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# URBAN POVERTY IN DEVELOPING COUNTRIES

## A SCOPING STUDY FOR FUTURE RESEARCH

Johannes F. Linn

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# URBAN POVERTY IN DEVELOPING COUNTRIES

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### ABSTRACT

**T**his paper is a scoping exercise to explore options for research on urban poverty in developing countries. Based on a review of the literature and experience, the first part of the paper reviews the changing nature of the urban poverty agenda over the last 30 years by comparing today's issues with those addressed in *World Development Report 1979*. The issues are categorized by new issues, old issues still relevant, and forgotten issues; and are grouped by challenges, instruments, analytical and planning tools, data and benchmarks, regions/countries/cities, and institutions. The conclusion of this part of the paper is that while some of the old issues and prescriptions are still valid today, and some important ones apparently forgotten, there are many new issues and approaches that need now be considered. The sec-

ond part of the paper takes the large array of issues identified in the first section and selects 10 for more detailed consideration as part of a menu of potential high-priority research initiatives on urban poverty. They include slums, employment, small- and medium-size cities, and women/children/youth (from among the challenges); comprehensive slum upgrading programs, conditional cash transfer programs, and incentive-based approaches (from among instruments); happiness and life satisfaction research approaches, impact evaluation, and strategic planning tools (from among analytical and planning tools). Among regions, countries and cities, Africa is recommended as a regional focus, China and India for country studies, and Bogota (or possibly other large cities) for specific city studies.

## INTRODUCTION

**T**he Wolfensohn Center for Development at Brookings with the support of the Rockefeller Foundation has undertaken an effort to scope out a long-term research agenda for addressing the urban development challenge in development countries. This scoping exercise focuses on five principal areas: on urban land markets, on urban infrastructure finance, on urban poverty, on the political economy of urban development, and on external assistance and program delivery mechanisms for urban development. This paper develops a research agenda on urban poverty.

Why worry about the urban poor? Doesn't the majority of the poor in developing countries live in rural areas, and in deeper deprivation than the urban poor? According to the most recent available estimates, three quarters of the poor lived in rural areas in 2002 (Ravallion et al., 2007). But the absolute number and the share of rural poor among all poor in developing countries has been dropping over the preceding 10 years, while the absolute numbers and the share of the urban poor have increased over the same period. With most of the future population growth in developing countries likely to take place in urban areas, the share of the urban poor among all poor in developing countries is expected to continue rising and will likely reach 50 percent around 2030. (Ravallion et al., 2007) If one adds to this the expectation that the number of slum dwellers will double from 1 million to 2 million over the next 25 years (CARE, 2006)<sup>1</sup> and allows for the fact that slum dwellers in many regards are as badly off as the rural poor, and in some aspects possibly even worse (U.N.-HABITAT, 2006), then there can be little doubt that one needs to worry about urban poverty.

However, it would be a mistake to present the battles against rural and urban poverty as an either-or proposition. In reality, both efforts are mutually reinforcing. Reducing rural poverty will create demand for goods and services produced in cities and may help slow the rural-urban migration process. Supporting efficient urban growth and reducing urban poverty will help reduce rural poverty, by offering opportunities for rural migrants and by creating demand for goods produced in rural areas.<sup>2</sup> If one adds to this the fact that the urban poor are in many ways a key underutilized resource who, if educated, nourished, kept healthy and effectively employed, will not only benefit from, but also contribute greatly to, the rapid growth and development of their cities and countries—as the example of China has demonstrated—then there should be little doubt that focusing on the urban poor is a key development priority.<sup>3</sup>

The concern about urban poverty in developing countries is not new. As documented later in this paper, it goes back at least as far as the early 1970s, when then World Bank President Robert McNamara put the spotlight on poverty in general, and on urban poverty in particular.<sup>4</sup> As there now is a revival of interest in urban development and urban poverty, it is not surprising that experts and policy makers rediscover some of the old truths of the earlier generation of urban research, policies and programs. At the same time, in comparing today's challenges, instruments, analytical tools, data, country and institutional issues, with those of 30 years ago, it is clear that a whole set of new needs and opportunities for better urban interventions has opened up since the 1970s. With this, we also face a new research agenda on urban poverty.

The first part of this paper documents the new, revived and forgotten urban poverty issues and approaches,

as a way to help identify what are the key dimensions, insights and debates confronting a forward looking research agenda on urban poverty. The range of issues is large, and yet by necessity eclectic, as is the survey of the literature on which it draws. The purpose of this section is to organize the process of scoping out future research priorities and to be sure we take into account the lessons from the past, as well as keep track of a broad range of current urban poverty reduction challenges and opportunities.

The second part of the paper identifies a menu of potential research priorities. It briefly explains how one might combine the various dimensions of the urban poverty issues—challenges, instruments, analytical

tools, data, countries and institutions—to craft a set of potential research undertakings that could help inform the design and implementation of urban policies and programs to help reduce urban poverty in developing countries at a scale and intensity that would make a real difference in countries' and peoples' welfare around the globe. The list of potential research priorities is derived by applying a set of criteria relating to relevance, urban characteristic, dearth of prior or ongoing research, and suitability for analytical inquiry and policy or programmatic action. Although many potentially interesting topics drop by the wayside as principal focal areas for research, the list of potential research topics is still large. It is best seen as a menu from which one can make further selection.



## URBAN DEVELOPMENT AND POVERTY: THE OLD, THE NEW AND THE FORGOTTEN

**T**hirty years ago, the World Bank published *World Development Report 1979* (WDR 1979), the second in the series of annual flagship reports (World Bank, 1979). Chapter 7 of WDR 1979 focused on urbanization, alongside chapters on industrialization, employment and other development topics. Two background papers served as inputs for the urbanization chapter. Both were later published as books, one on urbanization patterns, trends and determinants (Renaud, 1981) and the other on policies for efficient and equitable city growth (Linn, 1983).

As one reviews these documents in 2009 and asks the question “what’s different today?” many of the issues, approaches and recommendations put forth 30 years ago look remarkably relevant today. WDR 1979 correctly predicted rapid urbanization for the next 20 years and the rise of many more mega cities.<sup>5</sup> It highlighted the productive capacity of urban agglomerations, but also stressed the increasing problems of congestion, environmental degradation and poverty. WDR 1979 regarded urbanization as inevitable, as both an opportunity and a challenge, and saw efforts to restrain it, including by limiting rural-urban migration, as misguided. It focused squarely on urban poverty reduction and branded measures to eradicate slums through evictions and destruction as counterproductive. WDR 1979—and the book authors in greater detail—instead recommended specific policies to improve rural and urban productivity, urban land management, expanded infrastructure and social service provision, elimination of inappropriate regulatory constraints on formal and informal commercial activity and employment, more decentralization and increased engagement of communities, and improved financing mechanisms. Many, of these recommenda-

tions remain relevant today. Calls for a paradigm shift in the thinking on urbanization and urban policies today,<sup>6</sup> which invariably echo the positions presented in WDR 1979, therefore create a sense of *déjà vu* among those who were involved in the debates about urbanization 30 years ago.

Looking back today one may be tempted to ask why is it that these recommendations did not provide much visible redress for the evident and persistent problems of cities in the developing world?<sup>7</sup> Three answers come to mind, and they are relevant for defining the current urban policy and research agenda:

- During the 1980s, the prevailing view on development shifted toward a principal focus on rural poverty reduction (the view that there was an “urban bias” in development policies gained considerable strength) and the belief that market forces and private actors had an overriding role to play in addressing the development challenge in general, and the urban development and poverty challenge in particular.<sup>8</sup> This meant that urbanization issues and public interventions to address urban problems lost out as a priority among many development experts and international donors.
- While the need to scale up successful interventions to address the huge urban challenges was recognized by the World Bank under the leadership of President McNamara (Linn, 1983, p. 178-179),<sup>9</sup> it was not a message widely followed in the 1980s and 1990s and remains a pervasive challenge today. As a result, while successful individual urban projects and even some scaled up programs can be cited in many areas of urban policy (see e.g., Struyk and Giddings, 2009), too few of them have been scaled up to seriously address the issues that cities face.<sup>10</sup>
- Too little attention was paid by the urban expert community to the political economy of urban policy formation and implementation, and too little was done to build multi-stakeholder alliances around the issues of urbanization. Of course, there were excep-

tions, such as U.N.-HABITAT and the Cities Alliance. But policy makers in developing countries, if anything, continued to see urbanization as a threat to be resisted.<sup>11</sup> WDR 1979 and its background papers were not oblivious to the importance of political factors and the influence of special interests in maintaining the status quo in regard to urban policy regimes,<sup>12</sup> but they did not propose specific strategies or approaches to overcome political opposition to more sensible policies. This was typical for the urbanization debate 30 years ago, and remains that way to a significant extent today.

In short, as today's generation of experts looks at the urban policy challenges and issues in developing countries, it is perhaps not surprising that they call for a new paradigm, challenge old fallacies, and propose measures and approaches that echo those proposed 30 years ago, but perhaps largely forgotten since. For the older generation, the temptation is to conclude that the intervening years seem to have brought little new in terms of progress on urbanization research and policies.

But on closer inspection one discovers that much progress has been made in the area of urbanization analysis and policy. Along with the rediscovery of some old truths, many new issues in urban development have been addressed over the last 30 years and many new policy instruments and analytical tools have been developed. And as Buckley and Kalarickal (2006) demonstrate for the case of the World Bank, financial support for one important area of urban need—shelter—in developing countries has expanded and overall been quite successful.

Table 1 summarizes in matrix format the new issues, the old issues rediscovered, and old issues that seem to have been forgotten. They are categorized under the headings of urban challenges, instruments, analytical tools, data issues, regions/countries/cities, and institutions. An overview of these issues is presented

in the remainder of this first section of the paper, as a background and prelude for the research agenda on urban poverty issues laid out in the second part. The coverage of issues is by no means complete, nor is the review of the vast array of possible research topics.<sup>13</sup> The hope is the paper has identified the most important issues at stake and provided at least a representative sample of references.

## Challenges

As one looks at the first column of the Table 1 one is struck by the large number of new urban challenges that have cropped up over the last 30 years. They range from a greater focus on the spatial dimensions of urban poverty—especially on slums—to new definitions and measurement of poverty and inequality; to problems faced by specific demographic groups; to crime and insecurity; to the impacts of global challenges; and to governance and political economy. Together with the issues that remain, are again on the table or have been forgotten, the range of urban development and poverty concerns today can easily seem overwhelming. Selectivity in policy and research—setting priorities and setting the right priorities—is therefore a major challenge in and of itself.

### ***New urban challenges***

A review of the urban literature shows that there is now a much greater focus specifically on slums. This is reflected in the elevation of slum eradication as a specific target under the Millennium Development Goals and in the many recent reports produced by U.N.-HABITAT and others on slums.<sup>14</sup> However, there remain differences of perspective: U.N.-HABITAT, advocacy groups such as CARE and researchers who focus specifically on urban poverty and slums tend to present rapid growth of slums primarily as a long-term, persistent problem that needs to be urgently addressed, and only secondarily as offering

**Table 1: Urbanization issues—new, resurrected or forgotten**

(black text indicates items with special relevance for urban poverty; shaded items are potential priority research areas)

| New Issues                                       | Challenges  |   |  | Analytical and Planning Tools                   |                                    |                             | Regions/Countries/Cities |  | Institutions |
|--|---|---|--|---|------------------------------------|-----------------------------|--------------------------|--|--------------|
|  | Slums and MDG Target 11   | Instruments   | Instrument   | Planning Tools                                  | Data and Benchmarks                | Cities                      | Institutions             |  |              |
| Poverty and Inequality                           | Micro-credit finance  | Land tenure/titling   | Happiness/life satisfaction analysis                               | Socioeconomic and demographic information (SDI) | China                              | Decentralization            |                          |  |              |
| Gender perspective/Women                         | Special approaches/targeted intervention (water, toilets, cement floors, street addressing, etc.) | Micro-credit finance  | Citizen Report Cards   | Poverty definition and measurement              | India                              | Ministerial coordination    |                          |  |              |
| ECD/Youth/Old Age                                | Private sector engagement/social entrepreneurs  | Micro-credit finance  | Urban Poverty Assessment (World Bank)                              | MDG tracking                                    | Africa                             | U.N.-HABITAT                |                          |  |              |
| Crime and insecurity                             | Community Driven Development (CDD)  | Private sector engagement/social entrepreneurs                          | Asset-based poverty analysis                                       |   | Fragile and conflict-ridden states | Cities Alliance             |                          |  |              |
| HIV/AIDS   | Comprehensive slum upgrading programs   | Community Driven Development (CDD)                                      | Longitudinal studies   |   | Bogota (and others)                | Civil Society Organizations |                          |  |              |
| Climate change (CC) mitigation and adaptation    | Multi-stakeholder alliances (incl. public-private partnerships (PPPs))                            | Comprehensive slum upgrading programs                                   | Impact evaluation  |   |                                    |                             |                          |  |              |
| Compound global crisis (financial, food, energy) | Conditional cash transfers (CCT)  | Multi-stakeholder alliances (incl. public-private partnerships (PPPs))  | Cost of doing business etc.  |   |                                    |                             |                          |  |              |
| Cultural heritage preservation                   | Policy-based interventions  | Conditional cash transfers (CCT)  | City quality indicators  |   |                                    |                             |                          |  |              |
| Governance (supply and demand driven)            | Incentive based instruments (output-based aid or tournament approaches)                           | Policy-based interventions  | ICT in public administration                                       |   |                                    |                             |                          |  |              |
| Political economy of urban policy                | Climate change funding  | Incentive based instruments (output-based aid or tournament approaches) | PRSs, National Urban Strategies, City Development Strategies (CDS) |   |                                    |                             |                          |  |              |

