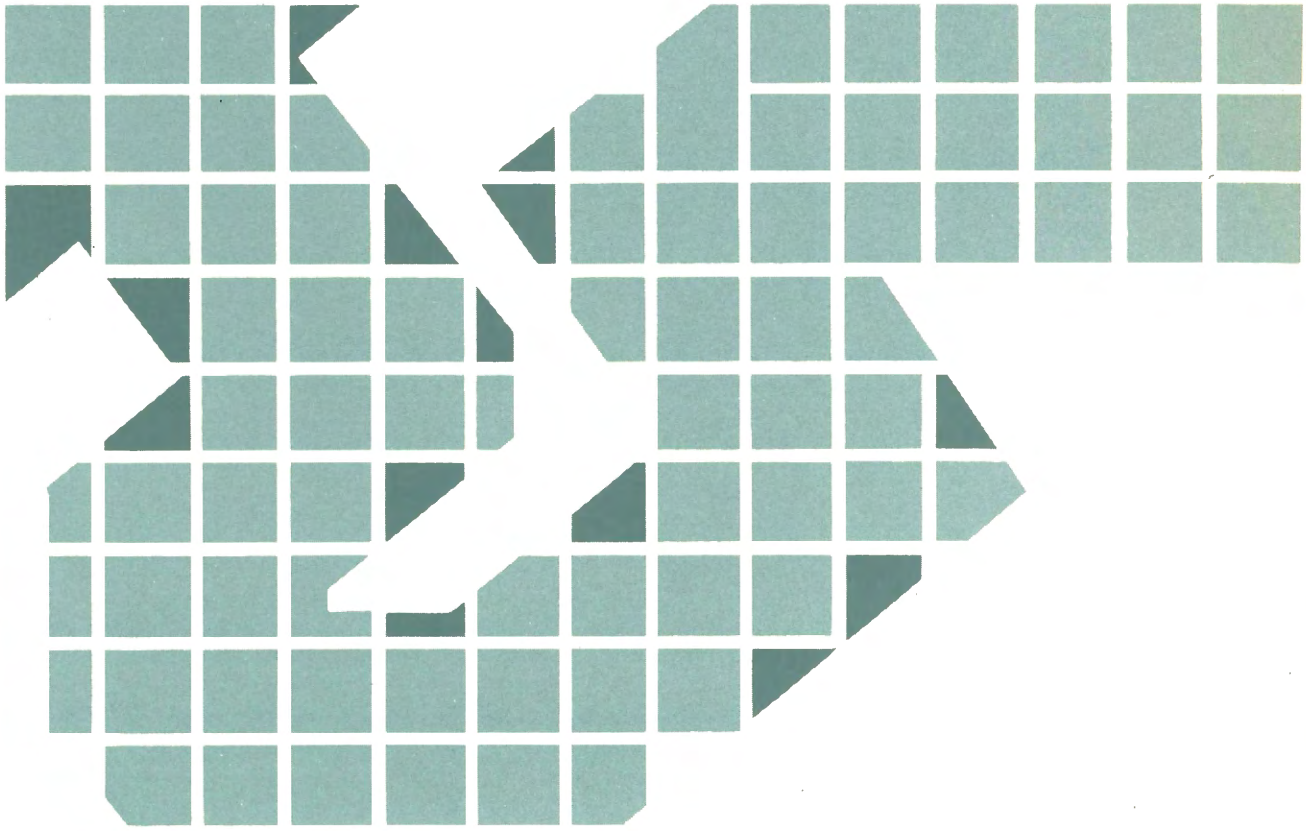
Guidelines for Formulating Projects to Benefit the Urban Poor in the Developing Countries

Volume I: Background, Goals and Project Opportunities



April 1976
Agency for International Development
Washington, D.C. 20523

Guidelines for Formulating Projects to Benefit the Urban Poor in the Developing Countries

Volume I:
Background, Goals and Project Opportunities

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Prepared for the

Office of Urban Development
Bureau for Technical Assistance
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Contract No.: AID ta-C-1107

PLANNING AND DEVELOPMENT COLLABORATIVE INTERNATIONAL
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12 April 1976

Messrs. William R. Miner, Director
and Eric Chetwynd
Office of Urban Development
Bureau for Technical Assistance
Agency for International Development
Department of State
Washington, D.C. 20523

Re: Contract No. AID/TA-C-1107,
Amendment No. 2, Guidelines
for Formulating High Impact
Projects to Benefit the Urban
Poor in the Developing Countries

Dear Bill and Eric:

We are pleased to submit the final Guidelines to your office for reproduction.

The material is structured in two volumes:

Volume I: Background, Goals and Project Opportunities

Volume II: Guidelines for Project Selection, Summary Project Characteristics, and Case Studies

Volume I, containing Chapters I through III, which constitute Part I, reviews the scale of the urban poverty problem, identifies varieties of urban poverty, analyzes underlying causes and indicates the goals presumed for the undertaking of projects to benefit the urban poor. Volume II contains Parts II, III, IV and V, together with an appendix for U.S. AID users. Part II identifies the role of projects in each sector in economic and social development together with the policy implications of such projects, describes the characteristics of projects likely to have high beneficial impact on urban poverty groups in the developing countries, identifies the other types of impact they are likely to involve and indicates complementary actions which may be necessary in undertaking them.

Part III reviews the potential uses of the Guidelines in identifying and undertaking projects. Part IV presents summary project characteristics in tabular form and, together with Part V, is intended to be the most frequently used tool in the Guidelines. Part V is intended to contain case study data that will be built up gradually by users of the Guidelines; an illustrative case study is presented to suggest how information in that section might usefully be organized. The appendix indicates how the Guidelines relate specifically to AID procedures and documentation requirements in project identification, project preparation, project review and appraisal and project evaluation.

We look forward to receiving your comments and those of the field missions as the Guidelines are put to use and we hope that they will prove to be a valuable and continually evolving working tool for those concerned with projects to benefit the urban poor in the developing countries.

Yours sincerely,

John D. Herbert
Senior Vice President

PREFACE

Purpose of the Proposed Guidelines

These Guidelines for Formulating Projects to Benefit the Urban Poor in the Developing Countries have been prepared under U.S. AID Contract No. AID/ta-C-1107, Amendment No. 2, with PADCO. The primary objective of this contract has been to provide a basis for the development of Agency projects with high beneficial impact on the urban poor, with especial emphasis on urban employment, water and sanitation, health, education, housing and urban management and finance. Other sectors are dealt with in the background material that is included in Parts I and II of the Guidelines but the sectoral and project data in Part IV are presented for these six sectors only. This focus is the result of current and foreseeable AID sector emphases, the general review workshops that have been held in Washington in the course of the preparation of the Guidelines and the comments of AID Missions on a draft that was circulated in the field.[1]

The primary users of the Guidelines are expected to include the technical staff of AID Washington, AID Missions and host country agencies. Primary uses are likely to be the evaluation of ongoing country projects, the preparation of requests for project assistance and the scrutiny of requests for assistance. The Guidelines are expected to be of help chiefly in project identification and are not a substitute for the specialized project preparation guidelines that are already in use or needed for the detailed technical preparation of projects for appraisal in individual sectors.

Users other than AID personnel may well wish to add data on sectors other than the six that have been focused on in Part IV. If this is the case, it is hoped that the format used for structuring data there will be of help in incorporating such additions.

The material is structured in two volumes:

VOLUME I:

PART I: BACKGROUND AND GOALS
PART II: PROJECT OPPORTUNITIES

[1] Comments were received from AID Missions in Costa Rica, Ethiopia, Kenya, Nicaragua, Peru and Thailand, from AID Washington, and from PADCO field offices.

VOLUME II:

PART III: THE USE OF THE GUIDELINES IN IDENTIFYING AND UNDERTAKING PROJECTS TO BENEFIT THE URBAN POOR
PART IV: SUMMARY PROJECT CHARACTERISTICS
PART V: CASE STUDIES

There is also an appendix specifically for U.S. AID users, relating particular steps in project impact analysis to AID's PBAR procedures and the latest Project Assistance Handbook dated 1 September 1975.

Part I, containing Chapters I through III, reviews the scale of the urban poverty problem, analyzes underlying causes, identifies varieties of urban poverty, and indicates the goals presumed for the undertaking of projects to benefit the urban poor. Part II, containing Chapters IV through XI, identifies the role of projects in each sector in economic and social development, their policy implications, the characteristics of projects likely to have high beneficial impact on urban poverty groups in the developing countries, and the other types of impact they are likely to involve and indicates complementary actions which may be necessary in undertaking them. Parts III through V, containing Chapter XII and the summary data section, present guidelines for project identification and review, together with project data and case study materials that are intended to be the main working tools for the user of the Guidelines. Only illustrative case study materials are presented. The Guidelines should be seen as an evolving working tool with additional case materials and ideas for improvements in procedures being incorporated by users continually.

