



Urban
Management
Programme

Policy
Programme
Options for
Urban Poverty
Reduction

A Framework for
Action at the
Municipal Level

*Franz Vanderschueren
Emiel Wegelin
Kadmiel Wekwete*

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UNDP/UNCHS (Habitat)/World Bank
Urban Management Programme

Urban Management and Poverty

20

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Franz Vanderschueren, Emiel Wegelin, and Kadmiel Wekwete

Published for the Urban Management Programme by
The World Bank, Washington, D.C.

This document has been prepared under the auspices of the United Nations Development Programme/United Nations Center for Human Settlements (Habitat)/World Bank-sponsored Urban Management Programme. The findings, interpretations, and conclusions expressed here are those of the authors and do not necessarily represent the views of the United Nations Development Programme, UNCHS the World Bank, or any of their affiliated organizations.

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Washington, D.C. 20433, U.S.A.

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First printing September 1996

The Urban Management Programme (UMP) represents a major approach by the United Nations family of organizations, together with external support agencies (ESAs), to strengthen the contribution that cities and towns in developing countries make toward economic growth, social development, and the alleviation of poverty. The program seeks to develop and promote appropriate policies and tools for municipal finance and administration, land management, infrastructure management, and environmental management. Through a capacity building component, the UMP plans to establish an effective partnership with national, regional, and global networks and ESAs in applied research, dissemination of information, and experiences of best practices and promising options.

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ISSN: 1020-0215

Library of Congress Cataloging-in-Publication Data

Vanderschueren, Franz.

Policy programme options for urban poverty reduction : a framework
for action at the municipal level / Franz Vanderschueren, Emiel
Wegelin, and Kadmiel Wekwete.

p. cm. — (Urban Management Programme, ISSN 1020-0215 ; 20)

Includes bibliographical references.

ISBN 0-8213-3716-5

1. Urban poor—Government policy. 2. Poverty—Government policy.
3. Municipal government. I. Wegelin, Emiel A. II. Wekwete, K.
III. Title. IV. Series: Urban management program (Series) ; 20.

HV4028.V25 1996

362.5'8'091724—dc20

96-30834

CIP

FOREWORD

This paper has been prepared as part of the urban poverty reduction component of the Urban Management Programme, a joint undertaking of the United Nations Development Programme (UNDP), the United Nations Centre for Human Settlement (UNCHS), and the World Bank. The UMP represents a major co-operative and co-ordinated effort by the United Nations family of organisations, together with external support agencies, to strengthen contributions that cities and towns in developing countries make toward economic growth, social development, and the alleviation of poverty. The Programme seeks to promote coherent urban policies, strengthen urban management, and enhance the provision of municipal services by harnessing the skills and strategies of regional networks of experts, communities, and public and private sector organisations. It does this primarily through its regional offices in Accra, Ghana; Cairo, Egypt; Kuala Lumpur, Malaysia; and Quito, Ecuador.

The Programme relies on two mutually supportive processes to facilitate capacity building in its five theme areas of municipal finance and administration; urban infrastructure management; urban land management; urban environmental management; and urban poverty alleviation. These processes are:

City or Country Consultations which bring together national and local authorities, the private sector, community representatives, and other stakeholders to discuss specific issues within the Programme's theme areas and propose reasoned solutions. Consultations are held at the request of a city or country and often provide a forum for discussion of a cross-section of issues.

The development of **Regional Networks of Experts** in each of the five UMP theme areas, for the purpose of providing technical advice and co-operation.

The UMP core teams in Nairobi and Washington, D.C., support the regional programmes and networks by conducting state-of-the-art research; identifying best practices; synthesising lessons learned, and disseminating programme-related materials.

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ACKNOWLEDGMENTS

The authors gratefully acknowledge helpful comments and suggestions made on earlier drafts of this paper by Marcello Balbo (University of Venice), Marlene Fernandes, (IBAM, Rio de Janeiro), Nemat Guinena (EQI, Cairo), Sonia Hammam (UMP, World Bank), Mohamed Halfani (IDS, University of Dar-es-Salaam), Hidayat Khairi (UMP Country Panel, Jordan), Ole Lyse (UMP/SCP, UNCHS, Nairobi), Caroline Moser (World Bank), Cecilia Mou Charles (UMP Africa Regional Office), Remy Prud'homme (University of Paris), David Satterthwaite (IIED), Clarence Shubert (UMP Asia Regional Office), and Pablo Trivelli (UMP LAC Regional Office). The paper has also benefited from a literature review on the subject undertaken for the UMP by Richard Stren and Christie Gombay (University of Toronto) in 1994. The views expressed in this paper are the authors' and do not necessarily reflect the views of the UMP partner agencies UNDP, UNCHS, or the World Bank.