**Table 1: Urbanization issues—new, resurrected or forgotten (cont.)**

(black text indicates items with special relevance for urban poverty; shaded items are potential priority research areas)

|                             | Challenges  | Instruments  | Analytical and Planning Tools | Data and Benchmarks | Regions/<br>Countries/<br>Cities | Institutions             |
|-----------------------------|---|--|-------------------------------|---------------------|----------------------------------|--------------------------|
| <b>Old Issues Revived</b>   | Urbanization as an opportunity (as well as problem) | Slum Upgrading and Sites and Services Projects                       |                               |                     | Latin America                    | Ministerial coordination |
|                             | Scaling up  | Capital subsidies for urban services for the poor                    |                               |                     |                                  | Decentralization         |
|                             | Urban land management                               | Special assessment fees/land readjustment for infrastructure finance |                               |                     |                                  |                          |
|                             | Urban housing finance                               | Sub-national borrowing   |                               |                     |                                  |                          |
|                             | Investment climate                                  | Urban/Municipal Development Funds                                    |                               |                     |                                  |                          |
|                             | Employment and labor markets                        |  | Cost-benefit analysis         |                     |                                  |                          |
| <b>Old Issues Forgotten</b> | Managing urban transport/automobiles                |  |                               |                     |                                  |                          |
|                             | Small and medium city development                   |  |                               |                     |                                  |                          |

opportunities to be suitably supported and developed.<sup>15</sup> In contrast, the WDR 2009 (World Bank, 2009b) sees slums as hubs of productive activity whose conditions will improve over time, with limited scope for intervention by countries with weak institutional and economic capacity. Buckley et al. (2006) point out various reasons why the estimates and projections of slum populations by U.N.-HABITAT tend to err systematically on the high side. Reports in the media fall in both camps: Eaves (2007) in "Forbes" envisages a future where Western security experts will have to worry not only about failed states, but also failed cities. In contrast, Tuhus-Dubrow (2009) reports in the "Boston Globe" that some experts see the slums as a model for modern city life with their tightly-knit, community based, low-energy intensity economies. Hussock (2009) in "City Journal" traces what in his view is a grossly misleading perspective of slums "as bleak wastelands that transformed their residents into paupers and criminals and therefore had to be radically changed or eradicated" back to Jacob Riis' images of tenements in New York published almost 120 years ago.

More attention is now also paid to—and our understanding has much advanced on—the trends and patterns of urban poverty and inequality. The seminal paper by Ravallion et al. (2007), which produced new and improved estimates on urban poverty in the developing world, is widely cited and the basis for much of the current analysis of urban poverty at a global and regional level. At the same time there is a vigorous debate about whether the income/consumption-based measures of poverty are appropriate in view of the many other dimensions of poverty that need to be considered in principle.<sup>16</sup> There is also increasingly the realization that inequality within urban areas needs much more attention. This is seen as necessary to develop appropriate intra-urban policies that prevent

the emergence or persistence of extreme inequality within cities. But it is also presented as a way to demonstrate that looking at average urban and rural indicators fails to recognize that the urban poor in many ways share very similar deprivations—and sometimes worse—than the rural poor (U.N.-HABITAT, 2006; 2008a).

Urban research and policy has in recent years also focused more on specific subgroups among the urban population, especially women, but also on children, youth and the aged (Baker, 2008a). It is now also recognized that these groups are particularly at risk during economic crises, such as the current global economic crisis. (Baker, 2008b) While these demographic groups were not entirely neglected 30 years ago (Linn, 1983), their special contributions and needs have become the focus of in-depth analysis and more intensive, albeit probably still insufficient intervention. There is now a wide recognition that urbanization presents special opportunities and challenges for women, especially among the urban poor.<sup>17</sup> At the same time, the special needs of children, particularly during early childhood, is now widely recognized among experts, and is beginning to be a focus of the policy debate also in urban areas. (Young and Richardson, 2007) The issues of youth are recognized especially for regions and countries experiencing a significant youth bulge (Africa and the Middle East). Youth issues are typically linked to many critical aspects of urban development (unemployment, violence, etc.), but there is also a growing recognition that urban youth represents a potential dividend in terms of productive potential, if fully included in the economy and society.<sup>18</sup> Finally, as more developing countries, especially among the middle income group, are beginning to experience the impact of the demographic transition from predominantly young to predominantly older populations, the needs of the aged

take on increasing importance especially among the urban poor (Guzman and Saad, 2008).

Urban crime and violence, which 30 years ago were hardly a topic of research or policy attention in the development community, are now a much analyzed subject, related closely to the demographic groups just discussed, especially in Latin American cities, where it is a particularly significant problem. Women, children and the aged are especially vulnerable as potential victims of urban crime and violence, while young males are particularly prone to be among the perpetrators. (Baker, 2008a; Field and Kremer, 2006) Surveys show that neighborhood crime levels are a very important factor determining urbanites' satisfaction with the housing conditions (Lora, 2008). Crime is frequently cited as a key non-pecuniary dimension of urban poverty (e.g., Baker and Schuler, 2004).

Three new global threats have special significance in urban areas and gained much attention in recent years. First, the HIV/AIDS epidemic is a major scourge with particularly severe impacts on urban populations, especially in Africa. At the same time, prevention and treatment responses may be easier and less costly to implement in urban than in rural areas (Collins, 2008; Kedir, 2005; U.N.-HABITAT, 2006). Second, climate change is a global threat that has been widely addressed only in the last ten years. Urban experts have now focused their attention on the special urban dimensions of climate change mitigation and adaptation. From the perspective of the urban poor—who contribute little to CO<sub>2</sub> emissions—adaptation will be the major challenge. Urban settlements, especially in coastal areas, and poor areas within cities are more at risk from climate change impacts than other communities (McGranahan et al., 2008; U.N.-HABITAT, 2008a) and special efforts need to be made to protect the limited asset base of the urban poor from the

impact of climate change (Moser and Satterthwaite, 2008). A third, and most recent concern, is with the impact of the global financial and economic crisis that erupted in mid-2008, compounded by the preceding food and energy price crises. The urban poor, with their high dependence on the commodity economy, on trade-driven jobs, on purchased food and fuel, are seen to be particularly vulnerable to these external economic shocks (Baker, 2008b; Horn, 2009).

Another new topic on the global agenda, which has special relevance for particular urban areas, is the preservation of cultural heritage (World Bank, 2009a). Many of today's cities are built on the foundations of ancient urban settlements. With rapid urbanization there is a great risk that cultural assets will forever be lost, if not protected in a timely and effective manner. Preservation of the physical cultural heritage has not only intrinsic value for the self-perception and identity of the people living in the cities, but also has great potential for economic and community development (Global Heritage Fund, 2009).

Finally, among new challenges, the issues of good governance and political economy have risen to the top of the analytical and policy agenda in the development community. The specific relevance of governance challenges for urban areas at this point remain underexplored since most analysis focuses on national-level governance issues, but there is little doubt that these matters will gain in importance (U.N.-HABITAT, 2008a).<sup>19</sup> The political economy of urban policy and governance also remains largely uncharted territory, but deserves increased attention, as it has become clear that significant change in the quality of life in cities and especially improvements in the lives of the poor require substantially more mobilization of political commitment to the reforms and investments needed.<sup>20</sup>

### ***Old urban challenges—revived or forgotten***

Two of the revived challenges were already mentioned at the outset. First, understanding urbanization as an opportunity, not just a problem: The Commission on Growth and Development (2008), World Development Report 2009 (World Bank, 2009b), the new World Bank urban strategy (2009a), and the volume on urban issues produced by Martine et al. (2008) are examples of this approach. Nonetheless, as in the case of slums, there remain differences of perspective: U.N.-HABITAT, CARE, and others tend to present rapid growth of cities as presenting principally problems to be addressed, and on only secondarily present urban growth as offering opportunities to be suitably supported and developed.<sup>21</sup> In contrast, the WDR 2009 (World Bank, 2009b) sees urbanization as an opportunity first and only second as a problem to be addressed.

Second, scaling up of successful projects is clearly a critical challenge that is now becoming a more explicit focus of attention (e.g., Martine et al., 2008; World Bank, 2009a; Baker and McClain, 2009). However, it remains a topic that is not explicitly and directly addressed as a core challenge for all actors engaged in urban development activities. As a result too often successful interventions are not replicated or scaled up so as to reach a maximum number of beneficiaries.<sup>22</sup>

Other issues that have remained on or returned to the urban agenda are urban land management, urban housing finance and city investment climate. The first two have been treated in separate scoping exercises.<sup>23</sup> Suffice it to say here, that there are widely varying views on the scope of how far urban land management and urban housing finance can succeed in addressing the problems of urban poverty and slums (see e.g., Smolka and Larangeira, 2008; McGranahan

et al., 2008). Preoccupation with the investment climate at the national level in developing countries has become ubiquitous over the last decade and this is now gradually extended to the sub-national level and specifically to major cities within countries (World Bank, 2009a). This area is classified under the rubric of revived issues since in the 1970s and early 1980s World Bank and others carried out intensive research on commercial investment, location characteristics and investment incentives in urban areas of developing countries (Lee, 1989; Lee and Anas, 1989).

Turning then to issues that seem to have been largely forgotten, three important areas stand out. First, urban employment and labor markets were topics of concern in the 1970s and 1980s (Linn, 1983, Chapter 2, and references cited there). Today, there is virtually no discussion of employment and labor market issues in the urban survey and strategy documents recently produced (Martine, 2008; Struyk and Giddings, 2009; World Bank, 2009a) and academic and by U.N. agency research only has very limited references to these issues.<sup>24</sup> The main asset that the urban poor own is their labor, but without productive and well-paid employment this asset cannot yield the returns needed to lift them out of poverty. It is therefore surprising that so little attention is given today to the question of what determines urban labor demand and supply, in what way the labor market might malfunction, especially as regards the poor, and what could be done to help increase the effective demand for—and the quality of the supply of—the labor services that the urban poor have to offer. It could well be that the view expressed in WDR 2009 that “interaction of functioning labor markets with dysfunctional land markets” (World Bank, 2009b, p.89) as a cause of slums is so pervasive that there is a general belief that nothing can or should be done about employment and labor markets. Or it could be that employment and labor market policies are seen as requiring “spatially neu-

tral” policies and hence do not fall specifically under the rubric of urban policy concerns. Or, finally, it may be due to disappointment about the apparent lack of effective instruments to address employment issues. We will return to this topic in the second part of this paper when we discuss potential areas of future research.

A second area that now seems to have fallen into benign neglect is urban transport. This was a key area of attention in the 1970s and 1980s (Linn, 1983, Chapter 4), and for good reasons. Access to jobs and amenities of the urban poor depend on their residential location, the location of available jobs and amenities and the available and affordable transport services. And transport expenditures can take a significant bite out of the household budgets of the urban poor. According to recent estimates, the urban poor in Cairo spend 15-20 percent of their household income on transport, almost as much as they spend on housing. (Sabry, 2009) More generally, the efficiency with which cities work, depends significantly on the effectiveness of the urban transport system overall. The World Bank published an Urban Transport Strategy Review in 2002 (World Bank, 2002), which addressed urban transport issues in some depth and its Transport Business Strategy of 2008 (World Bank, 2008) covered urban transport issues in passing. WDR 2009 stresses the importance of transport to enhance “connectedness,” including and especially in urban areas (World Bank, 2009b). However, recent comprehensive urban strategy and survey documents have little to say about urban transport (Martine et al., 2008; Struyk and Giddings, 2009; U.N.-HABITAT, 2008a; World Bank, 2009a). The fact that none of this last set of documents discusses the challenges of congestion, energy consumption, pollution, investment costs and displacement of other urgent urban priorities, all associated with the rapidly rising ownership of private

automobiles in developing countries (and especially in the cities), is surprising.<sup>25</sup>

A final area that seems to be largely forgotten is how to support small- and medium-size cities. During the 1970s and into the 1980s the whole question of urban structure was much debated (Renaud, 1981). Since it was thought that small- and medium-size cities were falling behind relative to the large and mega cities (Linn, 1981) the idea of creating growth poles in lagging regions was much discussed. Today we know that small- and medium-size cities are growing more rapidly than the large cities (Cohen, 2006; U.N.-HABITAT, 2006) –with half the world’s urban population living in cities under 500,000 inhabitants–and to the extent information is available, it appears that the incidence of poverty and of slums is worse than in the large cities, while their institutional capacities and resources are a lot less. It is therefore surprising that not more attention is given to how to assist the large number of small- and medium- size cities (Struyk and Giddings, 2009; U.N.-HABITAT, 2008a; World Bank, 2009a).<sup>26</sup>

## Instruments

If the urban challenges look overwhelming, the good news is that there are new instruments available to tackle them—instruments that were not widely discussed or deployed 30 years ago, but that can be added to those that remain valid from the early days of urban development policy and practice. They fall into a few broad categories: Specific instruments directed at specific problems; systemic approaches designed to address broad urban issues; and new methods in aid that can be employed in targeting urban challenges. Ensuring the right instrument is deployed and implemented effectively in addressing priority urban challenges is a challenge in itself.