The Guidelines have been prepared in response to an increased focus on poverty groups in the Agency's overall priorities and in response to an increasing awareness of the opportunities created by urbanization as well as an increasing concern with its problems. To argue that greater attention needs to be given to the support of urban development is not to argue that the massive rural poverty problems faced by most low-income countries are decreasing in importance or urgency. A very large part of national and international resources should continue to be allocated to rural development. At the same time, however, it should be recognized that the urban populations of the developing areas are growing much more rapidly than their rural populations and that the absolute numbers of low-income households involved are very large indeed. Many of those households are in the secondary cities and smaller urban centers that have received even less attention than major metropolitan areas. The continuing shift from rural to urban in population proportions is a shift that cannot be reversed by rural investment. It is doubtful that it can even be slowed down significantly. Indeed, sustained improvements in the condition of

all of a nation's people, rural and urban is likely to depend upon the quality of its urban growth at least as much as it will upon the development that takes place in its rural areas.

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Chapter I

THE SCALE OF THE PROBLEM AND ITS ORIGINS

The Role of Urbanization in Development

The total urban population of the less developed countries (LDCs) in centers of 20,000 or more in 1974 was of the order of 544 million and constituted 20 percent of their total population -- equivalent to slightly more than the total combined 1970 populations of the U.S.A., the U.S.S.R., Japan and the United Kingdom. That urban population is estimated to be growing at a rate of 4.1 percent for the period 1960-1980, relative to a rate of growth of 1.8 percent for the total population of the LDCs. In just another 25 years the LDCs will have a total urban population estimated to reach 1,436 million -- about equal to the combined 1970 populations of the People's Republic of China, India and Brazil. The projected increase in the urban population of the LDCs in the 40 years between 1960 and 2000 is over 1 billion -- about three times the total urban population of the developed world in 1960.[1]

Many of the major cities in the less developed countries were in 1970 already of sizes experienced in few areas in the more developed countries (MDCs) -- 9,410,000 (Buenos Aires), 8,405,000 (Sao Paulo), 5,600,000 (Cairo), 5,153,000 (Calcutta -- closer to 7,000,000 if the metropolitan district is considered), 4,661,000 (Seoul), 4,500,000 (Djakarta), 4,200,000 (Karachi 1972) and 4,100,000 (Manila). Karachi alone had in 1972 a population equal to the combined 1970 populations of Athens, Tsaritsyn-Stalingrad and the Hague.[2] The growth rates of major centers and some intermediate ones are often of the order of 5 or 6 percent annually, sometimes higher. Two hundred thousand people are

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[1] These calculations are based on or extracted directly from figures provided in the World Bank Sector Working Paper, Urbanization, (Washington,D.C.: World Bank, June 1972), together with the World Bank Atlas for 1972.

[2] Master Plan Department, Karachi Development Authority, Karachi Development Plan, 1974-1985. Karachi: Master Plan Department, KDA, 1973. Other international figures are from Davis, Kingsley, World Urbanization, 1950-1970, Vol. 1: Basic Data for Cities, Countries and Regions. Revised edition. Berkeley, California: University of California, Institute of International Studies, (c. 1969).

being added each year to the population of Karachi at present -- equivalent to an entire new city annually by standards in most parts of the developed world.

The urban poor constitute a majority of the populations of these mushrooming urban areas. Often 80 percent of all households have monthly incomes of the order of $50 or less. The members of many of these households are illiterate, undernourished and weakened by debilitating disease. In many cases as much as 15 to 20 percent of the labor force of urban centers is unemployed or underemployed. The cities themselves suffer from enormous deficits in physical infrastructure and staffing for urban management. National governments in the countries concerned have very limited budgets that are far too small to improve conditions quickly in the urban areas, given competing legitimate demands for allocations for the rural populations that still constitute 80 percent or more of national populations.

The underlying forces giving rise to the massive urban growth with which the LDCs are confronted are such that present trends are not likely to be reversed. These forces include rapid overall population growth, increasing productivity in agriculture, important indivisibilities in production and consumption that make major urban concentrations economically very attractive, and high income elasticities of demand for urban and industrial output, relative to agricultural output, as incomes rise. Urbanization tends to be highly correlated with overall economic growth. A reversal or major slowing down of urban growth in a less developed country might well signal major problems in that country's overall economic development.

A number of aspects of urbanization often are misinterpreted. Large scale employment in "low productivity" tertiary activities, congestion, squatter settlements and other problems of large scale urban growth often are regarded as unmitigated evils and used as a basis for arguing for a refocusing on rural development, decentralization, broader "regional" development and the arresting or slowing of growth in major centers. In the long run there are likely to be good reasons for more widespread urban development. In countries such as Brazil, with widely distributed resources and a variety of substantial urban centers already established, dispersed investment may be sensible in the fairly near future. But in some cases, in the immediate future, the processes of growth and modernization can be supported most productively, in both social and economic terms, through programs that give considerable attention to major urban centers as well as (or in preference to) secondary cities and smaller centers. Each situation should be evaluated

carefully. "Low productivity"[3] employment in urban services, low-income squalor, intensive use of land and other features of urbanization in the developing areas often are misinterpreted by upper income and middle income observers. For the street vendor and the new urban inmigrant squatter, the opportunities for higher incomes, education and richness of experience are far greater in urban centers, particularly the major ones, than in the rural areas and the small towns from which they came. The move to the city is largely a move toward genuinely greater opportunities, both social and economic. The increasing variety of tertiary activities in urban areas, even though those activities yield wages far below those considered acceptable in the relatively developed countries, are a reflection of the increased specialization associated with urbanization.

The hope that "the urban problem" will be solved by agricultural development and the development of small towns is a false hope. The arithmetic of population growth, long term agricultural export potential, the relative income elasticities of demand for urban and agricultural output and the prospects for increases in agricultural productivity suggest, to the contrary, that the future of the LDCs is likely to be predominantly an urban future.

One of the great dangers of continuing to harbor the illusion that urbanization will somehow slow down or disappear is that governments in both the LDCs and the MDCs will be slow in moving to develop constructive urban strategies. It is already obvious that a very dangerously low status is given to urban affairs and urban management in most of the LDCs at present.

Population Growth and Rural-Urban Migration

The first and most obvious cause of urban poverty has been the overwhelming rate of demographic explosion in practically all of the urban areas of the developing world -- growth which has outstripped the capacities of urban economies to provide high-wage employment. Overall population growth rates in the developing countries of Africa, Asia and Latin America averaged 2.4 percent from 1950 to 1970 and are currently estimated to

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[3]The term "low productivity" is put in quotation marks because such employment may in fact be the most productive way to use part of a large unskilled labor force at some stages of development, even though the wages yielded are low relative to other individual types of activity in urban areas; they are often still high relative to rural wages.

average about 2.6 percent.[4] This is compared with much lower average rates of demographic expansion in the now developed countries (0.9 percent) and considerably lower rates of 0.4 and 0.5 percent when the now developed countries were at levels of development similar to those of developing countries.

Compounding the problem of natural population growth in the urban areas of developing countries is the worldwide phenomenon of rural-urban migration. Urban populations in the developing countries have been expanding at rates averaging 4.1 percent in recent years.[5] This is considerably higher than natural rates of population growth and compares with much lower average urbanization rates (of the order of 1.7 percent) for developed countries. The causes of rural-urban migration have been the subject of considerable investigation in recent years. There has been much debate over the desirability of migration continuing at current levels and the feasibility of reducing its potentially explosive levels. A brief discussion of these issues should facilitate an understanding of the nature of urban poverty.

The rural population of developing countries engaged in agriculture is estimated to have tripled between 1800 and 1970, with the main part of the increase taking place in the most recent years. Between 1950 and 1970 the area under cultivation in developing countries has increased about 25 percent while the number of agricultural workers has increased by 50 percent.[6] This undoubtedly has been a major factor in rural-urban migration. Equally important is the higher level of wages usually available in urban areas and the greater hope of obtaining higher wages even if the first urban job obtained is marginal. There is a lack of clear empirical evidence on the exact relation between the gap in rural and urban incomes and rural-urban migration. Nevertheless, existing data suggest the existence of average rural urban income gaps of between 60 and 120 percent, which reflect the higher productivity of urban economic activity over predominantly subsistence rural agriculture. In spite of higher costs of living in urban areas and differing environmental quality, evidence suggests that the income gap is a primary factor in continuing rural-urban migration.

Improved levels of education have also been suggested as a major cause of migration. As young rural inhabitants acquire minimal levels of education they may become unwilling to remain in low status agricultural employment. Indeed a significant

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[4]Barroch, Paul. Urban Unemployment in Developing Countries, (Geneva: International Labour Office, 1973), p. 8.