EXECUTIVE SUMMARY

The main objective of this options paper on poverty reduction is to review the specific actions which municipalities and city governments may take in contributing to urban poverty reduction. The paper highlights examples of issues, options, and constraints which urban governments have to address in grappling with poverty and focuses on municipalities and other city-level government entities as a critical institutional level of intervention, particularly in addressing issues relating to service delivery.

Although the paper does not itself define poverty, in view of the substantial amount of work already done elsewhere, it highlights several key issues and characteristics of urban poverty, in particular the inherent constraints often associated with the urban poor's access to urban services delivery systems. The paper also proposes generic roles for municipal governments based on case studies. The range of options is not meant to be a blueprint for action, but rather presents a broad menu from which the different global experiences may be applied.

The conceptual framework helps to define and clarify municipal government responsibilities in the area of urban poverty reduction. The emphasis for municipal action is derived partly from the existing range of powers within local government statutes and partly from the global trend towards the decentralisation of national governments for managing social and economic development processes.

The critical importance of the urban economy is recognised, particularly the role in poverty reduction played by both effective urban services delivery and the informal sector. It is argued that the municipality can effectively support land management, housing, micro-enterprise development, urban agriculture, sustainable transportation systems, and access to credit and financial institutions. The importance of creating an enabling framework and ensuring maximum participation of all the stakeholders is integral to these efforts. Other actions include strengthening the role of the market, removing impediments to participation by the poor, including the regulatory framework, and redefining the role of (local) government.

Important social policy issues include: public health and primary health care, primary education and vocational training, access to justice, and provision of social safety nets for vulnerable groups. In some cases the municipality can only play a co-ordinating role given the prominence of other actors—non-governmental organisations, community groups, and private organisations. It is, however, vital that the municipality's role be projected as an active, and participatory entity.

Some concrete municipal poverty reduction action plans have been developed through UMP-supported city consultations. This paper reviews the development of the consulting process, which begins with a contextualised poverty assessment at municipal/city level and demonstrates the importance of local consensus-building. As in the case for specific action options themselves, there is no ready-made blueprint for the consultative process which a particular municipality might undertake.

The paper is meant to be a support document for such consultative processes at city level, and therefore presents in a synthetic way all the major issues and suggestions for action in each of the identified areas of intervention, as well as broadly describing the essential steps in the consultative process required.

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1. INTRODUCTION: ORIGIN, CONTEXT, AND CONCEPTUAL FRAMEWORK

A. Background and Objectives

- 1.1 Urban poverty alleviation is one of the five thematic action areas of the Urban Management Programme (UMP). This framework paper on options for municipal level urban poverty reduction interventions is one of the outputs of the UMP's global work on urban poverty alleviation. The issues identified and actions recommended are based on i) documented research in the UMP regions (Africa, Asia and the Pacific, Latin America and the Caribbean, and the Arab States); ii) a review of the literature on the experience with urban poverty reduction interventions at municipal level; and iii) collective experiences of the United Nations Development Programme (UNDP), the United Nations Centre for Human Settlements (UNCHS), and the World Bank. More specifically, it builds on the experience gained from initial UMP-supported interventions (assessments and city consultations) on municipal urban poverty reduction options in the municipalities of Cebu (Philippines), Sukkur (Pakistan), Dakar (Senegal), Lota (Chile), and El Alto (Bolivia).
- 1.2 Increasingly, municipal actions (whether legislative, regulatory, managerial, policing or service delivery) impact on poverty. Such awareness by local policy makers, combined with concerns for more equitable and efficient urban development, have created a demand for local review, discussion, and consultation on the role and responsibilities of municipal governments and their partners to reduce poverty in their area of jurisdiction.
- 1.3 The paper therefore has the following objectives:
- Documentation of possible areas of intervention by municipal authorities and their partners in poverty reduction policies, programmes and activities, and suggesting programmes of action;
 - Provision of a framework for the identification and dissemination of best practices in urban poverty reduction interventions at municipal level; and
 - Provision of a framework for the development of urban poverty reduction *support* actions at city level by the UMP regional offices and networks.