## ***New instruments***

Among the specific instruments, perhaps the most significant is land tenure regularization and land titling. Its most prominent proponent is Hernan de Soto (1989, 2000), who viewed it as an essential tool for economic and political empowerment of the urban poor. Since the publication of his seminal research land tenure regularization and land titling have become regular features in the urban literature, although in practice progress has been slow in many programs (Struyk and Giddings, 2009). It has also been recognized that land titling may have negative implications and, to be successful, needs to be combined in most cases with other interventions, including credit, improvements in services, etc. (McGranahan, et al., 2008; Smolka and Larangeira, 2008) Intermediate approaches between providing no and full title have also been proposed. (Payne, 2005) Views about the success of the huge land titling program implemented in Peru following De Soto's advice range from positive (as in reported in Struyk and Giddings, 2009) to failure (reported in Smolka and Lanrangeira, 2008).<sup>27</sup>

Micro-credit programs are another new instrument, not in general use 30 years ago but now enjoying great interest. Based initially on the experience of highly successful micro-credit programs in the rural areas of Bangladesh (most notable those of the Grameen Bank and of BRAC), such programs have also been extended to urban areas for support of shelter construction and micro-business development.<sup>28</sup> However, like land titling, they are not a panacea, since micro-finance lending tends to be restricted to those poor households living in relatively secure locations, not threatened by eviction and with reasonably secure jobs (McGranahan, et al., 2008). These programs also are of little help in developing urban infrastructure service improvements (McGranahan, et al., 2008). Nonetheless, the new World Bank urban

strategy envisages providing support to help scale up microfinance programs for the urban poor (World Bank, 2009a).<sup>29</sup>

Other new instruments relate to programs targeted directly at specific urban shelter or land use issues, such as provision of low-cost water taps, toilets, cement floors, bus rapid transit, and street addressing. Each have their own justification in providing some specific benefits to poor urbanites, and especially to slum dwellers, and success stories have been noted throughout the world for specific programs.<sup>30</sup> A common limitation of such programs is that they have not been scaled up, either to programs addressing the specific problem nation-wide and leading to replication in other countries, or by broadening the scope of the intervention to cover a broader set of the urban poverty and slum problems.<sup>31</sup> One program that has been scaled up successfully is the program "Patrimonio Hoy" of the Mexican cement company CEMEX, which provides a combination of cement, credit and technical advice for home self-construction by poor people. By 2007 it had reached almost 200,000 poor urban families over its first six years of existence, with plans to reach two million over the subsequent six years (CEMEX, 2007).

Three types of broader approaches are now attracting attention: involvement of the private sector and social entrepreneurs (Baker and McClain, 2009), community-based programs (also referred to as community-driven programs) (Buckley and Kalarickal, 2006; Carolini, 2008), and broad-gauged slum improvement programs (Struyk and Giddings, 2009) fall under this rubric. There were forerunners for each of these approaches in the urban shelter programs of the 1970s and 1980s (e.g., community participation in a World Bank program to improve the slums of Manila), but a systematic development of these approaches has

only been gaining traction in recent years. All of them involve usually the creation of multi-stakeholder alliances that bring together various actors from the public, private and NGO sectors as well as from the communities, local, provincial, national as well as international levels. The interesting question is what allows such multi-stakeholder alliances to form, function and sustain themselves.<sup>32</sup>

One new broad-gauged instrument that is of particular interest for urban poverty reduction involves conditional cash transfer programs (CCTs). The best-known and most-studied CCT prototype is the “Progres-a-Oportunidades” program in Mexico, which provides cash transfers to mothers in poor families, provided they enroll their children in school, regularly visit health centers and use nutritional supplements. (Levy, 2007) This type of program is now widely replicated, predominantly in middle income countries, especially in Latin America. (Chronic Poverty Research Centre, 2008, Annex C) It has also been recently introduced on a pilot basis in New York City. (Silva, 2008) A recent review of the application of these programs in urban Latin America showed that there is a significant set of obstacles that have arisen in the application of CCTs in urban areas, which raise questions about the applicability of such programs in cities. Another question is to what extent such programs can be effectively implemented in low income countries, especially those with high incidence of poverty and low administrative capacity.<sup>33</sup>

Finally among the new instruments, three specific examples are worth citing that refer to how international assistance is provided. The first is the fact that many donors now pay much more attention to the broader policy dimensions of urban development. While the broader urban policy context was understood to be important in the 1970s and early 1980s,

it was only with the advent of “adjustment lending” in the early 1980s (later also known as “policy based lending” or “general budget support”) that aid donors used their funding with the objective of systematically supporting policy reforms in various areas of recipient countries’ development programs. Such funding was relatively rare for urban policy reform, but over the last few years has become more common (Buckley and Kalarickal, 2006) and the new World Bank strategy envisages policy-based lending (World Bank, 2009) as well as lending to strengthen the institutional and financial infrastructure in cities.

Conditional cash transfer programs and policy based lending each involve the provision of monetary incentives to achieve certain outcomes—in the case of CCTs, the intended results are improved human development outcomes of poor people, in the case of policy-based lending, the outcomes are better policies and hence better development outcomes for the countries being assisted. A second innovative set of instruments extends the incentive approach in different directions: outcome-oriented funding and tournament approaches. Outcome-oriented funding rewards agencies and contractors by paying not for the delivery of inputs (roads, water lines, housing units or serviced lots, schools and hospital beds), but for the outcomes or results achieved (improved traffic speeds, higher water consumption and reduction in losses, improved housing standards, better learning and health outcomes). (see Eichler et al., 2009, for performance incentives in the health sector; Baker and McClain (2009, for urban programs). Tournament approaches similarly work via incentives, specifically by setting up conditions under which multiple actors (e.g., provincial or municipal governments, community organizations, schools, hospitals, universities, etc.) compete with each other for certain pecuniary or non-pecuniary rewards by improving performance and

outcomes, either by meeting certain preset standards or according to rank in performance achieved. Zinnes (2009) provides a detailed review of the experience with such tournament-based approaches, including of some examples involving municipal governments. He presents a useful analytical framework for assessing the design and implementation of tournament-based interventions.

Finally, among the new instruments it is worth mentioning new funding that may be provided for climate change abatement. As discussed above, cities in developing countries and the urban poor in particular, are likely to be negatively affected by the impacts of climate change. Funding for abatement of these impacts, to the extent it will be agreed to by governments participating in the global inter-governmental forums, such as the forthcoming Copenhagen Climate Change Conference, should then be channeled to assist cities and the urban poor in better coping with climate change. The amounts could be substantial and even dwarf the aid flows currently finding their way into urban areas.<sup>34</sup>

### ***Old instruments revived***

Some of the instruments for urban improvement used or advocated in the 1970s and 1980s are enjoying continuing or renewed attention again today. Among them the approach used in what were called “sites and service projects” and slum improvement programs—the provision of improved services to new or existing sites—enjoy a revival (Linn, 1983; McGranahan et al, 2008; Struyk and Giddings, 2008; World Bank, 2009a). More perhaps than previously, attention is now focused on preventing new slum formation, which requires the development and adaptation of the planning and investment approaches used in sites and services projects. The challenge remains how such

programs can be scaled up to reach sizeable fractions of the existing or future slum population (McGranahan et al. 2008).

A number of old issues need to be resolved in pursuing sites and service project and slum improvement approaches, including how to fund them. In this connection attention is also now reverting to some instruments previously considered.<sup>35</sup>

- Capital subsidies are needed for infrastructure services provided to the poor, if they are to be affordable, esp. for the financing of the investment in productive and treatment facilities and for primary, secondary and tertiary networks, as well as for in-house connections (including meters, etc.). The methods that can be used to achieve this with effective targeting and minimal efficiency losses were explored in Linn (1973) and in greater depth by Bahl and Linn (1992). These methods have been and will have to continue to be used extensively in future, if access to urban services is to be provided on a wide scale to the urban poor. (Struyk and Giddings, 2009) Providing capital subsidies for private operators may also be the only way—and the most efficient way—to involve private operators in urban service provision in poor neighborhoods. Annez (2006) reviewed the experience with private participation in urban infrastructure finance and found manifold obstacles for effective implementation.<sup>36</sup>
- A second approach that is gaining traction again involve recoupage of urban infrastructure costs by appropriating some of the increases in land values associated with such investments for their funding. Bahl and Linn (1992) reviewed the experience with such techniques, which included the Colombian “valorization” scheme and the Korean “land readjustment” scheme and concluded that they could and should be more widely applied. While there is little evidence that these methods have been widely used in the interim, it is interesting to note that the same ideas are now once again being tabled for

consideration and implementation. (Smolka and Larangeira, 2008; World Bank, 2009a).<sup>37</sup>

- Finally, access to loan finance by municipalities to finance their capital outlays is also again being considered a legitimate approach to fund urban investments. Of course, this requires careful supervision and local revenue and managerial capacity building to ensure loan resources are responsibly contracted and utilized. In this connection the establishment of Urban or Municipal Development Funds, which had already enjoyed a degree of popularity in the 1960s and 1970s, especially in Latin America, are now once again being considered by governments and aid agencies as vehicles to channel loan and grant funds to small- and medium-size cities. Annez (2008) reviewed the experience with such urban development funds in the World Bank's loan portfolio and found it to be promising. Such approaches are particularly critical, if the challenge of small and medium city growth and poverty is to be addressed effectively.

## **Analytical and planning tools**

Besides new challenges and instruments, a number of new analytical and planning tools have been developed over the last 30 years that help with finding appropriate solutions to the urban challenges, and in particular urban poverty. Based on these tools the capacity to engage in "evidence-based policy making," i.e., the design, testing and implementation of policies and programs—all development interventions in the broadest sense—has been much enhanced over the last three decades.

Four interrelated developments in analytical methods underpin modern empirical analysis in all social sciences and are fundamental to the improved capacity to engage in evidence-based policy making: development of survey techniques, including large-scale, even world-wide surveys; development and management of comprehensive data bases; development and applica-

tion of advanced statistical and econometric methods; and ease of access by analysts to much enhanced digital computing capacities. Using these inputs a number of analytical methods are now available to the urban analyst. Only the most important are listed in the Table 1, and briefly explained next.

### ***New analytical and planning tools***

Perhaps the most intriguing and fundamental new analytical tool is what is known as "happiness analysis," "life satisfaction analysis" or "quality of life analysis." Instead of looking at revealed preferences as expressed through per capita income and consumption and their composition, which has been the standard way for economists to analyze people's well-being, happiness and life satisfaction analysis bases its measurement of well being on people's personal assessments as revealed through surveys (Graham, 2008; Lora, 2008).

Presented by its proponents not as a substitute for standard economic analysis, but rather as a complement,<sup>38</sup> the approach yields useful insights into how people view their lives at a given time as well as over time, and into the factors that contribute to their subjective happiness and life satisfaction. Examples of findings relevant for urban poverty analysis are that people's happiness is more significantly impacted negatively by losses than positively by equivalent gains, and that falling into unemployment is a life event that has one of the most severely negative impacts on people's life satisfaction (Graham, 2008). Especially surprising is that surveys in Latin America have shown that on average people prefer informal over formal sector employment (Lora, 2008), even though they tend to be less productive.

Besides analyzing trends and patterns in life satisfaction and factors explaining them, the method

can be used for other purposes also, including as a supplementary tool of assessing the impacts of specific programs in terms of people's perceptions. A good example is the work by Cattaneo et al. (2009), who use subjective statements of satisfaction about the specific program (the "Piso Firme" Program in Mexico) to evaluate the impact of the program along with other objective variables of improvements in quality of life.<sup>39</sup> The method can also be used as a way to hold urban governments accountable for the quality of the services provided. "Citizens' Report Cards," while developed separately from happiness and life satisfaction work, fall under this heading. They have been used in selected Indian cities (Ravindra, 2004) and widely praised as a tool for improving accountability and providing for citizen feedback (e.g., World Bank, 2009a).<sup>40</sup>

Other analytical tools include the urban poverty assessments developed by the World Bank for a systematic review of urban poverty conditions, using an approach that is inclusive of many of the dimensions of poverty beyond income, which the critics of the pecuniary metrics of poverty would like to see covered (Baker and Schuler, 2004).

In analyzing urban poverty, whether in the form of a formal poverty assessment or in another format, various new analytical approaches and methods are available. Asset-based poverty analysis looks at a range of assets that the urban poor may have at their disposal, including physical and financial assets, as well as human, social and natural capital. The capabilities and constraints of the poor in accumulating and utilizing these assets is then analyzed in a dynamic context to explore how policies can maximize the potential for moving out of poverty (and minimize the risk of falling into poverty) (Moser, 2006; Moser, 2009). While intuitively very appealing, asset-based approaches to

urban poverty have not been widely utilized so far in the analysis of urban poverty.<sup>41</sup>

One new tool that is particularly relevant to urban development is the longitudinal method. While most poverty analysis takes cross-sectional snapshots of the incidence of poverty and its correlates, longitudinal studies follow the development of individuals and families or of communities over extended periods of time and analyze the dynamics of change. Since the growth of cities represents a highly dynamic process of change in which the status of individuals and of communities evolves, often significantly and rapidly, longitudinal analysis provides a better understanding of how the poor fare over time. Usually, such studies combine tools of objective and subjective (life satisfaction) analysis, based on repeat surveys of households in a given set of communities. Perlman's study of selected "favelas" in Rio de Janeiro from 1968 to (at least) 2005 is the classic case of a longitudinal approach to urban poverty analysis. (Perlman, 2007) She found that the lives of favela communities (consumption, housing, education, public services, etc.) generally improved over the years, and the gap between favelas and other parts of the city declined in these dimensions. Two problems, however, stood out: the ability to find jobs has deteriorated and hence the returns to education have been very disappointing; and the growing fear of crime. Moser applied a longitudinal asset study approach to her analysis of poverty in Guayaquil, Ecuador. She was able to track the long-term trends and shifting patterns in asset accumulation in poor neighborhoods over the period 1974-2004. Like Perlman she found that assets and welfare in poor neighborhoods increased over the years, but that community social capital dropped, accompanied by a dramatic rise in crime and fear of crime. (Moser, 2006; Moser, 2009)<sup>42</sup> At a simpler level, Cohen (2007) revisited a poor community in Dakar, Senegal, 30

years after the initiation of a major sites and services project funded by the World Bank. He found that much improvement had taken place, and that residential densities had much increased beyond what had originally been intended. The more complex longitudinal studies are costly, take a long time to yield results and require a long-term commitment by the institutions and researchers alike.<sup>43</sup> They therefore tend to be the exception, rather than the rule.