[5]Barroch, Paul. Op.cit., p. 19.

[6]Barroch, Paul. Op.cit.,, p. 14.

correlation has been witnessed between levels of education and tendencies to migrate.[7] This partially explains the large percentage of young people who comprise the rural-urban migrants. Nevertheless, as we shall examine below, the higher levels of literacy, education and aspiration which young migrants possess do not always qualify them for the more technical jobs available in cities.

Other factors also contribute to the move to urban areas. Urban life is generally more attractive to many people, offering a wide range of amenities and opportunities for social interaction. It also offers an escape from many social and marriage restrictions of rural society.

In addition to the specific attractions, the city also offers a relatively low-risk location for the in-migrant. The number and variety of employment opportunities available and the services that can be drawn upon there (legally or illegally) mean that the chances of achieving a higher income, even the chances of survival, often are much greater than they are in rural areas and small towns.

Many experts have argued the desirability of reducing the rate of migration. Families are better off in rural areas, it is said, and should be encouraged to remain. This principle itself is clearly debatable in view of individuals' almost universal persistence in enduring the hardships of urban life in order to enjoy its benefits. Nevertheless, much effort has been made to increase levels of employment in rural areas and thereby reduce the incentive for rural-urban migration. With few exceptions, however, there is little evidence of success in these attempts. Indeed, depending on levels of rural overpopulation, productivity and other factors, increased rural development can actually accelerate rural-urban drift.

The Failure of Urban Economies to Provide Acceptable Opportunities for Employment and Income

The urban economies of the developing areas are unable to absorb additional populations into high-wage employment. The multiplicity of technologies (including forms of organization and financing) in urban areas, the limited demand for high-wage technologies and limited labor mobility among technologies appear to be major factors underlying this failure. Since the 1950's and with the end of colonialism there have been extensive industrialization drives. However, this industrialization has failed to provide the required levels of urban employment.

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[7] Barroch, Paul. Op.cit., pp. 78-89.

Large numbers of urban workers have been forced into low-wage service and commerce activity. In Latin America, for example, the percentage of total employment in services and commerce rose from 23.1 percent in 1950 to 33 percent in 1969.[8]

One of the major reasons for the failure of industrialization drives to have a greater impact on unemployment and urban poverty has been the widespread use of imported technology. Kenya, for example, inherited from the colonialist economy a structure which produced consumer goods for a number of high income Europeans. An informal economy coexisted with it which produced for the consumption of subsistence level Africans. After independence, this structure has remained intact. The high ratio of capital to labor in the expanding industries of the modern sector, largely in Nairobi and Mombasa, still contrasts sharply with a labor-intensive "informal" sector using local technology and low level of investment. In spite of impressive aggregate economic growth records, led by the growth of export-substitution and other industries, the modern sector has failed to provide sufficient employment opportunities for burgeoning urban populations.[9]

A similar situation has been observed in the Philippines.[10] Heavy manufacturing and import-substitution industries have been growing rapidly in the largest cities since independence, but the high capital-intensity of these industries has rendered them unable to provide the necessary employment for expanding urban populations. There is a striking absence of small- and medium-scale industries using intermediate technologies and capable of employing larger numbers of unskilled urban inhabitants. The result has been widespread urban poverty and, as in Kenya, an expanding informal urban services sector. These two cases are typical of the seemingly inappropriate technologies and capital investments found in many developing areas.

The reasons for the widespread use of technologies which are not suited to economies with high proportions of unskilled labor are many. Many newly independent nations inherited a small colonial technology base. Since independence they have often continued to import technology from industrialized countries. Moreover, capital investments are made by foreign firms and wealthy individuals who prefer to use imported technologies. Most industrial research is oriented toward the capital and

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[8] Turnham, David. The Employment Problem in Less Developed Countries, (Paris: EOCD, 1971), p. 37.

[9] International Labour Office. Employment, Income and Equality: A Strategy for Increasing Productive Employment in Kenya (Geneva: 1973)

[10] International Labour Office. Training in Development, A Programme of Employment, Equity and Growth for the Philippines, (Geneva: 1974), p.6.

labor endowments of industrialized countries; available technologies usually reflect this. Countries often have a number of fiscal, credit, foreign exchange and legal advantages which prejudice new investment to be overly capital intensive. For example, investment tax incentives reduce the effective rates and import policies often favor the import of capital equipment. Credit is sometimes available only to large-scale investors using modern technologies. Minimum-wage laws, social security programs and other labor policies often inhibit the use of labor-intensive technologies even in the presence of widespread urban unemployment and underemployment. All of these factors and others tend to increase the disequilibrium and dualism in developing economies.

While steps can and are being taken to reduce the technological bias of new investment and absorb increasing numbers of workers directly into modern sector employment, it must be realized that most developing countries will continue to rely on informal sector employment to provide subsistence to the urban poor for the foreseeable future.

The International Labour Office has studied the informal sector in Kenya and concluded that it fulfills an invaluable function for the urban poor. Informal employment accounts for an estimated 25 to 30 percent of urban employment in Kenya and is probably expanding more rapidly than formal employment because of many characteristics of the informal sector which make it especially adapted to the needs of the urban poor:

1. Ease of entry;
2. Reliance on indigenous resources;
3. Family ownership of enterprises;
4. Small scale of operation;
5. Labor intensive and adopted technology;
6. Skills acquired outside the formal school system;
7. Unregulated and competitive markets.[11]

In spite of its contribution, many governments view the informal sector as a sign of backwardness and a source of embarrassment. Rather than foster its development, restrictions often are placed on informal sector activities through such measures as programs to discourage (or even demolish) squatter housing, trade licensing favoring large scale commerce and industry, credit restrictions, and unrealistic public transport standards.

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[11] International Labour Office. Employment, Income and Equality: A Strategy for Increasing Productive Employment in Kenya, (Geneva: 1973), p.6.

While it might be politically difficult for governments to accept publicly the persistence of informal sector activities for the foreseeable future, they may at least be persuaded to mobilize indigenous technologies and the dynamic initiatives of the informal sector in the development effort. This need for such a reorientation of policies is accepted as a basic premise of these Guidelines. While modern urban activities can and should be expanded to provide more employment, the burgeoning needs of urban poor will have to be met to a large extent through a conscious effort to harness the energies of the informal sector and the initiative of the urban poor themselves.

Inequitable Asset Distribution

Another important explanation for the skewed income distribution in the cities of the developing world is the unequal distribution of income-producing assets. There is considerable evidence that the distribution of assets (fixed, working and human capital) is even more concentrated in the hands of the wealthy than the distribution of current income. A change in asset distribution patterns, including levels of education and health, should be recognized as a prerequisite to significant changes in patterns of income distribution.

Inappropriate Education

Opportunities for higher levels of education and literacy have been a factor in individuals' unwillingness to stay in rural areas. Unfortunately, much primary and even secondary education has done little to increase their employability in urban areas. Primary education often tends to be oriented toward the needs of secondary school, but few pupils may actually go on to higher levels of education. They are left with few practical skills and inflated expectations. In the Philippines, for example, the general unemployment rate of 8 percent is far surpassed by unemployment rates of 55 percent for persons with some exposure to primary education and 26 percent for high school graduates.[12] This clearly suggests the need to relate education more clearly with practical employment opportunities.

Other Factors in Urban Poverty

Urban poverty often is compounded by the low availability or high cost of basic necessities. Low levels of savings, taxation and capital formation are predominant features of all developing countries. The large capital investment necessary for housing, sanitation, water and other urban amenities

[12] Blaug, Mark. Education and the Employment Problem in Developing Countries, (Geneva: International Labour Organization, 1973), p.10.

often is not available or is available only for wealthier urban inhabitants. Credit often is not available for poor families to finance housing and related infrastructure. Land and materials costs are often beyond their capacities to pay through existing formal financing mechanisms.

The costs of food and fuel for the urban poor have risen sharply in recent years. The cost of fertilizer has affected food prices adversely. This problem has been compounded by drought in many cases. Cooking fuel has become an increasingly significant part of poor families' budgets as forests have been denuded and the world energy crisis has made kerosene a less feasible fuel alternative. The severity of the food and fuel crises is accentuated because these are necessities for which there are practically no substitutes. In some countries firewood or charcoal may cost 25 percent of an average poor family's budget.

Organizations to help the urban poor deal with these problems are often sadly lacking. Although they frequently constitute the majority, the poor usually have limited political power. Their poverty, their social instability and the frequently transitory nature of their stay in any one place combine to limit their participation in the political decision-making process.

The Physical Unpreparedness of Existing Cities

The population load on existing urban centers in the LDCs is enormous. Typically, 40 to 50 percent of urban population growth each year in major centers is due to an inmigrant population that is even poorer than the existing urban population and suffering from the same problems to an even greater degree. Moreover, many inmigrants are being exposed to urban lifestyles (or, at least, large city lifestyles) for the first time.