The target audiences for this options paper are i) urban managers (primarily in municipalities¹ in developing countries); ii) policy makers at central government level; iii) UMP staff in the regional offices; and iv) the UMP networks of regional experts, as well as Non-governmental Organisations (NGOs) and Community-based Organisations (CBOs) concerned with urban poverty reduction.

¹ The terms "municipal government" and "municipality" are used generically in this paper for urban local government, irrespective of legal status. In any specific situation it may comprise a metropolitan government structure, an incorporated chartered municipality or a district administration i.e. responsible for urban areas in the district. Where applicable it may include local government enterprises.

B. Poverty: Urban Growth, Causes, and Poverty Contexts

Urbanisation of Poverty

“By 1990, an estimated 1.4 billion people lived in urban centres in the Third World. Of these, at least 600 million are estimated to live in “life and health-threatening” homes and neighbourhoods because of the inadequacies in the quality of the housing and in the provision of infrastructure and services associated with housing and residential areas (such as piped water supplies, provision of sanitation, garbage collection and site drainage, paved roads and pavements, schools and health clinics. . .”

Source: Arrossi et al. 1994.

Incidence of urban poverty:

	<u>Urban population below poverty level</u>	
	Percent	Millions
REGIONAL AGGREGATES		
Asia (excluding China)	23	136.5
Africa (sub-Saharan)	42	55.5
Europe/Middle East/North Africa	34	59.5
Latin America	27	77.3
DEVELOPING WORLD	28	329.8

Source: Devas and Rakodi 1993.

- 1.4 There are no accurate figures for the proportion of the world's population living in absolute poverty in urban areas. Estimates have been made for the number of “poor” people living in urban areas in developing countries, based on per capita income. These vary from a 1989 estimate of 130 million of the “poorest poor” living in urban areas in developing countries, to a 1985 World Bank estimate of 330 million city dwellers (or 28% of the developing world's urban population) having incomes below the poverty line. (See box above.) Further national and urban studies show that a third to a half of specific nations' urban or city populations have incomes too low to allow them to meet basic human needs; and national studies in several of the poorest African, Asian, and Latin American countries suggest that more than half the urban population are below the poverty line (UNCHS 1996, section 3.2.). Thus, poverty continues to be a major problem in urban areas, even where its incidence appears to have been reduced overall. This long-term demographic shift of poverty from rural to urban areas has led to the “urbanisation of poverty”.
- 1.5 There is considerable debate on the causes of poverty. Some analysts emphasise the macro-economic causes of poverty as a result of globalising and liberalising economies. This has been exacerbated by the economic stagnation experienced in a number of developing countries, particularly in Sub-Saharan Africa, where over the past two decades there has been limited growth of productive investment and employment. More specifically, structural adjustment programmes implemented in many developing countries are emphasised as one of the main causes of poverty increase. They explain the emergence of

the *new poor*, (as opposed to the *chronic poor*), as a consequence of loss of jobs due to structural adjustment programmes.

- 1.6 However, emphasising causes at macro level does not reveal the complex set of causal factors which explain the impoverishment of individuals, families or social groups in a country. Some people become poor because they have lost their source of livelihood or because their purchasing power has been reduced. In other cases poverty is associated with a particular point in their family cycle: e.g., in the case of street children. For many poverty is the result of a sudden shock: the loss of the adult family income-earner, the confiscation of street traders' stock because they work informally, the loss of their house demolished because it was on illegal land or damaged by natural or human disaster, the high cost of an illness in the family. Finally, civil war has generated considerable poverty, particularly in some African countries (UNCHS 1996, section 3.2.).
- 1.7 This paper does not attempt to itself define or establish measurements of urban poverty. A large amount of work has been done already in all the developing regions to define poverty, measure it, and to distinguish the poor from the non-poor. This is translated in different ways among countries, at neighbourhood, community and city levels, based on local values. In the urban context poverty has been translated largely in terms of lack of access to productive employment, to basic services, to the resources of the urban economy, to effective and meaningful representation, and to security and justice. The key issue is that poverty reflects the inability of an individual, household or community to satisfy certain basic minimum needs. The policy programme options presented in this paper are of a generic nature, assuming that local assessments will be done, on the basis of which generic options can assist in establishing city-specific local priorities for action.