Also longitudinal in nature, but usually with a shorter time horizon, are randomized impact evaluations. They are in effect controlled experiments, where the impact of interventions is studied by contrasting in a statistically rigorous manner the outcomes of interventions in populations where a "treatment" was applied with outcomes in comparable control groups, where the treatment was not applied. Impact evaluation usually involves a baseline survey before the intervention or project is started with subsequent surveys administered over time to compare the impact in the treatment group as compared with the control group.<sup>44</sup> Impact evaluation has been used extensively in the health area (Field and Kremer, 2006) and for evaluating the impacts of conditional cash transfers (see Levy, 2007). Few examples exist for urban interventions, Cattaneo et al. (2009) being one. Field and Kremer (2006) review the many challenges facing randomized impact evaluation of urban programs. The World Bank has started impact evaluations for a number of projects (Baker 2008), but it appears that the effort has run into difficulties (World Bank 2009a, Annex A). The draft new urban strategy of the World Bank proposes to complete them by 2010, but it does not propose to expand the effort, which in fact may not be completed at all.<sup>45</sup>

An important new technical tool of data gathering and analysis explicitly focuses on the spatial dimensions of urban poverty: Geographic information systems (GIS)

and poverty mapping. This approach combines satellite imaging with socioeconomic information based in census and survey data as well as other sources to map the location, extent and density of key characteristics of urban poverty. This method can identify concentrations of poor people in and out of slums as well as gaps in service provision by service and location, and assist in the prioritizing and targeting of interventions by location and service. (Baker and Schuler, 2004) According to Torres (2008) the use of this analytical tool remains constrained by the lack of GIS coverage, socio-economic data, institutional priority and resources, especially at the city level, and by a lack of training for local administrators. The new urban strategy of the World Bank envisages support for GIS development in connection with project supporting street addressing (World Bank, 2009a).

At a more general level, but of relevance to the urban poverty agenda, are recent efforts to develop measures of investment climate and city performance indicators. The World Bank's "Cost of Doing Business" indicators are now widely used at a national level to assess the quality of the business environment in developing (and advanced) countries. They are also increasingly available at city level. (World Bank, 2009a, Table F5) More broadly, the Global City Indicators Program (GCIP), led by a coalition of cities and international entities, "aims to provide a standardized set of indicators that will enable cities to compare and benchmark their performance against their peers." (World Bank, 2009a, p. 12)<sup>46</sup> To the extent an improved investment climate and better city performance leads to more business and employment opportunities for the poor—directly or indirectly—this will help reduce urban poverty.

Turning from analytical to planning tools, national poverty reduction strategies (PRSs) are now standard practice in virtually all low-income countries.

They generally lack explicit consideration of urban issues. (Baker and Reichardt, 2007; Chronic Poverty Research Centre, 2008) National urban strategies have been developed and implemented in recent years in a number of countries and city development strategies, using the CDS approach developed by Cities Alliance, have been prepared in 103 cities in 48 countries. (World Bank, 2009a) For national urban and city strategies it appears that the main challenge lies in their implementation and especially in linking urban and city plans with investment and funding decisions (World Bank, 2009a). Aside from the question how to improve these strategies in these regards, one would also need to consider to what extent these strategies effectively incorporate and prioritize the urban poor. Another question is to what extent PRSs, national urban strategies, and city development strategies are, or should be, linked explicitly for consistency and effective implementation.

Finally, it is worth noting that urban administration, planning and implementation can now draw on major advances in information and communication technology (ICT). While in the 1970s the cadastral information, budget, tax and user charge data, inventory information and human resource data of municipal authorities fragmented and often still maintained manually in hard copy ledgers (especially in small and medium cities), today integrated electronic data and information management systems are in principle, and sometimes in practice, available to city planners, administrators and financial managers. One problem with these systems is that poor households and slums are not well covered by the information and data bases and hence do not get the attention in analysis, planning and implementation of urban development strategies (Torres 2008).

As a post script to the discussion of new analytical tools, one should mention that one tool which was widely in use in the 1960s and 1970s in making decisions about projects, including urban projects, and in their ex-post evaluation has now fallen virtually into oblivion: cost-benefit analysis. In the 1970s there was a lively academic and operational debate about how to design shadow pricing methods that would bring social and environmental considerations into cost-benefit analysis (see for example, Squire and van der Tak, 1975). These efforts subsided in the 1980s and virtually none of the documents consulted for this scoping exercise appear to make any reference to cost-benefit analysis as a tool.<sup>47</sup>

## **Data and benchmarks**

The need for better socioeconomic and demographic data is now widely recognized among urban experts (Torres 2008). Evidence based policy making on urban development and urban poverty is possible only with the right analytical tools and with the right data. When evaluating specific interventions that operate on a limited scale, it is usually possible at some cost to generate the data necessary for appropriate analysis, whether from technical specifications and investigations related to capital investments, from standard financial and socioeconomic data bases, or from surveys specifically organized for the project. The data issue becomes more severe when large programs at the level of a city, region or country are developed or analyses are carried out that look at urban and city development challenges generally. Here, despite improvements over the years, problems of generating the needed urban socioeconomic and demographic information remain severe, especially for the urban poor and for slums (Torres, 2008). The problems include the lack of or biases in information on slum

areas (due to biases in survey collection, access to slums, or difficulties in identifying poor households because of lack of street addresses, etc.). They include lack of cooperation among official and private institutions that generate specific data sets and usually the absence of a central repository for the compilation and access of urban and city data. Also, the attention and training of local officials who need to deal with the collection and management of information is insufficient. The previously mentioned Global City Indicators Program (GCIP) is an effort to collect a minimal set of city data on a consistent and comparable basis globally (World Bank, 2009a).<sup>48</sup>

A separate debate is currently underway among experts in regard to the definition and measurement of urban poverty. As mentioned previously, Ravallion et al. (2007) issued a much cited estimate of urban poverty trends and patterns which is a great improvement over previously available evidence, not least because the authors allow explicitly for cost-of-living differences between rural and urban locations. However, their estimates were criticized (see footnote 16), *inter alia* for neglecting intra-urban cost of living differences, for under-counting urban dwellers due to inappropriate national delineations of urban areas, and for focusing exclusively on pecuniary measures of income and consumption. The critics have suggested a whole host of variables that ought to be explicitly considered in defining poverty. The only problem is that no one appears to have come up with an alternative, more inclusive definition of poverty that can be quantified at the national and international level. Issues of measurement, aggregation and data availability stand in the way of progress on this issue.<sup>49</sup>

Finally among the data issues, one should mention the Millennium Development Goal (MDG) target for slums. This target was the focus of much attention in the

early 2000s for purposes of monitoring progress in regard to urban poverty reduction among the experts dealing with slums. (U.N.-HABITAT, 2003; 2004; 2006) However, the target (“By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers” United Nations, 2009) has also been the subject of much criticism for lacking in ambition and for lacking commitment and attention among the governments of the developing countries (CARE, 2006; Payne, 2005; Buckley et al. U.N.-HABITAT 2006). One might add that it is only one of many MDG targets and the only one directly dealing with urban poverty. Other targets (for water and sanitation, especially) are also relevant for urban areas, but have no disaggregation for rural and urban separately. Another problem with the slum target is that it is an aggregate global target, not broken down by region or country. Hence it is not surprising that governments pay little attention to it. Finally, it is notable that the U.N. MDG report for 2009 does not report on progress *vis-à-vis* the target, but shows changes by region in the percentage of “urban population living with shelter deprivation” (United Nations, 2009). And it is perhaps a sign of the disaffection with the MDG target for slums that U.N.-HABITAT’s mammoth 2008 report on the state of the world’s cities does not mention the target even once (U.N.-HABITAT, 2008a).<sup>50</sup>

## Regions, countries and cities

Thirty years ago Latin America was already heavily urbanized, with two thirds of its population living in urban areas (Rodriguez and Martine, 2008). Most other developing regions in contrast were still predominantly rural, especially Asia and Africa. It is therefore not surprising that urban analysts were then heavily focused on Latin America. Today, about 80 percent of Latin America’s population is urban, but other regions have also been rapidly urbanizing and half the world’s



population now lives in urban locations. Nonetheless, Latin America remains of interest, not least because it represents the future for the rest of the developing world, and learning from its experience is therefore of considerable importance (Rodriguez and Martine, 2008). Urban poverty and slums remain a problem in many Latin American cities, and informality of employment and crime have emerged as major challenges, even as the problems of housing, service access and tenure security have abated somewhat (Lora, 2008; Moser, 2007; Perlman, 2007).

At the other extreme, in terms of new attention to its urban development by the international urban experts, lies China. In 1980 only about 20 percent of China's population lived in cities (Bai, 2008) and the country was only just beginning to open up to the rest of the world politically and economically. Except in Hong Kong and what is today referred to as the province of Taiwan, there was no mention of China in Linn (1983). In 2000 China's urbanization rate was still relatively low at about 36 percent, but the transformation from rural to urban has been and continues to be dramatic, and according to government projections up to two-thirds of China's population may be living in cities by 2020 (Bai, 2008). Poverty in China has dropped precipitously, but substantial pockets of deprivation remain in rural and urban areas, rural-urban migration remains a major driving force, and managing the rapid growth has become a huge challenge, especially in terms of ensuring a fair and peaceful land conversion process at the urban fringes, dealing with congestion and tackling the severe environmental issues.

India, while already a focus of attention for urban experts 30 years ago because of its large and poor cities, has now moved into the forefront of the urban policy debate, both nationally and internationally, just as the film "Slumdog Millionaire" has popularized both the

problems and the vitality of Indian slums. Emerging from a long period of avowed anti-urban bias, the Indian authorities started to address urban issues explicitly in their national plans during the 1990s and have since developed various programs with the goal of improving India's inefficient and disruptive urban policy regime and reducing the scourge of widespread slums (Chandrasekhar and Mukhopadhyay, 2008b). Turning India's cities into efficient centers of production and exchange will be a key to maintain its growth momentum, while also assuring more effective means to address the urgent needs of the urban poor and slum dwellers.

African urbanization and urban poverty was a matter of concern 30 years ago and still is today, but the pressures which African countries face from urbanization if anything have gotten worse, as Africa's urban transition has been rapid in a context of overall sluggish economic growth. Slums have expanded at a rapid rate, and today their prevalence and that of urban poverty rates are the highest among the various regions in the world. Many countries in Africa are heavily dependent on aid, which restricts the degree of freedom that governments have in addressing urban issues, and most donors have been focused on rural development and have tended to neglect urban Africa. Governments in Africa have tried to slow the urbanization process and among experts a debate has been going on whether Africa's urbanization is exceptional to the extent its high urbanization rates are disconnected from the overall economic growth performance (White et al., 2008). And African cities suffer from the special burden of high HIV/AIDS prevalence, which robs the cities (and the countryside) of the most productive young work force and leaves behind large numbers of orphaned children and decimated family structures.

African countries are also heavily represented among the failing and conflict-ridden states, although other regions also have their share of such countries. State failure and conflict are the surest way to economic collapse and dramatic increases in poverty. They often also create large refugee flows, with many refugees ending up, temporarily or permanently, in or near cities, rather than in rural areas. Hence urbanization experts are now also increasingly concerned about the urban issues in failing states and zones of conflict (World Bank, 2009a).

Finally, it is possible to think of specific cities as the universe in which to address urban poverty. An example that comes to mind is Bogota: This city was the subject of an in-depth World Bank research study on the process of city development and poverty in the 1970s and 1980s (Mohan, 1994). Since then, Bogota has gone through a major transformation due to the efforts of a sequence of visionary and effective mayors. Learning more about the dynamics of change in Bogota, or in other cities that have gone to major transformations—for the better or worse—would result in lessons that could perhaps be transferred elsewhere, especially if based on case studies of a meaningful sample of cities.

## **Institutions**

The problem of cities is that they lie at the interstices of common institutional structures. National, provincial and city (even sub-city) governments are in charge of various urban functions, and multiple ministries and agencies at each level of government deal with different aspects of the urban agenda. Superimposed on this disparate governmental structure are various non-governmental civil society and private sector actors, each pulling in the direction of their own interests. And in recent years many central governments

have devolved responsibility to lower levels of government and to communities, but generally without also devolving corresponding revenue sources or ensuring that sub-national authorities have the capacity to deliver on their new responsibilities. These issues were a concern already in the past (Linn, 1983; Bahl and Linn, 1992), but their prevalence have if anything further increased with more actors, including many more official and private donor agencies, now active (Kharas, 2007) and as dysfunctional decentralization has progressed over the years (Struyk and Giddings, 2009). The challenge—and opportunity—will be to find suitable multi-stakeholder alliances that will allow the most interested and relevant actors to rally around common causes in addressing key urban issues.<sup>51</sup>

Turning to specific institutions, two new international institutions have been established over the last 30 years that have special responsibility and capacity for helping developing countries and cities in addressing their urbanization challenge. U.N.-HABITAT was founded in 1974 and has the mandate to help improve the quality of settlements especially for the urban poor and slum dwellers in developing countries. U.N.-HABITAT's resources are limited, but it has become a passionate voice for the cause of improving the urbanization processes around the world and the lives of the urban poor. The other new international organization is the Cities Alliance (World Bank, 2009a). While these agencies have done much good work in developing a better understanding of urban development and poverty issues and better instruments for urban interventions, it appears that the global institutional infrastructure for dealing with the urbanization challenge remains weak and underdeveloped.<sup>52</sup>

At the same time as global institutions have developed, important institutional innovations have also been made nationally, especially by the civil society

and community-level organizations. We have already mentioned the case of Grameen Bank and BRAC in Bangladesh, which have now also spread beyond their national boundaries and are replicating their approaches elsewhere. In India, SEWA, a women's

self-help organization has supported and mobilized women in rural and urban areas. Other examples of organizations of the urban poor are cited and analyzed in Carolini (2008).