The cities carrying this population load are physically unprepared. If they are old, established centers from colonial periods they may have infrastructure designed for 100,000 to 200,000 people that is now supporting two million or more. If they are newer centers that have mushroomed in the last twenty years they may not even have that. One fairly typical major center, for example, has a population of over four million presently. Approximately 45 percent of its urban households have incomes of roughly $30 per month or less; 80 percent have monthly incomes of $50 per month or less. A majority of the metropolitan area's households are unable to afford adequate food consumption (2,050 calories per person per day). Total water availability is approximately 30 gallons per capita per day, with much of the potential supply lost through leakage and wastage. There are ample supplies for the affluent (100

gallons per capita per day or more) but only a trickle, intermittently (as little as 10 gallons per capita per day) reaches the poor. Installed sewage treatment capacity is only 40 million gallons per day relative to a water intake of 100 to 120 million gallons per day. Only half of that capacity is operative and the entire sewerage system is capable of handling only 4 percent of the biological oxygen demand generated daily. Several hundred thousand of the metropolitan area's inhabitants are settled in areas subject to flooding in heavy rains -- flooding that costs many lives, brings sewage into hutments, carrying with it the threat of disease and resulting in considerable property damage. Fifteen hundred to two thousand tons of refuse are generated daily, but less than 50 percent of this is collected and disposed of publicly. There are only 1.5 hospital beds per thousand population. There are primary school places for only about 70 percent of the primary school age population and secondary school places for only about 32 percent of the age group. There are perhaps as many as 800,000 persons living without adequate housing and extreme squalor. Only 16 percent of the dwelling units in the area have water supply, sewerage and electricity in the house. An extravagent land-use pattern and major deficits in the public transport systems result in long commuting times for many low-income groups and journey-to-work travel absorbs 10 percent of monthly incomes for thousands of workers in outlying but heavily populated parts of the metropolitan area.

The Fiscal Unpreparedness of the LDC's

Fiscal conditions vary greatly from country to country. Most national and state governments are not in a financial position to support urban development adequately because their revenue base is not strong relative to resource needs, because that revenue base is generally underutilized presently and because their administrative capacity to improve fiscal machinery is still limited. Often, there is also a political reluctance to give high priority to a nation's urban centers (except for essential national functions, such as major industrial development and port facilities) because of massive claims for investment from the rural areas that still have 80 percent or more of national populations.

Most major cities in the LDCs have underutilized rather than excessively weak revenue bases (at least, they are not excessively weak in their national contexts). Indeed, because they usually are major production and sales centers and experience increases in land values that are more rapid than anywhere else in the nation, their revenue bases are relatively strong. For various reasons, local governments in the LDCs tend to underutilize urban land values and capital gains as revenue sources. Land valuation procedures are erratic. Non-

compliance with tax requirements on land is rarely penalized. It has been estimated that, in one not atypical Asian city with a population of several million, urban property tax revenues would be increased about six times (from about $5 million annually to about $30 million annually) through uniform and proper assessment and the application of a quite modest tax on land value. Municipalities rarely have access to corporate or personal income taxes which tend to be the exclusive domains of national and state (or provincial) governments. Local sales taxes are difficult to administer. User charges for urban services (for example, water supply) often are unnecessarily low and formal and informal systems of charges for such services operating jointly result in highly inequitable user costs. In one major Asian metropolis high income households have access to 100 gallons per capita per day or more through a piped supply and pay only about 25¢ per thousand gallons whereas low income households with monthly incomes of $30 per household or less have to have water carried in and end up paying at the rate of $2.00 per thousand gallons for the small quantities used.

The consequences of local fiscal weakness are revealed clearly by recent local revenue and expenditure figures from LDCs. In one city with a population of about four million, development expenditures amount to only $8.00 per capita annually, about $3.00 of which is local expenditure. In another city with a population of approximately two and a half million, local government development expenditures amount to only 66¢ per capita; annual revenues, including provincial government grants, in the same city amount to only $2.50 per capita; operating and administrative costs clearly have by far the largest claim on total local revenues. In another, even larger, Asian city with a population of about seven million, per capita local taxes amounted to only $2.60 in 1967; in the largest corporate jurisdiction in that conurbation development expenditures in the same year amounted to only $.06 per capita. These frighteningly low figures can be compared with capital expenditures of approximately $85.50 per capita in municipalities with populations of a million or more in the United States in 1970-71 (excluding federal and state expenditures in those local areas).[4]

[4]International City Management Association. Municipal Yearbook 1973, (Washington, D.C.: ICMA, 1973), Tables 4/5, p. 98.

Political Unpreparedness

Political processes and urban administration are even more closely intertwined in the LDCs than they are in the more developed countries. Local administration often is dominated by the national or provincial political system. Key local administrators often are simply appointees of the ruling political group. Experience in the guidance of urban development by policy makers elected at the local level is, consequently, relatively limited.

The prospects for effective elected local government in the immediate future vary considerably from country to country and even from city to city within a country. Some cities are economically and politically strong enough that pressures for potent local government are building up and there are real opportunities for experimentation. In other cities, it seems unrealistic to expect local governments to be able to provide facilities and services at the necessary levels with reasonable efficiency and equity in the near future.

Until very recently, the civic affairs of cities in the LDCs have been very much neglected. The problems of urban centers were of little interest to rural elites in the pre-industrial era. In the process of industrialization and modernization the new industrialist has been preoccupied with the growth of his own enterprise. This, in some cases, coupled with a strong disinclination toward collaboration, has delayed the development of urban entrepreneurial leadership.

Military or quasi-military governments which have taken over from breakdowns in elite civilian leadership have had little concern, initially, with urban problems other than the problems associated with control.

In many cases, there still is a barrier of indifference to be broken down if cities are to get the attention they deserve.

Administrative and Technical Unpreparedness

Whatever political form local government takes in individual cities, the scale of the urban management problems they face is horrendous.

The responsibilities of those who must manage existing and emerging urban centers in the LDCs call for a great variety of skills -- in economics, business management, engineering, sociology and politics, to name just a few. The functions to be dealt with range from every-day chores such as refuse collection through major long-range programming for support for hundreds of thousands of new low-income

residents every year. Local urban administrators have almost no funds to work with. Most of their capital equipment is run down. They have virtually no skilled staff to support them. In one city of over four million population there is not one qualified accountant in the entire municipal administration. The staff for planning there totals 50 -- ranging from senior but young officers all the way down to draftsmen; perhaps five of those fifty are professionals with enough training and skill to exert leadership. They are confronted with a population increase of the order of 200,000 per year. (Compare this with the relaxed gentility of a British new town designed to support a population of 200,000 in 15 years; it has a total professional staff of the order of 400; it is being built in the context of a well-established national and regional infrastructure; the population it is preparing for is literate and relatively well off. A large proportion of the staff of 400 are highly qualified professionals.)

Staff is a problem at all levels. Often it is possible to pay junior officers only $40 to $50 a month; yet they are expected to be competent and responsible. Often there is a tradition of corruption at all levels (more pervasive if not as large in scale as that in the more developed countries).

To compound the administrative and technical problem, very few developing countries attach high status to municipal government. The career plums are with the provincial or national governments. Almost none of the developing countries is training a cadre of urban specialists, either on an emergency basis to avoid immediate disaster or with a longer-term view to prepare for the scale of the urban growth they are confronting.

The Importance of Increased Attention to the Urban Poor

The urban areas of the developing world have major roles to play in economic and social growth. They use scarce capital relatively efficiently (provided that there are no protective tariffs and other practices which encourage inefficiency). They use scarce managerial and administrative skills efficiently also. They tend to provide employment opportunities for "marginal" labor that would otherwise be completely unemployed. Substantial urban centers constitute large markets for both urban and agricultural output. They have large labor pools which make them attractive to newly emerging enterprises, in particular. They help to keep transport costs low where a nation's resources are highly localized and/or where a nation is heavily dependent on exports and imports. They provide opportunities for many indivisibilities in production and consumption, including economies of scale, which make them

attractive as centers for economic activity. Firms locating in major centers often are able to avoid the diseconomies of forced internalization that would be associated with locations in small townships or rural areas. Control over productive processes and bargaining for public services is generally easier and more certain in large centers. Concentrated urban development facilitates the face-to-face contacts that are crucial to business (even more crucial in the LDCs than in the MDCs at present). Urban environments are relatively efficient for informal education and the upgrading of skills. Urban lifestyles facilitate the entry of women into the labor force. The high levels of information exchange facilitated in urban areas tend to support innovation. The city tends to offer greater social freedom and opportunity to the mobile poor than do smaller centers or rural areas. The city also tends to keep short run risks at low levels -- indeed, major urban centers are excellent risk-spreading devices for governments (who would be exposed to great cash flow risks if they were to try to support large new populations in outlying areas), for entrepreneurs (who have access to very flexible supplies of labor, materials and services) and for low income households.