Rationale for Municipal Interventions in Urban Poverty Reduction

- 1.8 In many African and Asian countries the main focus of development efforts since the 1950s has been on rural development, resulting in a general failure to fully recognise the importance of towns and cities in national economic development and to recognise the urbanisation of poverty. This has been compounded by the financial weakness of many city governments and their limited capacity for both economic and social policy formulation and implementation. Furthermore, the realisation that urban poverty cannot be adequately tackled with the same prescriptions as rural poverty has only recently gained a measure of acceptance among policy makers.
- 1.9 Poverty reduction has generally been applied as a conscious intervention strategy at two levels:

At the macroeconomic level. This involves policy and programme interventions defined and implemented by the central government which include investment, subsidy, pricing, and credit policies and programmes. Recently such poverty reduction efforts have been increasingly reflected in ongoing structural adjustment programmes supported by the IMF and World Bank. At the macro level improving productivity in the context of structural adjustment has been projected as the main objective.

At the micro level. This involves working directly with community groups in supporting a variety of activities including: credit, basic infrastructure upgrading, slum upgrading, micro-enterprise development, and strengthening community participation. Usually such approaches have been promoted by NGOs and CBOs with the support of international donor agencies.

- 1.10 However, between the macro and micro levels is a third level of intervention, which can be defined as the meso level. In urban areas this corresponds to the municipal level. Poverty reduction approaches at this level are dependent on the operations of municipal governments or other state-funded local agencies, such as local development authorities and local water enterprises. The municipal level is important in translating macro level policies to local levels and also in providing support to local-level initiatives at the community level. Key roles at the municipal level are facilitation of communities' initiatives, and overall co-ordination of the provision of urban services. The rationale for municipal intervention is based on municipalities' comparative advantages in some areas of possible intervention.
- 1.11 These advantages are based on the assumption that enhanced local participation will i) improve the efficiency of urban investment through involvement of local knowledge and choice; ii) improve the execution of urban investment through local accountability of management; and iii) increase the recovery of costs of urban infrastructure from its beneficiaries through local taxes and charges (K. Davey, in Devas and Rakodi 1993). Moreover, the case for municipal action in urban poverty reduction is based on the following:
- Many intervention areas clearly fall within the orbit of local government responsibilities. National governments increasingly recognise the role and importance of municipalities as major actors in the provision of basic urban services (through direct provision, local government enterprise provision, or various forms of public-private partnership), and their direct impact on the populace;
 - Municipalities increasingly assume policy making and implementation powers to facilitate more effective local decision making;
 - Municipalities are increasingly called upon to implement national social policy, and adapt national directive to local conditions;
 - Municipal institutional capacity to manage existing resources and to mobilise additional resources is gradually increasing; and
 - It is increasingly recognised that civil society initiatives at local level (by NGOs and CBOs) require local government support in order to have maximum impact.

D. Municipal Management and Poverty Reduction Action: Constraints and Opportunities

- 1.12 Poverty reduction refers to a situation where specific manifestations of poverty are systematically reduced, resulting in a change in short- and long-term conditions. At the municipal level this includes:
- Improving housing and basic services: Tenure of land and housing, housing finance, improved water, sanitation, drainage and garbage collection, basic health care, day care, and transportation;
 - Increasing income and/or assets: Employment creation and micro-enterprise, credit for informal enterprise, and emergency credit, providing squatters with legal tenure; and
 - Legal representation: Access to justice within the judicial system.
- 1.13 Experience shows, however, that there often are a number of obstacles to be overcome for local government to fulfil these roles effectively: These include
- Financial and/or political dependence of municipal governments on the central government: Although powers range widely from being directly controlled by central government to relatively autonomous situations, the distribution of functions between the different layers of government is determined by central government, which also defines the nature and magnitude of intergovernmental financial transfers and institutional features prevailing at national and local levels. Often central governments have tended to institute and maintain significant legal and regulatory controls;
 - Lack of a coherent policy framework for addressing urban poverty at the municipal level: Range of powers and responsibilities are often insufficiently detailed to enable effective municipal management. As a prerequisite to developing urban poverty reduction options, regulatory powers, and powers of social and economic policy formulation and service provision must be clarified;
 - Failure to include other key actors in the process, such as NGOs and CBOs: In virtually all developing countries in which urban populations are rapidly increasing, the concurrent failure of municipal service delivery to alleviate a steadily deteriorating situation have left a vacuum in which NGOs, and to a lesser extent, CBOs, have attempted to address the problem of urban poverty. Such initiatives have generally spawned a large number of relatively isolated projects using popular participation. Although sometimes successful at alleviating poverty at the community level, they are unable to address the systematic inequalities of the society in which they operate. NGOs and CBOs are rarely in a position to undertake the strategic long-term planning, programming, and co-ordination which effective municipal management requires. However, their unquestionable expertise in poverty alleviation at the community level should be included within the municipal framework;

