervention is actually implemented. Competition among service providers is an effective market-based mechanism to ensure both delivery and appropriate pricing. However, where public goods' delivery is concerned, other mechanisms are required. One such example that can be considered is the use of social audits by civil society institutions in-built in the National Rural employment Guarantee Act (NREGA) programmes.

Follow-up with beneficiaries is required both to sustain the intervention and to assess the gains from the investment in the programme. One mechanism to do this is through the use of information technology. An account for each beneficiary with their training and employment history can be kept using a “Smart Card” that is part of a database. This will help the beneficiaries to “stay connected,” and the programme to gather not only evidence on gains but also in determining further skill development as desirable.

Finally, evidence from Indian programmes must be generated for the NUPRS implementation to be effective. A formal internal monitoring system or a Management Information System (MIS) needs to be put in place. Further, to know which interventions are performing and to

what extent, it is necessary to conduct formal impact evaluations. To do this, the evaluation must be built-into the intervention at the design stage to enable proper baseline data collection and setting-up of appropriate control groups wherever feasible.

Final Remarks

While there are myriad challenges in designing and implementing an integrated intervention for reducing urban poverty, it is nonetheless necessary. It may not reduce poverty much but the marginal utility of the low returns is still likely to be very high. The returns can be measured and evaluated. The returns can also be increased by experimentation and innovation in public programs, by evaluation and feedback, and by expanding programs that perform and disbanding those that do not. Finally, skilling programs will help in overcoming the chronic obstacle of low employability allowing escape from poverty, however, a permanent solution will be strengthening public or government schools in urban areas and incorporating a strong skilling curriculum.