The essential tasks have not to do with the slowing down of urban growth (which often is claimed to be desirable, even though there is no reasonable way to achieve it in the near future), but, on the contrary, with: 1) the husbanding of existing resources to upgrade the quality of urban life; 2) aggressive and imaginative use of urbanization to increase the total resource pool.

A major part of the immediate effort in both of these directions must be focused on the poverty groups that dominate the emerging urban populations of the developing areas. There are three compelling reasons for this focus. First, the scale and terribleness of the degradation these hundreds of millions of people will suffer if effective action is not taken. Second, the tremendous potential for productive activity that is represented by the courage and initiative that they exhibit in improving their own condition with little or no public support. Third, the prospect of the explosive and catastrophic social and political breakdowns that are likely to occur if the problems of the urban poor are neglected.

The Importance of Project Design That Is Responsive to the Real Needs of the Individual

The dimensions of the problems and opportunities that have been sketched are indicative of the broad types and levels of effort needed to deal with urban poverty in the developing areas. Aggregative analyses of current conditions are essential for the

overall dimensioning of national, regional and local development policies and programs. But analyses of this type alone are far from sufficient to insure the implementation of projects that will be responsible to the real target groups -- the specific low-income individuals and households that constitute a majority of the urban population of the developing world. They must be accompanied by sensitive in-depth studies of the needs and potential of specific types of individual and household at various stages in their life-cycles and in the many different contexts in which they participate in the process of personal development as well as urbanization. Macro-development programs must be built up carefully from micro-actions tailored to the needs and capacities of specific groups.

Individual projects, must reflect the needs, capabilities, aspirations and behavioral patterns of the many different types of individuals and groups that constitute existing and emerging urban populations.

There must be projects responsive to the needs of individual inmigrants coming to an urban area for the first time -- individuals, without families, who may need support as they make their first contact with the city if they do not already have relatives or friends there, assistance in upgrading their skills to enable them to find urban work, assistance in obtaining at least rudimentary shelter and assistance in gaining and maintaining access to essential urban services.

There must be projects to assist households in similar ways, incorporating the specific types of support needed for children of various ages, women of childbearing age, the fathers or other heads-of-households responsible for family support and older members of extended families.

There must be projects designed specifically to assist children at the various stages of their development cycles -- reflecting their special needs for essential health and education, assisting them to avoid the all too frequent economic pressures which limit their opportunities for self-development because of the need to seek jobs to assist with family support.

Often there will be a need for projects to assist poor households who have been in an urban area for a considerable period but have failed to launch themselves on an upward development path -- often to the point where they have "given up" and are stagnating economically, socially and psychologically.

There must also be projects designed to provide the additional marginal assistance needed to help upwardly mobile households -- taking advantage of the "demonstration effect" of their relative success (and, possibly, their potential for leadership).

To design and implement projects responsive to the specific needs of these and the many other types of individual and household that make up the poor in a city's population calls for great understanding and skill. Typically, there is very limited experience with, or capacity for, such project work. Indeed, it is often the case that existing administrative systems, especially where they have been inherited from colonial predecessors, are just the opposite of what is necessary, tending to deal with the poor, at worst, as a "nuisance group" or, at best, as a statistical aggregate to which funds are allocated, if and when those funds are available, in the hope of doing away with "the problem" of the poor (not to be confused with the problems of the poor themselves). The task of sensitive project formulation and execution is formidable but it is also a task that must be undertaken if massive personal and social degradation in the urban areas of the developing world are to be avoided.

In guidelines such as the present ones, oriented to a wide audience of country missions and agencies, it is not possible to pre-specify all of the individual project features that need to be provided for. However, a beginning has been made toward identifying the types of group-specific project activity needed by indicating in the next chapter at least some of the varieties of urban poverty that should be recognized.

Chapter II

VARIETIES OF URBAN POVERTY

It is easy for a middle or upper income observer, local or foreign, to think of all those who suffer the hardships of urban poverty in the developing areas in a single category -- "the poor". To do so is to oversimplify the problems of the poor grossly and make even more difficult the task of discovering projects that will be truly responsive to their needs.

Groups exposed to different types and levels of poverty have very different interests, needs and effective (economic) demands. They are likely to be impacted by particular types of public action in very different ways. In order to focus on the types of project likely to have the most beneficial impact on individual groups and to help to anticipate the important types of benefit and disbenefit likely to result from particular types of action it is important to identify at least the major types of urban poverty group likely to be encountered.

1. A Basis for Identifying Target Groups

The aims of identifying the types of urban poverty that will be presented below are: a) to suggest the types of project likely to be most effective in specific cases; and b) to assist in establishing project priorities. Poverty groups are considered in terms of: 1) their levels of current consumption and prospects for improving those levels; 2) the extent to which they already control and can be expected to control capital assets that could provide a basis for future consumption; and 3) their territorial orientation.

The classification of target groups is thus intended to be a dynamic one, indicating not only present conditions but also prospects for changes in those conditions if no governmental action is taken. It is intended to reflect expectations concerning the economic, social and geographic mobility of the households being classified. It is intended to reflect judgments about the degree of political organization and influence particular groups of households are likely to be able to bring to bear to improve their condition. It is intended also to reflect the expected results of public actions, already firmly

committed, that are likely to change the condition of these households, positively or negatively, even without the additional projects for which the analysis is being undertaken.

It is assumed that a specific time horizon (planning period) will be established for the purpose of project identification and project review. This time horizon is likely to be different for each project type. It will define the period for which the expected benefits and costs of the project are to be analyzed in deciding whether or not the project should be undertaken. In some cases it may be as little as two or three years; in other cases, as long as twenty or even thirty years. Its length will be affected by considerations such as the political and funding time horizons of funding agencies and host-country agencies, the expected functional lifetime of the physical facilities or equipment involved in the project, the time horizon and life expectancies of target households or individuals and the time period for which forecasts can be made with a reasonable degree of confidence.

"Present and expected consumption" is the consumption foreseeable for a target group during the planning period without the project in question. "Present and expected assets" refers to the changes in the target group's assets that are expected to occur without the project during the planning period (which is of interest as an indicator of capacity for subsequent consumption). "Territorial orientation" refers to the territorial orientation of the target group during the planning period; as in the case of consumption and assets, if a change in orientation during that period is anticipated this should be recognized in the analysis.

These three variables are suggested as a basis for identifying target groups because they are key indicators of present well-being, potential for future well-being and degree of commitment to particular localities in which projects might be undertaken.

The types of current consumption (or opportunities for consumption) that are given special importance include food, safe potable water, sanitation, power, fuel for basic cooking and heating, shelter, essential information (to assist in family management, to assist in gaining access to urban services, etc.), opportunities to affect one's own future through participation in the political processes, opportunities for satisfying social interaction, opportunities for enjoying a physical environment of high quality and recreation opportunities. The types of capital that are given special importance include the quality of the human capital in a household (defined in terms of health, education, skills, physical capacity for productive employment, aspirations and attitudes), rights in urban land and other tradeable assets, and access to credit. Three types of territorial orientation will be considered: externally oriented -- where the members of a target group are in an urban area primarily in order to generate income for consumption and investment elsewhere;

in-transit -- where the members of a target group are intending to remain in the urban area in which they are now located but are using the particular locality they are in merely as a "staging area"; and consolidating -- where the members of a target group are expecting to remain for a relatively long period in the locality they are in.[1]

Factors such as employment status, income and occupation are not used directly in the classification because the main concern is with households' consumption and their capital assets. Clearly employment and income are important but in the approach suggested here they are regarded as important means for achieving better life styles rather than important in themselves. In situations where information on consumption and capital assets is not available data on incomes and occupations might be used for classification but it is preferable to use consumption and asset data directly wherever possible. It should be noted that "consumption" and "capital" are used purposely in a broad sense -- to include concerns with such things as opportunities for satisfying social interaction, the quality of the physical environments to which poor households have access, and the capacities, attitudes and aspirations of household members.

The importance attached to particular types of consumption and particular assets are likely to vary from household to household, from time to time in a household's life cycle and from place to place. Such differences in priorities, as well as differences in present consumption and assets, will mean that different categories of households are likely to be relevant for project selection and design in different situations. It is not useful to try to predetermine universally applicable categories of poor households. It is useful, however, to indicate how categories, or "target groups", appropriate for a particular situation might be identified. This is the subject of the next section.

2. Possible Target Groups

Both households and individuals are useful units for the purpose of defining target groups -- that is, the groups on which projects are to be focussed or "targeted". The household is generally the foundation for individual survival and development and is an appropriate "building block" for a wide variety of project design purposes. The individual is an important unit for defining some types of poverty group because individuals often have needs which are more or less independent of their membership in a household.