- Ineffective application of subsidies. Analysis all over the world suggests that government, including local governments, encounter two problems with subsidies: i) the inability to afford, from a public finance point of view, an equitable subsidy system, and ii) the inability to target subsidies effectively to the deserving groups. Often subsidies are pre-empted by groups that do not need them, but which are more powerful than those that do. Within the context of urban land, shelter, infrastructure and services in most developing countries, implicit or explicit subsidies in pricing have generally not reached the poor groups for whom they were intended. (See Wegelin 1994 for a review of these issues in Asian countries.)

1.14 In order for municipal governments to effectively carry out their functions, the following must take place:

- Institutional responsibilities need to be properly defined. At the national level, this would entail a clear dialogue with the central government on the division of powers and allocation of resources in the major areas of land management, housing and housing finance, municipal infrastructure and services, microenterprises and finance, urban agriculture, and access to community credit and the judicial system. These definitions should also take place at the municipal level among the various agencies and departments within the municipality.
- A major capacity-building effort at municipal level is required. Human resources should be augmented in line with the discharge of these responsibilities. This will generally imply augmentation of municipal manpower, training and equipment of such manpower, and often a review of the terms and conditions of employment of municipal staff, particularly remuneration levels and career perspectives. Additionally, a more effective use can often be made of public-private partnerships in the discharge of municipal functions.
- Mobilisation of resources should be enhanced. This would include augmenting municipalities' own resources, enhancing the effectiveness of intergovernmental transfers of resources to municipalities, and rationalising local government borrowing. Effectiveness of local government current and capital expenditures should be improved.
- Efficient delivery of urban services is of critical importance. Internal institutional arrangements in municipal institutions, as well as intergovernmental institutional arrangements and procedures, should be rendered more efficient to ensure delivery of urban services.

The case for enhanced (and more efficient) resource flows from higher levels of government to municipalities is particularly pertinent in cases where local governments are expected to take over responsibilities that require significant expenditures, such as primary health care and education, social services, dispensation of housing subsidies, etc.