## A TENTATIVE RESEARCH AGENDA ON URBAN POVERTY

**W**e now turn to the task of defining a research agenda on urban poverty. In view of the manifold dimensions—challenges, instruments, analytical tools, regions/countries/cities, and institutions—selectivity will be critical. That means that priorities have to be set. What helps is that the framework of issues that we have presented in the first part of this paper will permit reflecting on the interrelationships between the different dimensions. Indeed, by focusing on one set of issues one doesn't necessarily have to neglect all the others. It turns out that many of them can and need to be addressed as subsidiary aspects and key considerations or as methods needed to answer the principal research questions selected. This hopefully will become clear with the presentation of specific research issues.

What criteria might one have in mind for a preliminary selection from the many possible research issues? Here are the ones used in this section:<sup>53</sup>

- The issue selected should be a major challenge or opportunity for urban poverty reduction. Or it should be an instrument or analytical tool with special promise; an information and data management issue of high importance; a region/country with special urbanization challenges or a city with particularly relevant experiences and lessons to be mined; or an institution or institutional issue of particular significance for urban poverty reduction.
- The issue should have a specific urban dimension and/or lend itself to spatially distinct interventions in urban as against rural areas, or within cities.
- The issue should not have been extensively researched already, but preferably one that has been neglected or one where there are unresolved controversies and disagreements in practice or the literature.

- The issue should lend itself to analytical inquiry and offer up researchable hypothesis that are of practical relevance and can be translated in policy and program design and implementation guidance or recommendations. The underlying assumption here is that research should inform action, rather than principally lead to abstract theories or further research questions.

In reviewing the potential research issues proposed below, it is best to think about them as a menu of options for discussion and exploration. Not all of the issues can be sensibly pursued in one research undertaking. Further selectivity will have to sharpen the priorities actually chosen from the menu—to what extent will depend on the availability of resources, actors and time.

The presentation in the remainder of this section broadly follows the framework of issues presented in the first of the paper and shown in Table 1 above. It starts with potential research issues in the areas of challenges, followed by instruments, analytical tools, data, regions/countries/ cities and finally institutions.

### Challenges

Of the many challenges identified in the first part of the paper and in Table 1, four stand out as potential candidates for additional research and policy analysis: slums; employment; small and medium cities; and women, children and youth. These are explored below, more in depth for the first two topics and in a summary fashion for the latter two. The other challenges have for now been relegated, either because they are less central to the poverty agenda, and/or because they can be addressed effectively in the context of other research undertakings (e.g., HIV/AIDS, crime, political economy). Climate change most likely also is worth a separate research effort, but this requires more exploration than was possible for this paper.

Scaling up is a challenge that applies to all areas and needs to be considered throughout.

## Slums

The prevalence and growth of slums are—and are widely seen to be—a policy challenge of overriding importance for the cities of the developing world. Slums are directly linked to urban poverty, even as there is recognition that not all slum dwellers fall under the poverty threshold as commonly defined and that there are poor urbanites living outside slums (U.N.-HABITAT, 2006). Slums are the one and only urban poverty target included among the MDG targets.

The conditions of slums have been widely analyzed (esp. by U.N.-HABITAT, but also in a large number of research studies surveyed by Sung, 2009, including longitudinal studies such as reported on by Moser, 2006, and Perlman, 2007). There remain, however, many controversies and open issues. Among the controversies are these:

- Is it appropriate to focus on slums or should one focus instead on the urban poor wherever they are?
- Are slums predominantly a problem or an opportunity?
- Should targeted interventions to improve slums be deferred until countries have matured in terms of their economic and institutional capacities (as advocated by WDR 2009 [World Bank 2009]), or should they be tackled at whatever level of development a country and city might actually be (Struyk and Giddings, 2009; U.N.-HABITAT, 2008a)?
- Should one focus mostly on improving existing slums or work primarily to prevent the emergence of new slums, or both?
- Is the existing MDG slum improvement target worth monitoring, should it be abandoned or replaced with another target?

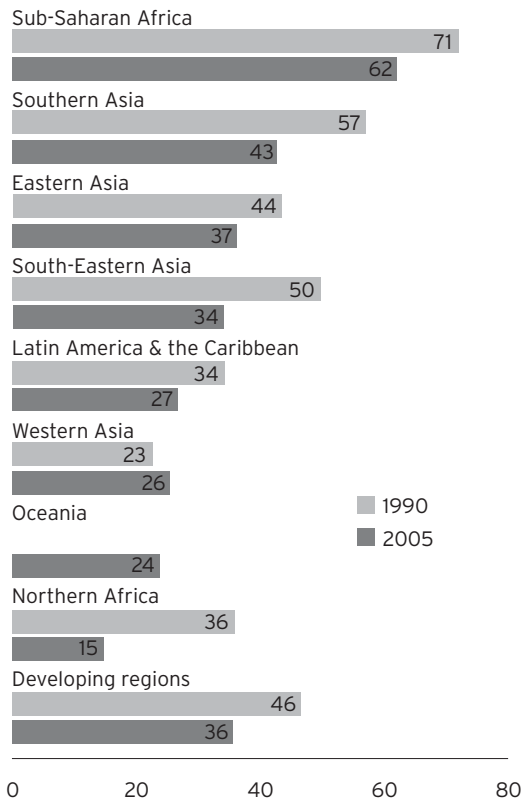
Aside from these questions, Sung (2009) in her background paper for this scoping exercise identified a number of useful research issues, which could be addressed in a research program focus on slums in developing countries.<sup>54</sup> It is clear that many of the specific challenges mentioned in the first part of this paper and in Table 1 apply in slums, many of the programmatic instruments applied and many of the analytical tools explored.

1. Challenges: Slums are not only a problem for the largest cities, but also for small and intermediate cities (e.g., Muzzini, 2008); however, how best to address slums in small- and medium-size cities has not been much explored. The urban problems of women, early child development and youth are likely to be heavily concentrated in slums, as are crime and violence. How to increase productive employment opportunities is of course a major challenge in slum areas, as is the question how to improve transport for better access not only to jobs, but also to health and education services. Climate change is likely to have a significant negative impact in slum dwellers, especially in the large coastal cities (McGranahan et al., 2008). Scaling up successful interventions is a perennial challenge for improving and preventing slums. The political economy of slum improvement is of critical importance in finding ways to mobilize sustained attention and support for slum improvement and prevention programs.
2. Instruments: Of greatest interest would be the evaluation of comprehensive slum improvement programs, both the more and the less successful ones (mostly the focus has been on the former, too little on the latter; see, e.g., Struyk and Giddings, 2009; World Bank, 2009).<sup>55</sup> In this context it would be possible also to explore the role of community driven development, private-sector engagement and microfinance programs, multi-stakeholder alliances and the potential future role of climate change abatement funding. The possible role of conditional cash transfers in reducing poverty in slum areas, and of incentives-based

approaches (including tournament approaches for addressing the slum challenges in the multitude of secondary cities, or even for different slums within mega cities), could be addressed. Finally, the role of specific instruments, such as land tenure regularization, street naming, sanitation improvements, and targeted improvement in specific housing characteristics (e.g., cement floors) could be explored.

3. Analytical tools: Many of the analytical tools available could and should be applied to specific aspects of the research. For example, a systematic application of happiness and life satisfaction analysis could yield a much more differentiated understanding of the perceptions of the slum dwellers of their own conditions, needs and opportunities (Lora, 2008) and of the impacts of specific interventions on their lives (Cattaneo et al, 2009). Impact evaluation is an obvious tool to assess slum improvement and prevention interventions and a more systematic use of cost-benefit analysis as part of the evaluation toolbox would be worthwhile. For a better understanding of long term slum dynamics and impacts of interventions, a longitudinal approach would be essential, either a formal approach (like Moser, 2006; Perlman, 2007) or a more informal review of long term impacts (like Cohen, 2007). The role of GIS and poverty mapping exercises in determining the extent and location of slum and non-slum poverty, of service deficiencies and access problems, could be explored and operational approaches developed to facilitate their application. Finally, the role of slum improvement and prevention in PRSs, urban strategies and city development strategies deserves to be reviewed and evaluated with a view to find ways to turn these strategic documents into more effective instruments to guide a country or city-wide slum reduction effort.
4. Data: A lack of international, national and city level, spatially disaggregated information on slums is a pervasive obstacle to assessing the nature and dynamics of slums. It is doubtful whether a research effort outside some of the large international organizations in charge of collecting and managing global data (U.N.-HABITAT, World Bank, etc.) could make an inroad into this problem.
5. Regions/Countries/Cities: Africa, with the highest rates of urban growth of urban population, highest share of urban poverty, highest share of slums and most limited resources (see Figure 1, from United Nations, 2009, p. 47), deserves special attention in any research effort on slums. Gulyani, S. and E. M. Bassett (2007) have pointed out that there is a dearth of studies and data bases on African slums. India, with its long history of slums and recent efforts to tackle some of its endemic urban policy and institutional challenges would make for a potentially useful country focus. However, to provide a better international set of benchmarks, it might be more useful to compare the experience of different countries and cities, perhaps in paired for similarity or contrast, to draw lessons of broader applicability.
6. Institutions: Many institutional issues get in the way of effective slum programs and policies, such as the fragmentation of ministerial responsibilities at the national and provincial levels, fragmentation across different levels of government (reinforced by poorly implemented decentralization), fragmentation among external aid donors, and a multiplicity of non-governmental actors, some of whom may be major players in their own right. At the same time, the multiplicity of perspectives, ideas and initiatives has the potential for being channeled into effective multi-stakeholder alliances, if the right conditions and incentives are applied. This is a particular aspect worth much more exploration. There is also the question of the effectiveness of the main players—international (such as U.N.-HABITAT), national (urban ministries, where they exist) and local (mayors and their offices)—in their ability to address the urban slum problems in their jurisdictions. Finally, the specific contributions and institutional strengths and weaknesses of community organizations and major civil society organizations engaged in slum improvement could be studied. A better un-

**Figure 1: Proportion of urban population living with shelter deprivations, 1990 and 2005 (percentage)**



Source: United Nations, 2009

derstanding of what makes each of these institutional black boxes tick, and how to achieve better harmonization among the many actors is a major research challenge.

A research program delving both broadly and deeply into the many issues of slums would be a huge undertaking that would likely go well beyond the resources of any individual research institution. There are two ways to tackle this problem: The more ambitious one would be to establish a research consortium whose individual members could take up different aspects—or combinations of challenges, instruments, analytical

tools, data and geographical and institutional focus relevant to slums. The less ambitious one is to select a subset of issues as they affect slums (e.g., slums in secondary cities; evaluation of comprehensive slum programs; the political economy of slum improvement; how to develop effective impact evaluations of slum programs; etc.).

### **Employment**

In contrast to slums, employment is rarely a focus of attention in today's debate about urbanization, although it crops up occasionally as a topic of research and as a marginal issue in policy analysis (see the first

part of this paper). Employment is the critical factor generating income for the poor. Lack of employment, and uncertain, dangerous, low productivity and low wage employment, are a key determinant of urban poverty. The availability and nature of employment are also critical factors for people's happiness and life satisfaction (Graham, 2008; Lora, 2008). Urban labor demand, skills requirements and supply, labor market conditions and other aspects related to employment differ fundamentally from those in rural areas. The question of how the segmentation of employment between formal and informal sectors affects the poor is very specifically an urban issue. International and national economic crises have a direct impact on the urban labor market, including and especially informal employment (Horn, 2009).

For all these reasons a concern with urban employment would seem an obvious priority, but since there has been little work done on this topic in recent years, a glaring gap in our knowledge of urban poverty appears to have opened up, which a new research undertaking would be well advised to address. Elements of a potential urban employment research agenda can be explored by again employing the dimensions of the urban poverty issues introduced in the first section and Table 1 above.

1. Challenges: Employment is directly linked with many of the key urban challenges, including slums, inequality, gender/women's and youth issues, crime and HIV/AIDs. Much of the negative impact of the current compound global crisis is transmitted through employment and the labor markets in cities. There are also clear links of urban employment to land management, transport and transit, and of course the local investment climate. Small and medium cities face special employment challenges, since they are often the way stations of migration, face a less dynamic labor demand and

likely fewer choices to pursue their own solutions locally than do big cities.

2. Instruments: An argument can be made that "spatially blind" policies are needed to address employment and labor market issues (World Bank, 2009). Up to a point this is correct. However, even for countrywide policies of trade, taxation, investment climate, financial markets, social security, education and health, it can be argued that insufficient attention has in recent years been paid to their employment impact. To what extent such policies, good or bad, affect employment opportunities and conditions of the poor, and specifically of the urban poor—since they have different characteristics from the rural poor—has not been much explored.<sup>56</sup>

Santiago Levy's work on the conditional cash transfer program "Progres-a-Oportunidades" and on social protection policies in Mexico provide an excellent demonstration what value can be added by focusing on employment and labor market dimensions (Levy, 2007, 2008). In his analysis of "Progres-a-Oportunidades" Levy concludes that the program has been successful in terms of reducing poverty, increasing health, nutrition and education, especially among children. However, he also concluded that young people who through their childhood benefitted from the program and ended up with a greater endowment of human capital, found themselves without formal sector employment opportunities (esp. in urban areas). They had to fall back into low-productivity, low-wage, insecure informal sector employment, mostly in urban areas in Mexico (or ended up as emigrants to the U.S.) (Levy, 2007). Levy further concluded that one of the key reasons for this, and more generally for the prevalence and growth of informal sector employment (in urban areas), is the structure of social protection schemes in Mexico, which provide strong incentives to businesses and employees alike to engage in informal, rather than formal sector activities, while they actually may contribute to raising poverty levels



rather than reducing them. Levy recommends changing the social protection system and its financing method drastically to provide for neutral incentives between formal and informal sectors (Levy 2008). Most of the impact of this policy shift would be on the urban poor.

