

THE URBAN POOR

AND BASIC INFRASTRUCTURE SERVICES
IN ASIA AND THE PACIFIC

Volume I



A Regional Seminar

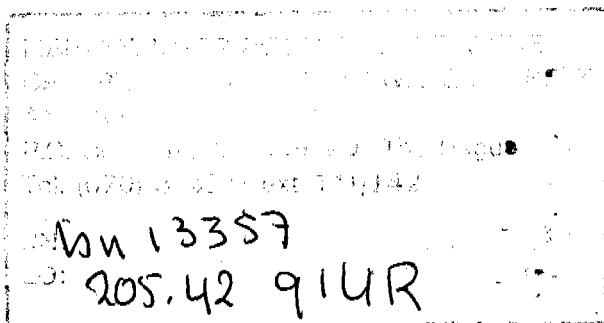
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The Urban Poor and Basic Infrastructure Services in Asia and the Pacific

*Regional Seminar
Volume I*



A report on the Seminar held on
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in Manila, Philippines

Asian Development Bank

Economic Development Institute

The Urban Poor and Basic Infrastructure Services in Asia and the Pacific. Report on the Seminar held on 22–28 January 1991, in Manila, Philippines, organized by the Asian Development Bank and the Economic Development Institute of the World Bank.

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FOREWORD

In most of the Asian developing countries urbanization is proceeding at unprecedented rates, and there have been significant increases in the number of the urban poor, who often live in slums and squatter settlements with environmental conditions so inadequate as to endanger their health. The situation affects all, but particularly women and children. Past efforts to improve the access of the urban poor to basic infrastructure services have reached only a few. As a result, urban officials and planners are seeking new ways and means to provide the necessary services. There have been over the last decade, and in many countries of the region, new initiatives and emerging experiences. There is the beginning of a consensus on the problems of the poor and how to deal with them, but also a recognition that much more is required than has been achieved to date.

The developing countries' attempts to deal with the problems of the urban poor began in the 1960s with slum clearance and rehousing projects. When these proved unsuccessful, governments shifted to in-situ slum upgrading and sites and services projects in which the poor built their own houses. These programs were an improvement on the past, but almost universally fell far short of needs. Now, there is a growing consensus that, although slum upgrading and sites and services programs should continue, governments' role would need to be reoriented to facilitate the efforts of non-governmental organizations and the private sector, both formal and informal.

Since the 70's the Asian Development Bank (ADB) and the World Bank have been actively involved in the urban sector in Asia and the Pacific, through their lending operations and technical assistance for sector and feasibility studies and institution-building. Both banks have always been concerned that their assistance be directed in ways that may improve the access of the urban poor to infrastructure services, but this interest was heightened recently as the result of requests from various member countries for the banks to be more directly involved in poverty alleviation. In 1988, a task force on poverty alleviation reviewed key issues for ADB operations in all sectors and in 1989 the Seventh ADB Roundtable, in Beijing, discussed socio-economic policies for poverty alleviation. In 1990

the World Development Report of the World Bank was focussed on poverty.

In view of the common interests of both banks in meeting the needs of the urban poor, an interagency consultation mission, held in July 1989, discussed the need to explore new approaches to address the rather urgent problems of the cities of Asian developing countries. Early in 1990, the Economic Development Institute (EDI) of the World Bank organized a workshop in Harper's Ferry, West Virginia, USA to discuss the global issues. ADB and EDI staff later firmed up the arrangements for a high-level discussion of the issues in the Asia-Pacific Region. The Regional Seminar on the Urban Poor and Basic Infrastructure Services in Asia and the Pacific (the Seminar) was the outcome of that work. The participants included country representatives, private sector representatives, resource persons, case study writers and observers from donor agencies.

The major findings of the Seminar are described in the Summary of Proceedings and reports of the working groups. Amongst these, perhaps the most important is that community-based initiatives, in which community organizations (CBOs) actively participate in planning, implementing and financing their own infrastructure improvements, are becoming increasingly common – and that partnerships are emerging in which CBOs, NGOs, the private sector and governments are working together. Other initiatives include efforts to make land markets more efficient and urban local governments more responsible for development. Taken together, these initiatives have the potential for making the cost of housing and infrastructure more affordable, generating substantial increases in economic activity and wealth, and providing an appropriate role for the poor in the process. In many cases this active community participation provides the only significant way to meet the needs of the poor and be more responsive to their needs.