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[1] There is nothing rigid about these three types of orientation. They are merely suggested as potentially useful categories. Others may be found to be appropriate in particular situations.

The broad categories of target group that will be discussed are: a) households; and b) individuals.

a) Households:

To identify the target group or groups relevant for a particular project a profile might be constructed for each significantly different type of household that may be of concern. Each of the households in a particular target group may, of course, have a profile that is somewhat different from other households in that group but the profiles of households in the same target group should be similar to one another and different enough from those of households in other groups to suggest inclusion in that group rather than any other. What constitutes being "similar enough" to suggest inclusion in a particular group usually will have to be a matter of judgment which takes into account, among other things, the nature of the project being considered (in particular, the extent to which its success is likely to depend on the degree of variation in household characteristics), the time and resources available for analysis and the urgency of action.[2]

Each profile could have three broad components -- a consumption component, an assets component and a territorial orientation component. The consumption component and the assets component will have subsidiary components whose number and kind will depend upon the particular types of consumption and assets that are of concern. The territorial orientation component will have one of the three values suggested earlier -- "externally-oriented", "in-transit", or "consolidating".

To illustrate a procedure for constructing group profiles, each of the three broad components will be discussed in turn. It will be supposed, merely for the purposes of illustration, that the type of project being considered is a new low-income settlement project incorporating job creation, nutrition, water supply, sanitation, a base for shelter, electricity, health services, education services, credit, community information services and mass transportation.

i) Consumption

For simplicity only one type of consumption will be considered -- the consumption of safe potable water in litres per capita per day -- and the planning period used will be five years. Only three out of many possible different types of household will be analyzed.

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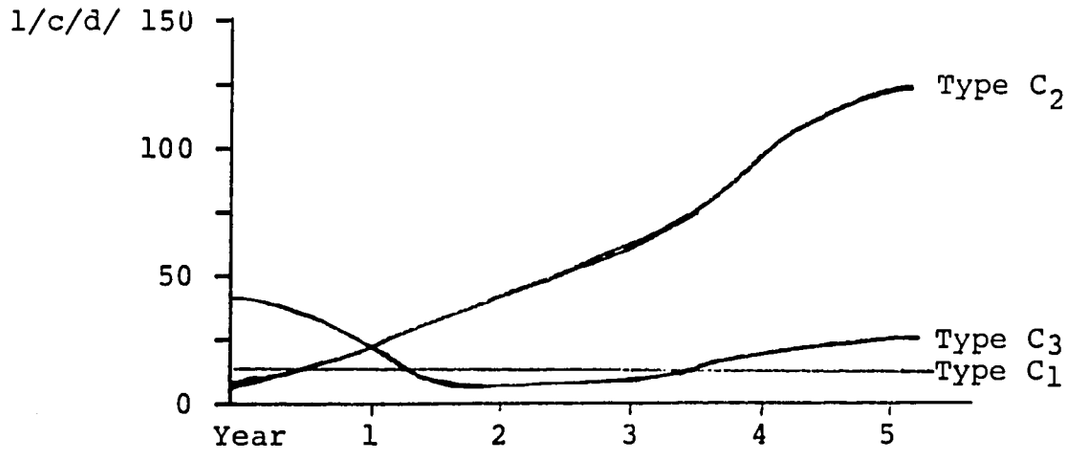
[2]See Chapter XII for a further discussion of the economics of impact analysis.

The illustrative data on present and expected water consumption for these three hypothetical household types without the proposed project are presented below.

HOUSEHOLDS	Average Water Consumption -- Litres per Person per Day				
	Year 1	Year 2	Year 3	Year 4	Year 5
TYPE C_1	16	16	16	16	16
TYPE C_2	16	32	48	80	120
TYPE C_3	32	12	12	16	24

Graphically, these profiles might be presented as follows:



As indicated earlier, such profiles should reflect the extent to which household are expected to be able to improve their own condition in the absence of the project that is being considered; this will provide a clue as to the mobility of each target group. Households' ability to achieve particular consumption levels may be a result of factors such as their expected employment and incomes, their attitudes and aspirations, and their political bargaining power. It may be a result also of other firmly committed public actions already proposed to improve the supply of a particular good or service, in this case, water. The profiles should reflect also the economic, social and physical risks to which each target group is expected to be exposed during the planning period; the levels of consumption incorporated in each profile should be a weighted value, reflecting such risks. A particular type of household may tend to be exposed to economic risks because the employment on which its income depends is irregular -- whatever jobs the earners in the household can find -- or, though "regular", vulnerable to competition or fluctuations in demand. High risk may be a result also of such things as membership in a vulnerable social or political minority group or membership in a culturally disadvantaged group (e.g., a low caste). It may be a result of the physical location of households -- for example, in a flood-prone river bed, in a area subject to waterlogging, in an area in which water supply or other services tend to be reduced or cut off in times of scarcity, or in an area in which environmental conditions are especially bad and the incidence of disease is high.

In the illustrative profiles shown above, for example, households of Type C_1 may be second-generation squatter households with only intermittent employment, no political power, no access to piped water and with a history of poverty that has left them with no expectation of being able to improve their condition and no conception of how to do so.[3] Households of Type C_2 may be recently arrived in-migrants with at least one vigorous and semi-skilled worker in each household, with a good chance of obtaining steady employment if they have not obtained it already. They may be members of the dominant political party and settled in a locality in which they can expect "startup"

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[3] In some cases the areas in which such households live may be considered unimproveable or to use the terminology of a recent typology of slums, "human dust bins" -- places where social and economic dropouts become stranded. See: Dr. J.J. van der Linden, A Typology of Slums of Karachi. Joint Research Project IV for Urban Development and Slum Improvement, Karachi University, Government of Pakistan, Free University Amsterdam, Government of the Netherlands. (Draft) Karachi: Joint Research Project IV, 1975. p.108.

support from relatives or friends who have migrated earlier from the same origin. They may also be in a stable locality in which a modest water supply improvement project is already under way or committed. Households of Type C_3 may be squatters who have previously stabilized their settlement and learned how to exploit existing services, illegally, to the full but without much political power and vulnerable to "clearance" projects or located in areas which tend to be early casualties in the struggle for essential services when overall supplies are curtailed. The "dip" in their profile may be a reflection of such things as an expected clearance project and/or periodic water shortages.

ii) Assets

As in the case of consumption, for simplicity, only a few of the possible categories of present and expected assets will be illustrated. In all cases the expected assets are assets expected at the end of the planning period in the absence of the project in question. Three types of asset will be discussed --(a) the capacities of the individuals in the household for enjoying a productive and full life; (b) property rights; and (c) access to credit.

(a) Capacities of Household Members

In principle, "capacity for enjoying a productive and full life" might be defined not only in terms of income-earning capacity but also in terms of intellectual capability, aesthetic sophistication and a variety of other characteristics. Because of the difficulty of creating a sophisticated measure, the approach proposed will use expected relative earning capacity per person as a crude measure of household capacity. No claim is made for great superiority in this measure. If a better one can be established, well and good, but even a crude measure of the kind proposed is likely to be of help in identifying households' capacities and needs.

Relative earning capacity for a particular type of household might be defined as the relationship between: a) the expected total earning capacity per person of households in a particular target group over the five years following the termination of the planning period for the project in question; and b) a desirable household target capacity per person for those five years -- using a target level that is realistic for the particular situation.

Judgments about expected earning capacity should reflect household size and age structure, life expectancies at the end of the planning period under desirable and achievable health levels, and earning capacities of the individuals in a household at the end of the planning period under desirable and achievable levels of health and education.

Judgments about a desirable household target capacity per person should reflect, for households of a particular type, household size and age structure, life expectancies at the end of the planning period under foreseeable conditions if present trends continue and the earning capacities of the individuals in the household at the end of the planning period if present trends continue.

Establishing the two capacity measures proposed will be difficult, since this calls for a great deal of judgment in projecting existing trends and in identifying realistic target levels. The suggested period of five years beyond the end of the planning period is arbitrary; it is proposed as a maximum period in which the kinds of informed guesswork required will be feasible.

If plausible numbers can be generated then relative earning capacity can be quantified; where this stretches predictive plausibility too far, it may be possible only to rank households at the end of the planning period as, say, "likely to be close to full capacity", "likely to be significantly but not dangerously below capacity", and "likely to be dangerously below capacity".

Assuming for the purposes of illustration that relative earning capacity (REC) is quantifiable, three target groups might be classified as follows:

Households	REC at End of Planning Period
R_1	0.25
R_2	0.50
R_3	0.75

If the measure cannot be quantified the symbols R_1, R_2 and R_3 might be used alone, with appropriate qualitative descriptions of their meanings.