So, looking at “spatially blind” policy instruments and how they affect the urban poor should be pursued, but there are also many policy instruments that have strong spatial dimensions. Most obvious are active labor market policies (training, employment services, etc.). While they can be nationally administered, they have spatial implications in terms of location and design, and local agencies often play a critical role in providing these services. Special workfare programs and labor intensive infrastructure investments are all measures that are directly targeted on generating employment for the poor and are location specific (i.e., they can be spatially targeted, for example to address employment issues in slums or in secondary cities).<sup>57</sup> More indirect means of helping to generate local employment are micro-credit schemes, land titling and local efforts to improve the business climate to help reduce informality and offer greater business opportunities for the poor. Frequently local business regulations go in exactly the opposite direction, of course: they discriminate against informal and micro-business development. Even conditional cash transfer programs, which are usually designed to be spatially blind, could be structured so as to reward those who seek assistance under active labor market policies.

3. Analytical Tools: Traditional analytical tools of economic analysis are well suited for spatially blind policies, as Levy’s work on Mexico demonstrates. His key analytical challenge was not finding new tools, but asking the right question, finding right data and applying the prevailing tools of welfare economic analysis in a creative and systematic way. However, new tools can also help significantly in the area of urban employment. Happiness and life satisfaction approaches will be critical to ana-

lyze people’s perception of employment issues, of the effectiveness of various interventions and of the political economy implications of urban employment issues and interventions (Lora, 2008). Cost-of-doing-business studies, at the national and city level, will provide information on how to improve the urban business climate. Impact evaluation and long-term longitudinal studies will provide insights into what are the results of employment interventions in the shorter and longer term. The use of GIS and poverty mapping tools will provide analytical tools to locate the supply and demand for special employment services in those areas where they can be most effective. Finally, research could explore whether and how the urban employment issues are addressed in PRSs, national urban strategies and city development strategies.

4. Regions/Countries/Cities: Africa again stands out as a key region where urban employment research could be focused. India, with its record of rural employment creation efforts, could be an interesting case to focus on urban employment issues. China’s success in creating urban employment is a case worth exploring. The success (or failure) of specific cities in employment creation might provide interesting case studies.
5. Institutions: As in many other areas, inter-ministerial cooperation is likely to be a problem when it comes to employment and labor market policies. The role of civil society organizations, e.g., Grameen Bank, BRAC, and SEWA, in creating urban (as distinct from rural) employment, would be an excellent focus of research. The role of the International Labor Organization and of U.N.-HABITAT in the area of employment research and policy analysis also deserves exploration.

The agenda presented here for urban employment issues is more manageable than is the case for slum improvement. Nevertheless, choices may have to be made here also in terms of what aspects to cover. Alternatively research partnerships or inter-institu-

tional working groups could be developed if the broad approach presented here is to be addressed fully and in depth. In the former case it might be interesting, for example, to focus on an in-depth analysis of urban employment issues of the poor as seen through the happiness and life-satisfaction lens; or on impact evaluation of active labor market policies and other spatially targeted interventions (work fare, labor intensive urban infrastructure, employment subsidies, etc.). In any case, extending Levy's work in Mexico to other countries, and exploring further the implications for productivity and for urban areas and the urban poor, would a high priority.

### ***Small-and medium-size cities***

Some half of the world's urban population lives in cities with fewer than 500,000 inhabitants,<sup>58</sup> almost 2/3 in cities below 1 million, just over a third in cities with 1 million or more, and only 4 percent in "hyper-cities" over 20 million. Small and intermediate cities are projected to grow most rapidly over the next 15 years, the largest cities relatively slowly. (U.N.-HABITAT, 2006)<sup>59</sup> A significant fraction of the urban poor lives in the small- and medium-size cities<sup>60</sup> and poverty is believed to grow most rapidly in these locations. (Cohen, 2006; Baker, 2008a) In the majority of countries the largest city is of intermediate size (1-5 million), or even smaller. But the fact that so many poor people live in the smaller cities, points to an urgent need to understand better the challenges and opportunities which these cities face, to develop better policy and institutional approaches to support them, and to find appropriate analytical tools and data bases to support the required research and policy analysis. While there is occasional and passing mention of the importance and problems of these cities, in fact very little attention is paid to them in the literature reviewed for this paper. Most the attention is focused on the large cities, whether in research publications, in the literature

put out by development assistance agencies—public and private—and in the media.

Many of the challenges of urban (the urgency of slum improvement, un- and underemployment, the needs of women, children and youth, the impacts of the global compound crisis, the need to better understand the governance and political dimensions, etc.) apply with equal or greater force in the small and medium cities as in the large ones. Key instruments are available and should be tailored specifically to meet these challenges, including urban/municipal development funds (Annez et al., 2008), tournament approaches (in particular grants and benefits involving inter-jurisdictional competition, as explored by Zinnes, 2009), conditional cash transfers, slum improvement programs (including land titling, land readjustment, microfinance, etc.), and policy-based lending by the aid agencies.

Many of the available analytical tools can be applied to analyze the situation in small and medium side cities, to develop appropriate policy and investment responses and evaluate their impacts. These include urban poverty assessments and GIS based analysis, happiness and life satisfaction approaches, longitudinal studies and impact evaluation, cost of doing business and city quality indicators, and appropriate treatment in PRSs and National Urban Strategies, as well as adaptation of the City Development Strategy tool for broad-gauged application in the smaller cities.

A key challenge facing research and policy analysis for the small and medium cities is the large number of cities and the lack of data. In-depth studies such as the one carried out by Muzzine (2008) exist, but they tend to be one-time efforts that are not sustained overtime, are not comparable across countries, and

even the most detailed tend to be very selective in their coverage of key variable. Building more effective data bases at the national and international level to capture relevant information for the intermediate cities and their poor is a major task, which probably will have to be taken on by the big international organizations.

While the lack of information, analysis and attention to small- and medium-size cities seems to be near universal around the globe, the challenge of this group of cities tends to be more severe for large countries, simply because the number of cities is much greater than in smaller countries. It is also a larger problem for the more heavily urbanized countries, but in terms of the dynamics of change, the less urbanized, but more rapidly growing countries (especially those in Africa, but also China and India) will confront rapidly growing problems and opportunities in their small and medium cities.

Finally, institutional issues are paramount here along with issues of governance and political economy. The recent efforts in many countries to decentralize governmental responsibilities have if anything aggravated the institutional, political and governance challenges for the small- and medium-size cities. The problem of inter-ministerial coordination in national policies toward these cities, the fragmentation of efforts by provincial and local authorities, and the sporadic engagement by civil society organizations all add up to a confusing patchwork of interventions and a systematic failure to scale up successful interventions across the spectrum of small- and medium-size cities.

Addressing these issues will involve an ambitious research undertaking, but will be a necessary task if one wants to address a large fraction of the increasing urban development and poverty challenges which devel-

oping countries face. One approach might be to start with a couple of country pilot research studies, selecting countries in which there exist relatively good data bases, and where there is strong interest from key development partners (governments, aid agencies and civil society) to take a serious stab at these issues.

### ***Women, children and youth***

The link between three demographic groups—women, children and youth—and urban poverty deserves further research. For each group there are very specific sets of challenges in cities:

- Poor women face special challenges and opportunities in urban areas as a result of their changing roles (frequently they are heads of households and important bread winners), their greater freedom from traditional cultural restrictions, the tensions of their dual roles of parenting and working, the special risk they face in terms of violence, exposure to HIV/AIDS, being drawn into sex work, and the daily indignities associated with bad sanitation. At the same time, they have potentially greater access to education and health services, to jobs, and to a better future for their children.
- Young children, from conception through birth and early childhood, are subject to special risks from poor maternal health and nutrition, inadequate attention during birth, and poor nutrition, health care, socialization and parenting for the first four to six years. Science has firmly established that this period is critical for the formation of the physical, cognitive and emotional capacities of humans, with any early damages resulting in irreversible losses for the rest of life. Hence comes the need for special early childhood development (ECD) efforts. Poor children are of course especially vulnerable, and children in cities face special risks, coming from lack of engagement in child rearing by members of the wider family just as mothers are more likely to be absent from the home since they have joined the labor force; coming also from changes in nutrition practices from the more balanced and

nourishing traditional foods to modern processed food more readily available in urban areas; from the environmental problems, such as heavy indoor and outdoor pollution; and from the prevalence of HIV/AIDS especially in urban areas. At the same time programs of support for health, nutrition and social safety nets are more easily organized in cities than in rural areas. Unfortunately, the role of ECD as a core development factor is not well understood in the policy community or among the publics of most developing (and advanced) countries and too little effort so far is being made to develop and scale up appropriate programs.<sup>61</sup>

- Young people in urban areas similarly face special risks and opportunities. The risks stem from high unemployment rates for youth, from exposure to crime and drugs, and from a general sense of exclusion, prevailing and documented especially for the Middle East.<sup>62</sup> At the same time, as for women and children, young people in cities also have opportunities from access to education, training, health and resulting upward mobility. And as for ECD, there has been insufficient attention paid to develop, implement and scale up programs that would support young people and ensure their effective inclusion in urban society.

In terms of instruments, the role of conditional cash transfers is particularly significant for women and children; the importance of creating better employment opportunities through appropriate indirect and direct measures especially relevant for women and young people. Slum upgrading programs and improvements in key services can significantly improve the living conditions of women, children and young people and hence reduce the risks they are subjected to.

In terms of analytical tools, happiness and life satisfaction approaches will be especially relevant for issues affecting women, youth and young children to the extent the subjective perception by major stakeholders and policy makers of the gender and youth

issues has a bearing on formation of relevant policies and programs. Impact evaluation and longitudinal studies can bring important insights into what policies and programs work and don't work. Poverty assessments, PRSs, National Urban Strategies and City Development Strategies could all contribute to a better understanding, strategic focus and effective interventions in the areas of women, ECD and youth, especially for urban areas. Data issues arise for all three groups and will have to be squarely faced.

In terms of regions, countries and cities, youth issues are especially relevant in the Middle East and Africa because of the large share of young people in urban (and rural) populations. Since each country and even city to some extent has its own set of problems, country and city studies would be a good way to approach the research agenda.<sup>63</sup> As regards institutional issues, a core issue for all three groups is the fragmentation of ministerial responsibility, of responsibility across levels of government and among the many other development actors among CSOs and aid donors.

While each of these three demographic groups faces its own sets of challenges and opportunities, together they represent the future of countries' and cities' development potential. In view of evident linkages and overlaps, research might be packaged to cover all three groups together, or it could be unbundled for more in-depth focus by looking any of the groups separately. One option might be to extend ongoing research programs on ECD or youth by focusing specifically on the urban dimension.

## Instruments

Rather than focusing principally on a particular challenge, research can also focus on instruments, and ask what has worked, what has not, what were the rea-

sons for success and failure, were they scaled up, etc? Three types of the more broad-gauged instruments are explored here: comprehensive slum improvement programs; conditional cash transfer programs; and incentive based approaches. Others, such as land titling, capital subsidies, land readjustment and engagement of the private sector and multi-stake holder alliances will be covered in other scoping papers (Alm, 2010; Bertaud, 2010; Kharas et al., 2010). More narrowly focused instruments (water supply and sanitation programs, street naming, etc.) can be considered as possible components of the comprehensive slum improvement schemes.

### ***Comprehensive slum improvement schemes<sup>64</sup>***

There are examples of successful country-wide, comprehensive slum improvement schemes: Brazil, Egypt, Mexico, South Africa, Thailand and Tunisia according to World Bank (2009a); Brazil, Colombia, Mexico, South Africa, Thailand and Tunisia according to World Bank (2009b); and Indonesia, Morocco, Sao Paulo and Lagos according to Struyk and Giddings (2009).

There are likely to be others that have had a measure of success and likely more than a few that have failed. No systematic review of these programs appears to have been carried out. A research undertaking could be designed that systematically reviews a set of these programs and analyzes them according to what challenges they have been able to meet (or not meet, as the case may be) in terms of poverty reduction (in pecuniary terms and in terms of other dimensions of deprivation, such as shelter quality, service provision, etc.) and impact on inequality, reducing the extent and growth of slum areas, access to employment and transport, impact on crime and violence, the role and status of women, children and youth. The study would also compare the experience of large cities with that

of small and medium cities. And it would consider the ways governance reform and political economy constrained or supported the program. A key question would be whether and how the programs were scaled up and sustained.

The study would assess the role of different instruments listed in the Table 1: what role they played in the design and implementation of the comprehensive slum improvement programs, which instruments were missing, which tended to succeed and which fail, and for what reasons. Of particular interest will be what, if any, incentive mechanisms were used to get broad-based coverage and buy-in, and to what extent multi-stakeholder alliances were drivers of success. It would also assess the role of strategic planning tools, such as PRSs, Urban Strategies and City Development Strategies in providing direction and impetus for comprehensive slum improvement programs.

The study could apply standard evaluation tools used by the evaluation offices of donor agencies, but could also apply various analytical methods, including asset-based approaches, poverty assessment and GIS tools, randomized impact analysis, longitudinal studies, GIS, etc. A key decision here will be at which level of analytical rigor and over what time horizon to carry out this research. A long-term engagement, that would allow base line and follow up surveys for rigorous randomized impact analysis will take careful designs and multiple years of engagement; serious longitudinal work takes even decades (as for Moser, 2006, and Perlman, 2007). Short cuts are possible with quasi-experimental approaches (Field and Kremer, 2006) and with systematic retrospectives (such as Cohen, 2007).