TABLE 1: DIFFERENT ASPECTS OF POVERTY REDUCTION/ALLEVIATION

INCREASING INCOME AND/OR ASSETS	
A job through employment creation Credit for small scale or informal enterprise	Where successful, these bring new jobs and/or enhanced incomes, although external support must understand local constraints and odds stacked against small enterprises being successful. Often considerable potential for linking employment creation for low-income groups with public works to improve water supply, provision for sanitation and drainage, improved roads. Credit for small-scale enterprises must respond to women's priorities, as well as men's.
Education, literacy and vocational training	In general, these should increase income-earning capacity as well as providing other advantages. Vocational training must teach useful skills. Literacy is very useful for anyone running a small business. In many countries, biases against women in education and vocational training must be addressed. The barriers to education for low-income households caused by the introduction of school fees or their increase or the increase in other education costs (for instance of school uniforms or examination fees) have to be addressed.
Providing squatters with legal tenure	Increased security of tenure for "owner-occupiers" in illegal settlements reduces the risk of eviction, increases the value of their main asset and increases the possibility of obtaining credit.
Emergency credit	The ready availability of emergency credit can greatly reduce the vulnerability of low-income groups to economic shocks; often possible to do within community-group schemes.
LEGAL REPRESENTATION	
Access to justice within the judicial system	This includes legal systems that inform citizens of tenants' rights, public programmes to reduce crime/violence within low-income settlements & community programmes to halt the abuse of women and children within families. Important also is the facilitation of access to land for cultivation and halting the harassment of women hawkers.
IMPROVING HOUSING AND BASIC SERVICES	
Tenure of housing	As well as the advantage noted above in terms of value of asset, secure tenure generally promotes household investment in improving the house and more capacity to negotiate with local authorities for improved services.
Improved water, sanitation, drainage and garbage collection	If adequately provided, this removes a tremendous health burden and also considerably reduces the time needed for domestic tasks. This gives particular advantages to the person in the household responsible for collecting water and managing household wastes—usually women. Often major direct economic benefits as income earners are seriously ill or injured less frequently, as health care and medicine costs are reduced and as less time is needed nursing sick children. Also important to reduce the vulnerability of many low-income settlements to floods.
Basic health care	If readily available, this greatly reduces the economic and health costs of illness and injury. There are particular advantages for the person in the household who takes care of those who are sick or injured (usually women)
Day-care	This increases the time for other tasks for those who look after young children and also means young children are not left in the care of older siblings. Day-care centres can also provide regular health checks for infants and young children and monitor their nutritional status; they can also provide stimulus and support for young children's physical and mental development. Day-care centres are often particularly valuable in increasing women's income-earning capacities and especially valuable to single parent (usually women headed) households
Housing finance	Housing credit available to low-income households who want to build, extend or buy their own home allow them to afford better quality housing.
Transport	Cheap and efficient public transport can greatly reduce the disadvantages of low-income households living in peripheral locals and, if city-wide, can help reduce the price of housing

Source: Communication from David Satterthwaite, adapted from editorial in *Environment and Urbanisation* vol. 7, no. 2 (October 1995).

- 1.15 The options discussed in this paper recognise the above constraints and the need to overcome them in order to minimise and, where possible, eradicate the various forms of poverty. The decentralisation under way in a number of developing countries provides a window of opportunity to do so, as it reinforces the pivotal role of the municipality. In spite of the ambiguities inherent in this process, which frequently amounts to shifting problems encountered at the central level to the municipalities, it also creates pressure to shift the balance of control over resources more towards the local level and generates opportunities for more transparent resource management. Decentralisation (as opposed to deconcentration) thus increases the effective political power of municipalities. This increase in political power and autonomy of the municipality helps to create an environment in which predictable and transparent urban management may bring about a long-term perspective to reduce the gap between the “haves” and the “have-nots”.

E. Structure and Presentation

- 1.16 As noted above, this options paper identifies specific roles that municipalities could play in poverty reduction programmes at local level, bringing the possible options together as a starting point for the discussion. Detailed discussion of these options follows in the next chapters. Actions of a *cross-cutting* nature with regards to regulatory frameworks, institutional co-ordination and monitoring, and facilitating community participation are discussed in chapters 2-4, followed by a discussion of intervention options in various *sectoral* areas of operations, discussed in chapters 5-12. A major emphasis is given to municipal services and infrastructure in Chapter 7, in which discussion of specific sectoral options are illustrated with relevant case samples. The closing Chapter 13 summarises the consultative process experience the UMP has gained to date in city consultations on urban poverty reduction, which could be used as a guideline for similar consultations elsewhere.
- 1.17 In each area covered, the major issues are briefly outlined, followed by suggested municipal action options. References used generally synthesise current state of the art knowledge. The description of issues and options is of necessity general, but the specific case examples in boxes are illustrative of practical application.
- 1.18 The options presented are not meant to be a blueprint for action, but rather a point of reference, providing a broad menu of possible areas of intervention for municipal authorities to develop poverty reduction programmes. The nature of poverty varies significantly between countries, regions and cities, as do the areas of local government responsibilities and powers as defined by national or state regulatory frameworks. As a result, the role of municipalities in programme formulation, implementation, co-ordination and monitoring poverty reduction actions will also differ substantially from city to city. The paper also suggests possible ways through which municipal authorities can leverage the support of the central government, non-governmental agencies, community based organisations and individual households in developing and supporting poverty reduction programmes. The review of options in specific city consultations will facilitate the identification and dissemination of good practices as may exist locally.