(b) Property Rights

Data on households' various fixed capital assets usually are not available; types of tenure are proposed here as proxies for more complete data on capital assets. Households might be classified, for example, in four groups:

T_1: Households With No Secure Tenure. Households in this category have little or no ability to save, they usually do not have any significant marketable assets and they have no legal rights to land in the areas in which they are located;

T_2: Relatively Secure Squatters. Households in this category have no legal right to the land they occupy but, by virtue of their length of residence or political power, have a good chance of eventually obtaining legal rights to that land.

T_3: Tenants. Households in this category have either informal or formal rights as tenants in the space they occupy. (Although some of them may have very short-term leases which are operated on a month-by-month basis.)

T_4: Owners. Households in this category have either long-term leases or freehold rights to the land they occupy.

(c) Access to Credit

Households might be classified in three groups:

A_1: Households Without Access to Credit. Households in this category have no means of obtaining significant credit for daily consumption needs, housing or other purposes. Many new in-migrants to urban areas will be in this category, but so will many desperately poor long-term urban dwellers.

A_2: Households With Access to Informal Credit Only. Households in this group would be those who are not considered credit worthy by formal private institutions such as banks or by public agencies. If they borrow, it has to be from informal moneylenders (usually at very high interest rates), relatives or friends.

A_3: Households With Access to Formal Credit, But Insufficient Credit Worthiness. These households would have at least some ability to obtain limited credit through groups such as cooperatives and, possibly, through some private banks and public agencies; however, they would not be sufficiently

credit worthy to be able to obtain the levels of funding they need for adequate basic housing.

(iii) Territorial Orientation

As indicated earlier, three types of territorial orientation are proposed as an initial basis for differentiating target groups:

O_1: Externally-Oriented. Households in this category are in the urban area in which they are presently located only for the purpose of earning income which will enable them to send funds back to a family or relatives elsewhere (often in a village or rural area). They usually expect to return to that other area themselves eventually. They have no interest in investing permanently in the improvement of their own condition in the area in which they are presently located.

O_2: In-Transit. Households in transit in staging areas are those who have located in a particular place only temporarily in order to gain a "foothold" in an urban area. They hope and intend to move on to more permanent locations when their incomes, their familiarity with urban conditions and their general capabilities enable them to do so. They have no interest in investing permanently in the staging area in which they are presently located.

O_3: Consolidating. Households in this category either have established or expect to establish permanent residence in the locality in which they are presently located. Within whatever limited means they have, they intend to invest in and improve their own condition there.

Even with the crude examples that have been described -- with three water consumption profiles, three categories of relative earning capacity, four types of property rights, three types of access to credit and three types of territorial orientation there are, in theory, many possible categories of household. In practice, many of the theoretically possible combinations of characteristics are unlikely to occur. For example, a C_1 household (expected not to improve its water consumption during the planning period) is unlikely to have characteristics R_3 (significantly improved capacity at the end of the period), T_4 (ownership), or A_3 (access to formal credit).

However, it is clear that there will be a great many combinations that will be encountered in practice -- especially when it is borne in mind that there are at least ten types of consumption that may be considered important.

Each of these possible combinations may call for projects with different types of emphasis. A potentially mobile household is likely to need more sustained support than one that is already mobile. The needs of a household with no secure tenure will be different from those of squatters in well-established colonies and different again from those of legal titleholders. The types of program support appropriate for a household oriented to investing in the area in which it is located will be very different from those appropriate for households that are merely using the urban area as a temporary base for generating savings to be invested elsewhere.

In the later chapters that deal with individual sectors no attempt will be made to identify all of the types of project suitable specifically for each of the potential household target groups and target enterprises. The criteria for classification suggested here are by no means complete or universally applicable. They are presented chiefly to illustrate a possible approach to the complex problem of differentiating target groups sensitively and usefully. In a particular situation, the varieties of poverty relevant for that situation will have to be identified. They may include some of the categories of household that have been suggested here but they are likely to include totally different ones also. The categories suggested are used in the present Guidelines merely to provide a framework for identifying at least the broad types of target groups likely to be impacted most markedly by particular types of action.

b) Individuals

The approach proposed presumes that an underlying aim of all development projects is to assist individuals to achieve their fullest possible potential within the resource and other constraints that are operative -- and to remove or reduce as many constraints on individual development as possible. The household is an important type of target group because it is, in many societies, the functional unit that provides a foundation for individual development. However, there are likely to be types of individual need which are to a large extent independent of household characteristics. These needs may call for types of project action that should be focused on individuals in a variety of types of low-income household rather than a single type of household.[4]

[4]There are of course types of project action such as malaria control or vaccination that should be directed at more than one type of low-income household, but the household is still an appropriate focus for such projects. The needs being discussed in the present section are needs peculiar to specific types of individual rather than to entire households.

In most cases at least some of the services needed to support target groups (for example, some, though not all, types of water supply, sewerage and power) must be provided through physical facilities in fixed locations. But some of the most vital services such as health and education can be provided through mobile facilities.

For households and individuals whose territorial orientation is such that they can be classified as consolidating (type O_3), support services generated through fixed facilities in those target groups' "territories" will undoubtedly be appropriate. But for groups that are in transit (type O_2) or externally-oriented (type O_3), it may make more sense to de-emphasize services that require major investments in fixed locations and focus instead on those that can be provided on a mobile basis and delivered over a sustained period to the target groups concerned as they move from place to place. Such services include information on job opportunities, food distribution, preventive health services, basic education, credit, fuel, and even basic levels of water supply and sanitation. There is some evidence to suggest that a number of these services can be more cost-effective on a mobile basis than through more conventional fixed facilities. (Even for sewerage, services provided through tankers emptying latrines and cesspits may be more capital-conserving than traditional water-borne sewerage systems in some situations.)

The delivery of mobile services which follow target groups through their various intra-city migrations may be more difficult to administer and evaluate than more conventional area-oriented services but the apparent "success" of highly visible fixed facilities may be partly illusory in relation to the target groups that should be of concern and less in fact than the less-immediately-visible success of mobile support services in fields such as job information, health, education and credit that are focused directly on people rather than on places.

3. The Assembly of Information for Identifying Target Groups

A full discussion of survey techniques is beyond the scope of these Guidelines but it is appropriate to review briefly procedures by which the information needed for the identification of target groups may be obtained.

The types of information required include:

a) Present and projected population size.

b) Present and projected population age and sex structure.

c) Present and projected household characteristics:

Household size

Household incomes and consumption patterns (for the type of consumption identified earlier -- food, water, sanitation, power, fuel, shelter, essential information, opportunities for satisfying social interaction, opportunities for enjoying a physical environment of high quality, and recreation)

Household assets:
- Expected per person earning capacity
- Property rights
- Access to credit

Territorial orientation

d) Individual characteristics:

Age

Sex

Special functional needs

Three types of sources for such information will be mentioned -- a) census and special sample survey data; b) data derived from aerial photography and selective field investigation; and c) data derived from field identification of target groups and selective field investigation within those target groups.

a) Census and Special Sample Survey Data

If censuses and special surveys are well designed and executed they will be the most reliable of the three sources discussed here, although not necessarily the most cost-effective. Even special surveys usually will require much longer to execute than either of the two other methods that will be suggested.

Census data generally will not include any of the information needed on household consumption, household assets, households' territorial orientation or individual functional needs. These must therefore be obtained from special sample surveys. In some countries annual or even quarterly surveys of household incomes and consumption patterns will provide some of the data required on a regular basis but the other types of information will have to be obtained from additional special sample surveys designed specifically for the identification of target groups. In considering the use of existing regular surveys or special surveys it should be borne in mind that survey design, data collection and data processing may take as much as six months or even a year with a city of 1,000,000 and the usefulness of the results depends obviously, upon the quality of the survey

design and execution. The problems encountered in using survey results in the developing areas are well known. It should be noted also that regular surveys of household consumption and expenditure may have sample designs such that the results are usable on a national scale but not for individual cities. Sample designs must be examined carefully to determine the usability of results in individual localities.

b) Interpretation of Aerial Photographs Supplemented By Selective Field Investigation

This is a procedure that has been used with considerable success recently in a city of approximately 600,000.[5] There are many variations on this procedure. Only its basic components will be outlined here.

As a first step, aerial photographs of the area in question are prepared at a suitable scale if recent ones do not already exist. (A scale of 1:8,000 enlarged to 1:4,000 for analysis would be appropriate in many situations.) The photography and preparation of prints for a city of 500,000 might take about one week in good flying weather.

Second, the photographs are analyzed to identify a housing or settlement typology to provide a basis for a subsequent field investigation of household characteristics. The identification of the housing typology itself will require some field checking. In a city of 500,000 three skilled professionals should be able to identify an appropriate typology in about one week.