Data issues are likely to create problems, but one of the results of this study could be the specification of a

comparable data set across countries and cities which could feed into international and national efforts to create better and comparable data on slums, including metrics on their growth or retrenchment. This could then also provide a basis for the creating of a credible, nationally disaggregated MDG target on slums.

The study would by its very nature focus on selected countries and cities—African countries and cities should rank high among them—and would explore the institutional dimension in each country and for selected cities: What were the national, provincial and local institutional arrangements, how centralized or decentralized was the responsibility for the design and implementation of programs, what was the role of international agencies, official and private donors.

Overall, the study would aim to assess to what extent and under what country and institutional contexts comprehensive slum improvement programs can be expected to succeed. One question it would test whether the position taken in WDR 2009 (World Bank, 2009) that only “high urbanizers” (countries with an urban population share of over 75 percent) should attempt spatially targeted interventions, such as slum improvement programs, which others, such as Struyk and Giddings (2009) have rightly questioned. It is worth noting that of the six countries which WDR 2009 cites as success stories in slum improvement, only two fall into the category of “high urbanizers” (according to the World Development Indicators 2009), and if WDR 2009 is correct, only twelve developing countries should even attempt such kinds of programs. While this may be a bit of a straw man, it gets to the more fundamental question of whether or not comprehensive slum improvement programs are a serious option for any but the most exceptional countries or cities, such as Hong Kong and Singapore.

### ***Conditional cash transfer programs***

Conditional cash transfer programs (CCT) currently enjoy great popularity among development experts as an instrument to reduce poverty now and improve social development outcomes in the future, by linking targeted cash transfers to poor households (often channel to and through women) to certain conditions of household performance (school attendance, health check ups, use of nutrition supplements, etc.). Where they have been in place they also have served as ready channels to help cushion the impact of the compound global crisis over the last two years. Many of these programs have yielded good results, esp. in Latin America, based on rigorous evaluations (Fiszbein and Schady, 2009).<sup>65</sup>

However, questions have also been raised about whether these programs are feasible in low income countries, where they have so far not been extensively implemented. And there are serious concerns about whether and how they can be implemented in urban areas. For poor countries, the breadth of poverty, the weakness of institutions and the lack of financial resources may be such that universal poverty relief programs such as CCTs may be difficult, if not impossible to implement. For urban areas, many practical issues have cropped up in the CCT programs implemented to date: How to target poor households; how to structure conditions—e.g., primary school attendance, which is a critical gap in rural areas, is no longer one for most urban poor—how to ensure that families actually respond to the incentives in the face of serious countervailing pressures (for example, women have been found not to go for health check up for their children and themselves, because they don’t have the time due to work commitments); whether to differentiate rural and urban cash payments, which so far has not been widely practices (Ribe et al., 2009).

A serious evaluation of selected CCT programs in terms of their ability to meet urban poverty challenges, including and especially in poor countries, and using appropriate analytical tools from the broad array discussed in this paper, is a high priority and timely, in view of the high interest in such programs around the world and the lack of such an evaluation to date.

### ***Incentive-based approaches***

It is now well understood that incentives are the key to success when it comes to changing individual, community or institutional behavior. CCT programs are one example for an incentive-based approach, but a broader perspective on such approaches could be considered focusing also on tournament approaches, output based aid, innovation and replication funds (the latter are funds designed to reward replication of successful innovations and pilots, which is often a key missing ingredient) are others. Exploring how incentive-based approaches can best be designed and how effective they are in achieving urban poverty reduction goals, or address related urban challenges, could be a very useful contribution. Eichler et al. (2009) have systematically reviewed the experience with some of these approaches as applied in the health sector. By forming an international expert working group on this topic, Eichler et al. brought together useful global experience (including in advanced countries) and drew lessons for policy and program design. A key lesson is that while such approaches are not easy or foolproof, they can contribute significantly to improved outcomes at a significant scale.

### **Analytical and planning tools**

While it might seem unusual to focus on analytical tools for research and policy analysis, three tools stand out because of their innovative character, their

potential practical usefulness in analyzing and addressing urban poverty issues and their lack of research to date. Therefore they deserve another look in terms of further research.

### ***Happiness and life satisfaction approaches***

As explained in the first part of the paper (and as evident also from the discussion so far in the second part), happiness and life satisfaction approaches provide a different, challenging and potentially useful approach to analyzing urban poverty issues and political economy, policies, instruments and approaches. Current happiness studies have focused in passing at the urban challenges as part of an overall assessment of happiness perceptions (Graham, 2008), provided an overview of urban issues in Latin America (Lora, 2008, Chapter 8), assessed the valuation of neighborhood amenities in Buenos Aires (Cruces et al, 2008) or considered the impact of an urban program in Mexico (Cattaneo et al., 2009).

A research study which systematically reviews and evaluates the happiness and life satisfaction literature (which was not possible for this scoping exercise), determines what uses can be made of existing approaches with this method in analyzing selected urban poverty challenges (including the types of approaches mentioned in the preceding paragraph), and what new uses and applications might be developed with this new analytical tool, could significantly advance the understanding and utilization of this tool in policy and program design, monitoring and evaluation, as well as a tool for enhancing accountability of government agencies and other service providers, as well as improve the political economy analysis of urban policy and program design. One specific case that would warrant detailed study is how this tool could inform the assessment of slums and of compre-

hensive slum improvement programs. A key question to be addressed in such a study is whether and how happiness and life satisfaction analysis can add significant insights for policy and program design and implementation.

### **Impact analysis**

Impact analysis has emerged as a tool of evaluation analysis for policy and program interventions that, from a theoretical standpoint, is generally the preferred method. However, practical problems arise in actual application and need to be considered as one designs specific impact evaluations (Field and Kremer, 2006). So far it appears that in the urban development and poverty area, very few if any serious impact evaluations have been carried out. As earlier noted, the World Bank has started a number of such evaluations for its urban projects, but prospects for an early (and even successful) completion apparently look dim. Cattaneo et al., 2009, seems a lone exception for a published impact evaluation of an urban poverty intervention.

The purpose of a research effort focused on impact analysis for urban poverty programs would be to develop a better understanding of the opportunities and constraints for applying this tool to urban programs or specific components thereof, and to develop practical modalities for application. It would review the existing literature on the topic in depth, work with specific urban poverty programs and projects to develop experimental approaches and then draw lessons and implications for operational application.<sup>66</sup>

### **Strategies**

PRSPs, National Urban Strategies and City Development Strategies are among the planning tools that are now in use around the globe. PRSPs are regarded as the principal overall poverty reduction

strategy mechanism. National Urban Strategies are to provide for consistent and effective nation-wide urban interventions. City Development Strategies are the preferred method of some analysts (e.g., Struyk and Giddings, 2009) and institutions (e.g., World Bank, 2009a) for addressing urbanization challenges at the city level. From what is known about these strategic planning tools, they have their strengths and weaknesses overall, but PRSPs generally do not address urban poverty issues, and it is not clear what, if anything, urban and city strategies have contained or achieved in terms of urban poverty reduction.

In principle, strategic planning efforts, such as these, are useful opportunities for putting the spotlight on urban poverty, in their design, implementation and evaluation. An in-depth review of the experience to date would look at specific cases of more and less successful strategic plans, would evaluate the ex ante focus on urban poverty, the extent of urban poverty challenges covered and the depth of analytical underpinnings, including the quality of the institutional and political economy analysis and of the data analyzed, and the linkages between different strategies (at the national, urban and city level). It would also gauge the degree of implementation and the procedures for monitoring and evaluation.

### **Data and benchmarks**

No proposal is made here for a research undertaking focused specifically on data or benchmarking issues, although some of the potential research initiatives proposed in the second part of this paper would offer insights to urban poverty data and information management. As regards comprehensive socioeconomic and demographic information (SDI) data availability, this will likely have to be addressed by the United Nations or a global organization such as the World



Bank. Global or national city performance benchmarking could be a task worth pursuing, but is currently being undertaken by the World Bank with partners (GCIP) (World Bank, 2009a). The improvement of MDG targeting is clearly a necessity, if the MDGs are to have any practical relevance for the urban poverty and slum challenge. But in view of past efforts by the United Nations agencies, which seem to have contributed little to make the slum MDG target more effective, and in view of the wide-spread lack of interest in this matter now, the chances for progress and practical payoff are likely to be negligible.

### **Regional, country or city focus**

In developing a research undertaking on urban poverty a decision also needs to be made whether and how to focus on specific regions, countries and cities. This offers one way to reduce the scope of the research, but also a method for analysis. By comparing different (or similar) approaches to specific issues across different regions, countries or cities one can enhance the policy focus, develop benchmarks, and provide the basis for the transfer of experiences and lessons.

Among regions, Africa stands out in severity, dynamics, importance and lack of attention. As Annez et al. (2009) point out, Africa faces great pressures of urbanization apparently linked more to push factors of low rural productivity than pull factors of high urban productivity. When combined with weaknesses in institutional capacity, with the prevalence of conflict and political instability, high rates of African urban population growth creates major and special challenges. A focus on urbanization in Africa could involve a high-level and comprehensive approach (expanding on Kessides, 2006; Mabogunje, 2007; White et al., 2008; U.N.-HABITAT, 2008b), or it could take any of the previously listed potential research initiatives and

focus them on Africa specifically. All of them have relevance for Africa. And in any case, in all of them an effort should be made to reflect and address African experience.

As far as specific countries are concerned, countries which are expected to have populations over 100 million in 2015 (Bangladesh, Brazil, China, India, Indonesia, Mexico, Nigeria, Pakistan, and Russia) are candidates simply because of the size of urban populations. A specific focus on China and India would be particularly considering their outstanding role as global players and their rapid process of urbanization. Alternatively, one could focus on the countries with the greatest apparent success in urbanization policies (although views might disagree on which those are); or on countries faced by conflict and a failing state. A pair-wise approach to a design of comparative country studies might be an effective way to structure a research undertaking on specific urban poverty issues. A final consideration in country selection could be data availability and interest in the urban development and poverty issues by local partners, official, CSO or academic.

For specific cities, the choice is of course huge and one can easily get lost in the specifics of each city—unless the purpose is to provide policy advice in a particular city context or one wants to review specific program experience or test out an analytical approach given the availability of data and interventions at the city level. One option would be to look for cities for which one has in depth analyses, projections and prescriptions at an earlier time. This information could be taken as a baseline for analysis of the dynamics over time, both in terms of what actually happened in the city relative to what was projected and recommended, but also in terms of the changes in issues, instruments, analytical tool kit, data and institutions

that occurred in the interim. This would be a particular form of longitudinal study that could well produce very useful insights in thinking and addressing today's urban challenges. Cohen (2007) represents such an approach for Dakar, Senegal, focusing on the experience over 30 years of a part of the city in which a major sites-and-services project was implemented in the 1970s with World Bank support. As mentioned in Part 1, a comprehensive research study was carried out by the World Bank for Bogota in the 1970s/80s, which could provide a very good baseline for a follow-up exercise now.

### ***Institutions***

No specific proposal is made here for research focused on institutional issues. Issues such as inter-

ministerial coordination, decentralization and aid coordination are important, but research specifically focused on any of these topics would not likely be particularly focused on urban poverty. It is, however, very important that in the specific urban poverty research initiatives that might be pursued eventually, the institutional dimensions are part of the research design. The functioning of specific organizations and institutional initiatives, such as U.N.-HABITAT, the Cities Alliance, etc., and of private sector, civil society and especially community level organizations active in the urban poverty field are of interest in terms of strategy, program design and implementation, but are probably best analyzed in connection with other urban poverty research undertakings.

## **A CONCLUDING OBSERVATION ON URBAN POVERTY RESEARCH DESIGN: THE IMPERATIVE OF SCALING UP<sup>67</sup>**

**A**s the preceding review of issues and potential research priorities has made abundantly clear, there are many urban poverty challenges, there is a multitude of instruments for intervention and of analytical tools, and there are many different levels (global, regional, national, sub-national, city or community) on which one can focus in designing an urban research program. One thought that runs consistently through the paper is that scaling up successful interventions is critical to improve the lives of the urban poor. Too often, we are satisfied with defining success as a positive outcome for a limited number of people in a given location. It is not good enough for a program or project to have positive outcomes for a few hundred or even thousand urban poor—the question should always be asked whether and how this success can be replicated or scaled up to levels that achieve comparable positive outcomes across the broader universe of the poor in a city, in a country and world wide.

Two aspects are worth remembering in designing a program of research that addresses the issue of urban poverty reduction at scale:

First, there is the issue of metric of success: Does one measure the impact of policy and program interventions in terms of overall reduction of urban poverty in a country, region or the developing world against some counterfactual benchmark, or does one measure outcomes in terms of a more limited set of objectives, such as improvements in specific welfare indicators (such as access to water, education and health services, improvement in shelter conditions,

increased employment opportunities, reduced travel time, etc.) of poor households in particular locations. For the assessment of overall urban strategies, the former and more demanding metric will be necessary—and is implicit in the widely accepted MDGs. For the evaluation of specific programs and projects the latter metric is clearly more appropriate. However, even in this case it is important to note that the issue of scaling up has to be squarely faced: how can a successful program or project be replicated to benefit more poor in more places.