Third, selective field surveys are conducted for each of the housing categories identified in the typology in order to get crude but usable information on total population, household size, household consumption, types of household assets and households' territorial orientations. If recent census data are available, the total population estimates and household structure can be checked against those census data. If recent special sample survey data on consumption and other household characteristics exist, these too can be compared with the results of the field investigation based on the interpretation of the photographs. This third step, resulting in the identification of target groups might take something of the order of six to eight weeks with four skilled professionals in a city of 500,000.

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[5] See: Plan de Developpement de Port au Prince et de sa Region Metropolitaine. Projet Nations Unies HAI/74/R-40. Volume I: Plan d'Ensemble, Annex Methodologique. (New York: United Nations -- forthcoming, tentatively January 1976).

The information on target groups obtained in this way is likely to be cruder than that resulting from conventional sample surveys but it is likely to be adequate for project preparation purposes and it may take as little as two months to prepare, compared with the six to twelve months often required for conventional surveys.

c) Field Demarcation of a Housing Typology Supplemented by Selective Field Investigation

This third procedure is similar to the second except that the original housing or settlement typology is identified by direct field investigation and mapping if aerial photographs cannot be obtained. The time required for the preparation of the typology will depend on the degree of precision sought. To obtain precision comparable to that achievable with aerial photography in a city of 500,000, presuming that good base maps showing every street in the city are available, a team of four skilled professionals might require six to nine months, compared to the two weeks achievable with three professionals working from aerial photographs.

The procedure for deriving household characteristics from the housing typology would be similar to that described in procedure b), above.

Chapter III

GOALS

Low income levels and income inequity are basic facts of life in viturally all developing countries. Estimates show that the combined share of GNP of the top 40 percent of the populations of the developing countries amounts to about three-quarters of total GNP. Data on income distribution in cities of developing countries are usually weak, but estimates of the distribution of urban income in Kenya and the Philippines, for example, show that the top 10 percent of households there receive about one-third of total urban income. Similar situations are found in most cities of the developing world.

There is a fairly broad consensus that increasing the total consumption available for society is a basic objective of development planning. The pursuit of higher levels of total consumption alone, however, says nothing about the desirable distribution and composition of consumption. It has become increasingly evident in recent decades that high levels of growth in aggregate consumption do not necessarily insure higher standards of welfare for lower income groups. Development policies are therefore increasingly stressing the need for improvements in the composition and distribution of the benefits of development as well as high levels of aggregate growth.

Improved Consumption as an Overall Goal

In view of the concerns that appear to underly most national, regional and local policies in the developing areas, the following are suggested as goals for projects intended to benefit the urban poor:

1. The achievement of higher levels of essential consumption;

2. The achievement of greater equity in the distribution of essential consumption.

In choosing these two goals as fundamental ones, the term "consumption" is used purposely in a broad sense. It is intended to encompass all of the types of essential "services" which normally are thought of as contributing to desirable living conditions

(or "well-being") -- including, for example, food, water, sanitation, fuel for household use, electricity, clothing, shelter, essential information, opportunities for stimulating and satisfying social interaction, opportunities for participating in and influencing the decisions that affect one's own future, the services that can be enjoyed through a stimulating physical environment, and recreation.

The Accumulation of Assets as Basis for Improved Consumption

Because both of the consumption goals identified are to be pursued on a sustained basis, their achievement requires that appropriate trade-offs be made continually between increases in current consumption and the accumulation of human and physical capital necessary for increases in future consumption. There must therefore be a concern with:

1. The level of accumulation of assets -- including human capital, liquid assets, physical equipment, housing and land;

2. The distribution of those assets.

The concern with human capital reflects a concern with health, knowledge, skills and sensibilities -- all important to the enjoyment of a full and productive life. It therefore gives rise to a concern with the services and opportunities necessary to develop human capital -- in particular, health services, education, the dissemination of essential information, and the provision of opportunities for enriching and heightening individuals' sensibilities.

Implicit in pursuing improvements in consumption and in the level and distribution of assets over a sustained period is the achievement of acceptably low levels of risk. Projects with very high benefits, if they succeed, but with little chance of success, may be much less desirable than programs that are more modest but more sure. The concern with risk will have a major bearing on the types of programs chosen. For example, it may be important to avoid water and power systems that would have a high risk of depleting water and fossil fuel resources; it may be important to avoid utility networks that are highly vulnerable to physical breakdown; and it may be important to avoid systems which, if they break down, will impact most adversely the low-income households that are least able to survive such impacts. (Utility systems in many of the developing areas at present are very risk-prone in all three of these respects.)

Even when the broad range of types of consumption and asset accumulation represented in the goals proposed is recognized, the concern with only these goals might be thought to be unduly

restrictive. What about increased employment opportunities for the poor and increases in household income? What about a more equitable tax structure? What about greater efficiency in the production of essential goods and services? Things such as these are purposely not treated as goals because they are merely intermediate project purposes and instruments for achieving the goals that have been identified. To mix instruments and objectives is to risk confusion between what must be pursued (the goals) and what may be used (assuming a variety of alternatives) as instruments for their achievement. Intermediate project purposes are discussed in the next section.

Intermediate Project Purposes

There are two basic intermediate purposes of projects which impact the basic objectives that have been identified. First, the supply of available goods and services for the urban poor can be improved. Their quality can be altered and their costs reduced. Second, the effective demand for goods and services can be increased by improving the productivity and incomes of the urban poor themselves.

Improvement on the supply side often will involve direct redistribution to the poor by increasing the level of government services. Discriminatory pricing policies can be used to discourage excessive consumption by middle- and upper-income groups. Through tax, wage, credit and other incentives and controls, governments can improve the quality and pricing of goods and services provided to the urban poor by the private sector.

Changes in levels of demand by the urban poor can be effected by increasing their productivities and incomes or by altering tastes and levels of savings. This can be done in at least two ways.

First, there can be a change in the distribution of the ownership of existing income producing assets. For example, the nationalization of industries and other productive assets has been considered in many countries (but nationalization programs have not always resulted in a dramatically more equitable distribution of income). A redistribution of urban land ownership may be another (in some cases, necessary) alternative where land prices have become a major constraint to development.

Second, "progressive redistribution" may be pursued. This generally is a technically and politically more feasible type of asset distribution. This implies an increased emphasis in the distribution of the ownership of newly created assets and of the benefits created by new public assets. The human capital of the urban poor especially can be improved in this way through improved education and health programs. Better low-cost housing

can be an important new asset of the poor. Low cost urban transport services may be provided. Some increased ownership of new productive assets by the poor can also be encouraged by stimulating small-scale industry, commerce and services. Because large numbers of the poor depend on wage employment, however, additional measures should be considered to encourage the maximum utilization of unskilled labor to achieve a significant increase in incomes and consumption.

The absorption of unskilled labor into productive activity can be encouraged through a variety of government actions (or inactions) in factor and commodity markets. It is now generally accepted that, from the standpoint of production efficiency, the costs of labor, capital equipment and other inputs in production should reflect as closely as possible their opportunity costs to society in order to encourage their efficient utilization. Where unskilled labor is plentiful, minimum wage laws should not be such as to encourage capital-intensive technologies; tariff and taxation policies should not subsidize the use of capital equipment, and credit should be channeled to the most productive investments regardless of the size of the enterprise. In this way, labor intensiveness, which will have a maximum employment and income distribution effect, can be encouraged in manufacturing, construction, trade, transportation and utilities as well as other sectors.

Other Considerations in Defining Goals

In discussing the goals of policy formulation, mention should be made of the possibilities of trade-offs between the types of distributive policies discussed in these Guidelines and governments' overall economic growth objectives. Empirical evidence is not conclusive, but it appears that many distributive policies such as improved education and factor pricing are not necessarily in conflict with economic growth. On the other hand, some of the distributive programs and policies described here may imply lower short- and medium-term increases in productivity and output. Growth may also be limited in the short-term if distributive policies reduce households' and enterprises' overall propensities to save and invest. In cases where a distribution-growth trade-off does exist, planners should work to define the nature and dimensions of the trade-off. Policy makers must then decide the extent to which a relatively rapid improvement in the welfare of lower income groups is valued over higher aggregate levels of consumption in the future.

A concern with the problems of urban poverty does not preclude an equal concern for the plight of the rural poor. Rural areas often already receive disproportionately small shares of development resources. Cases can be cited of export duties collected on agricultural commodities produced by the rural poor which are used to subsidize the life styles of urban upper and middle

classes. An undue priority for increasing the consumption benefits to the urban poor could risk neglecting the more urgent needs of rural areas. These issues will be examined briefly in subsequent chapters, but the present Guidelines presuppose that basic rural/urban development priorities have been established. They do not presume to establish methodologies or standards for the allocation of resources between rural and urban areas.