Second, in considering options for scaling up of programs and projects for the urban poor key policy constraints will inevitably crop up. In other words for successful scaling up it will be necessary to create a “public policy space” that allows for interventions to grow in scale. (Hartmann and Linn, 2008) The policy space can be divided into three types of interventions: regulation, investment (or finance) and subsidies (or taxes) (Linn, 1983). Regulatory reform, such as land market regulation and restrictions on informal business activities, are of great importance for the urban poor. Public investment in infrastructure and mobilization of the relevant finance are critical to allow household and businesses access to services. And the application of appropriately designed subsidies (or taxes, as the case may be) to create necessary conditions of affordability and efficiency (in the case of externalities) are critical. Of course, other key elements necessary for scaling up have been identified by Hartmann and Linn (2008) —other “spaces” (fiscal, political, cultural, etc.) and “drivers” (innovation, vision, leadership, etc.) are important. However, assuring an effective “public policy space” is likely to be the most important element in the case of urban poverty reduction at scale.

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## ENDNOTES

1. But see Buckley et al. (2006) for a critique of such estimates of future slum populations as excessive.
2. For a discussion of rural-urban poverty linkages see Tacoli et al. (2008).
3. Two other questions could be raised about a focus on urban poverty: why disaggregate between rural and urban; and why not focus on inequality, rather than poverty? The fact that the characteristics and policy instruments differ significantly between rural and urban poor, and the fact that there is a wide acceptance of a focus on poverty along with growth and inequality justify a focus on urban poverty as a key development challenge.
4. World Development Report 2009 (World Bank, 2009b) reminds us that urban poverty was a concern of the socially minded also during the industrial revolution in Western Europe and the United States.
5. The projections were based on United Nations projections, which turned out to be on the high side—by 20 percent for Latin America and by 27 percent for South Asia—but nonetheless were broadly appropriate (Montgomery, 2008).
6. See for example the new urbanization strategy document of the World Bank (World Bank, 2009a). The view of urbanization put forward by the Commission on Growth and Development (2008) also echoes WDR 1979. See also “Introduction” of Martine et al. (2008) for a list of fallacies and a call for a new approach, largely in line with WDR 1979.
7. While the focus of this paper is on cities in developing countries, it is important to remember that cities in advanced countries also face problems of inadequate services, congestion, environmental damage and poverty.
8. Various papers in Martine et al. (2008) document the emergence of these views and their impacts on urban policy. WDRs 1986 and 1987, dealing with agriculture and trade respectively, reflect the shift toward what was later referred to as the “Washington Consensus;” however, note that WDR1988 took a much more balanced view in dealing with the issues of public finance in development.
9. President Wolfensohn took up the scaling up issue again and at his initiative the World Bank together with other partners organized a major international conference on scaling up in Shanghai in 2004. This conference put the spot light on scaling up, but aside from a book publication based on the proceedings of the conference (Dodson-Moreno, 2005), the World Bank did not systematically pursue the scaling up agenda after President Wolfensohn’s term ended in 2005.
10. For a discussion of the literature and practice on scaling up of development interventions, see Hartmann and Linn (2008). For urban programs, see Smolka and Larangeira (2008), p. 102-103 and sources cited there.
11. Various authors in Martine et al. (2008) cite negative political attitudes toward urban growth in Africa, India and Latin America. For Sub-Sahara Africa a 2006 U.N. report is cited (p. 312) which claims that policy makers in 37 of 46 African countries “would prefer to lower rates of urban growth, while 9 feel that no intervention is warranted.”
12. See for example Linn (1983), pp. 34, 53, 82, and 112.
13. One might also wonder about the way issues are categorized under specific headings. Should “governance” and “political economy” be under “institutions,” rather than under challenges? Or should “strategies” be under “instruments” rather than “analytical and planning tools?” These issues can be debated and the table and its categorization fine tuned as appropriate.
14. The MDG target is Target 11 under Goal 7 (Ensure environmental sustainability) and reads: “By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.”

- See Sung (2009) for references; this paper was prepared as a background document for the urban poverty scoping exercise.
15. See for example UN-Habitat (2006, 2008), CARE (2006), Chandrasekhar and Mukhopadhyay (2008a). But note that Ravallion et al. (2007) draw more positive conclusions from their analysis of urban poverty trends.
  16. See Satterthwaite (2004) for a vigorous attack on traditional pecuniary poverty measures. For the case of Ethiopia, see Muzzini (2008), for Egypt see Sabry (2009).
  17. See Mora (2008) for an overview of issues; UN-HABITAT (2006) for women and informality, and women and sanitation; Kedir (2005) for women and violence; see also World Bank (2009a).
  18. See Fernandez Castilla et al. (2008) for an overview; UN-Habitat [2008] for a discussion of youth "non-employment" in Chapter 2.3 For the Middle East, see Dhillon and Yousef (2009).
  19. The draft of the new urban strategy of the World Bank stresses improvements in city management and demand-side governance approaches (World Bank, 2009).
  20. See Desai (2009), a background paper prepared as a companion piece to this scoping paper.
  21. See for example UN-Habitat (2006, 2008), CARE (2006), Chandrasekhar and Mukhopadhyay (2008a). But note that Ravallion et al. (2007) draw more positive conclusions from their analysis of urban poverty trends.
  22. See Hartmann and Linn (2008) for a discussion of the experience with scaling up in development and aid.
  23. Alm, 2010; Bertaud, 2010; Kharas et al., 2010.
  24. For some recent research reports, see Heintz (2008), Herrmann and Khan (2008) and Machado and Perez Ribas (2008); UN-HABITAT (2008) focuses esp. on urban youth "non-employment" in Chapter 2.3.
  25. WDR 2009 states that "[v]ehicle ownership is rising 15-20 percent annually in much of the developing world" (World Bank, 2009b, p. 144), but has little to say on the implications of this staggering rate of growth, its likely impact, and what, if anything, to do about it. Most experts seem to have forgotten the difficulties that Beijing had in preparations and execution of the Olympic Games in 2008 due in good part to the congestion and pollution from automobiles. The recently initiated production of the "Nano" in India, a small car at a minimal price, should add to the concerns about rising automobile ownership.
  26. Martine et al. (2008) devote one brief chapter to a country example dealing with a proposed strategy for intermediate cities in Ecuador. World Bank (2009b) discusses the issue of leading and lagging regions, but does not focus on the rapid growth of small and medium cities and address what, if anything, needs to be done to help these cities cope with this growth.
  27. The issues of urban land markets and land policy are the topic of a separate scoping exercise.
  28. Grameen Bank and BRAC have however maintained their principal focus on rural micro credit (McGranahan et al., 2008).
  29. Mortgage-based housing finance has also rapidly expanded in developing countries in the last 30 years, but is not generally accessible to low-income households (Buckley and Kalarickal, 2006).
  30. For some success stories in water and sanitation, see Struyk and Giddings (2009), for a favorable impact evaluation of the "piso firme" program of cement floor provision in Mexico, see Cattaneo et al. (2009). For bus rapid transit programs in Latin America, see World Bank (2008). For an overview of street addressing programs see World Bank (2009a, Annex G, p. 136f).
  31. This repeats the experience of many slum upgrading programs in the 1970s and 1980s, which also had components designed to improve specific as-

- pects of slum service provision, especially water and sanitation. The difficulties with these programs were documented by Warford and Julius [citation to be provided].
32. See Kharas et al., 2010.
  33. Chronic Poverty Research Center (2008) expresses confidence that CCTs can be implemented in low income countries, but gives no specific indications of why this should be so or how to adapt the CCT model to make it feasible.
  34. For an on-line summary of proposals see [http://climatelab.org/National\\_Climate\\_Change\\_Financing\\_Proposals](http://climatelab.org/National_Climate_Change_Financing_Proposals) (read on June 4, 2010).
  35. For examples, see also Baker and McClain (2009). More details on urban infrastructure finance will be provided in another scoping paper.
  36. This idea will be further developed in Alm, 2010.
  37. It is perhaps not without irony that Smolka and Lanrangeira (2008) introduce the Colombian practice under the heading of "promising innovations."
  38. A particularly interesting example of combining standard economic analysis with happiness/life satisfaction analysis is found in Cruces et al. (2008), who combine the more conventional approach to extrapolate the contribution of various property and neighborhood conditions to property values, using the so-called "hedonic price index" method and comparing the results with those derived from life satisfaction/happiness analysis. "The combination of these two valuation methods makes it possible to identify which city or neighborhood problems tend to be solved by the market, and which ones require the intervention of local governments. It also helps identify those problem areas for which it is possible to finance solutions with taxes tied to home values" (Lora, 2008, p. 189/190).
  39. Even the objective metrics include some unusual ones, such as the incidence of depression among women. It is the combination of traditional and non-traditional objective measures of welfare with subjective measures that makes this study particularly interesting from an analytical perspective.
  40. Private firms routinely use survey methods in their quest to establish consumer and client preferences and obtain feedback on client perceptions regarding quality of product and services rendered. It is in a way shocking that governments, including urban governments, are only gradually using survey tools as systematic feedback and accountability mechanisms.
  41. Moser and Satterthwaite (2008) applied the asset-based approach to an analysis of climate change and urban poverty.
  42. Anderson (2007) reports on a longitudinal study of a poor neighborhood in Lima, Peru. The value of these long-term longitudinal studies has been questioned regarding their analytical rigor and value for program evaluation.
  43. It is interesting to note that while Perlman's and Moser's longitudinal work is only relatively recently reporting results of their analysis of long-term impacts, the design of their studies goes back to the 1970s and even earlier. This shows that even then the importance of such an approach was recognized and in that sense the longitudinal method is not really a new one.
  44. The literature on randomized impact evaluation has grown rapidly in recent years. See Field and Kremer (2006) for a general overview and application to urban programs.
  45. However, according to interviews with World Bank staff, July 2009, it is not clear whether the analysis will be able to go beyond an analysis of the baseline surveys. The reasons for these difficulties deserve further exploration.
  46. "GCIP provides a global platform for cities via a web-based interface to input specific city performance data (27 core indicators and 36 'supporting indicators') and will over time develop indices for

- city competitiveness, subjective well-being, urban mobility, vulnerability assessments, and City GHG emissions” (World Bank, 2009a, Annex A, p. 52).
47. A 2006 World Bank report on infrastructure has a brief summary of experience with cost benefit analysis which states inter alia: ...the basic methodology for cost-benefit analysis of infrastructure projects became fairly well-established in the Bank and has changed little in the last 20 years” (World Bank, 2006, p. 17). The author’s own experience in operational management in the World Bank indicates that cost-benefit analysis has not been a serious analytical tool in recent years in the World Bank’s project analysis. The Bank’s Independent Evaluation Group will shortly produce a formal evaluation of cost-benefit analysis in the Bank’s operational practice, which should throw more light on this topic.
  48. Again, as an idea this is not new. In 1972 the World Bank’s urban and regional research division started a research project designed to collect a set of consistent city data for a set of sample cities with the ultimate goal of a comprehensive effort for major cities in the developing world. This initiative did however not go beyond its pilot phase due to shifting priorities and excessive costs of collecting the data.
  49. A separate issue dogging urban poverty estimates (along with most other urban demographic and welfare data) is the fact that city and town boundaries is often poorly defined and that definitions vary across countries. (Cohen 2006)
  50. Recent analyses and strategies addressing urban issues comprehensively, such as Martine et al. (2008), Struyk and Giddings (2009), World Bank (2009a) and World Bank (2009b), refer only in passing, if at all, to the MDGs, and specially to the slum MDG target,. In none of these documents are the MDGs reflected as a serious benchmark of global action for urban poverty reduction.
  51. As previously mentioned this is the topic of a separate scoping paper.
  52. It is symptomatic that the urban development and poverty challenge has not appeared as an agenda item of recent global summits (G8, G20, etc.).
  53. Issues of land market and tenure reform, urban infrastructure financing, and external assistance are not addressed since these are treated in separate scoping studies (Alm, 2010; Bertaud, 2010; Kharas et al. m 2010).
  54. This paper is available on request.
  55. Buckley and Kalarickal (2006) reviewed the experience of World Bank supported urban shelter programs, but did not focus on slum improvement programs more generally.
  56. Over 30 years the World Bank has produced annual WDRs, each of them with a special theme. None of them have focused specifically on employment.
  57. Chandrasekhar and Mukhopadhyay (2008) recommend the exploration of an urban counterpart to the Indian National Rural Guarantee Scheme could be explored. The NREGS provides up to 100 days of guaranteed employment to poor rural households.
  58. In Africa, 52 percent of the urban population lives in cities with fewer than 200,000 inhabitants. (Muzzini, 2008)
  59. This is confirmed for India by Cali (2008),
  60. For Ethiopia Muzzini (2008) estimates that 69 percent of the urban poor live in small and medium cities, while they make up 65 percent of the urban population; and that 79 percent of the population in small and medium cities live in slum-like conditions, as compared with 68 percent for large cities.
  61. The Wolfensohn Center for Development at Brookings is engaged in a research initiative on scaling up successful ECD interventions in developing countries.
  62. The Wolfensohn Center for Development at Brookings is engaged in a research initiative on Middle

Youth. (Dhillon and Yousef, 2009)

63. This is the approach chosen by the Wolfensohn Center for Development in its research on ECD and Middle East Youth.
64. This proposal overlaps substantially with the proposal on slums in the previous section on “challenges.” The main difference is that the former would take a more in-depth focus on understanding the nature and extent of slums and the broad array of measures available to address them, while the study considered here focuses principally on comprehensive programs of direct intervention in slums.
65. Unconditional urban cash transfer programs in Hong Kong and China appear to have limited impact (Panday, 2008).
66. Similar such research efforts are currently underway in the Wolfensohn Center of Development: one involves a program of women’s empowerment carried out by SEWA in Rajasthan, India; another is just getting underway in evaluation programs in support of youth employment and entrepreneurship in the Middle East.
67. I am grateful to Patricia Annez and Robert Buckley for suggesting the points made in this concluding section.



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