The Seminar thus has important recommendations for improving the access of the urban poor to basic infrastructure services, both in DMCs and in other countries. It also has a significant bearing on the ways in which international aid agencies such as the ADB and the World Bank provide assistance for the sector.

We would like to place on record our appreciation to all the participants including the representatives of various countries and the private sector, resource persons, case study writers and observers and to the governments of DMCs which allowed their senior

officials to participate in the Seminar. Special thanks are due to the Seminar Chairman, Mr. Utis Kaothien of Thailand, who so ably guided the various plenary sessions; the Vice Chairmen, Mr. Pita Nacuva of Fiji and Mr. Zulfiqar Ali Qureshi of Pakistan; and the Chairmen of the Working Groups: Mr. V. Manivannan of India (Roles of Different Levels of Government), Mr. Wilfredo Nuqui of the Philippines (Non-Governmental Initiatives), and Mr. K. Rishyakaran of Malaysia (Financing Mechanisms). We would also like to thank Mr. Teodoro Katigbak, Chairman, Housing and Urban Development Coordinating Council, Government of the Philippines for his opening address; Mr. William R. Thomson, Vice President, ADB, for his inaugural speech; and Mr. Farrukh Iqbal, Deputy Resident Representative, the World Bank, for his opening remarks.

Our thanks go to Mr. Neil Collier, Deputy Director, ADB and Mr. P.K. Thomas, Manager, ADB, who supervised the Seminar; Mr. Jeffry Stubbs of ADB, who as Seminar Coordinator organized the Seminar, and provided significant technical inputs into it; Mr. Mauricio Silva of EDI, who collaborated in the design of the Seminar and guided the preparation of several of its papers; Mr. K. L. Luthra, EDI's resource person who provided valuable help in conducting the Seminar and reviewing the various papers; and Ms. Lena Acharya, the Seminar Rapporteur and Editor. Finally, our thanks are due to the supporting staff of ADB led by Ms. Isa Almeda-Lopez for their indispensable help before, during and after the Seminar.

We are pleased to commend this report to the attention of all those involved in the urban sector in the Asia-Pacific region, particularly those interested in the problems of the urban poor, their community organizations, the role of non-governmental and governmental organizations in providing services for the poor and the ways and means by which the access of the urban poor to basic infrastructure services can be improved.

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PREFACE

For almost two decades, the Asian Development Bank (ADB) has been assisting its member countries in the urban development, water supply and housing sectors. By the end of 1990, some 88 loans, amounting to approximately \$2.85 billion, had been approved for projects in these sectors. ADB's participation in urban development projects has usually included components such as sites and services or slum upgrading. Even in its earliest involvement, the ADB's attention was given to improving infrastructure services for the poor, through careful targeting of services, involvement of the poor in the design and implementation of the schemes financed, and adoption of appropriate standards for land and infrastructure. The ADB expects to extend its assistance for the urban poor, and will draw upon the results of this Seminar to help it formulate its future projects.

This Seminar is one in a series which began in 1983, with a Regional Seminar on the Financing of Low-Income Housing. In 1987, the ADB sponsored a Regional Seminar on Major National Urban Policy Issues. In 1989, there was a Regional Seminar on Women and Water. Many of the policy issues discussed in earlier seminars were again examined, in the specific context of improving access of the urban poor, during this Seminar.

The Seminar brought together a group of persons experienced and knowledgeable about the delivery of basic infrastructure services to the poor, in order to (i) review past approaches and (ii) explore new ways and means of improving the access of the poor to such services, including land, housing, water supply, sanitation, drainage, solid waste collection, public lighting, roads and public transport services. The participants discussed these topics within the context of three themes: the roles of different levels of government, non-governmental initiatives and financing mechanisms. These themes, therefore, formed the structure of the Seminar.

The Seminar program was as follows: each plenary session began with the presentation of a resource paper; this was followed by presentation of country papers and case studies which illustrated or focussed on the theme. The presenter of each country paper highlighted those aspects of the paper that dealt with the chosen theme in order to focus discussion and optimize interchange between the delegates during the plenary sessions.

Three Working Groups were formed to discuss the themes in detail. Each Working Group presented (i) its views on the overall strategy for improving access of the poor to basic infrastructure services and (ii) the practical actions, relevant to the theme under discussion, required to implement the strategy. Substantial time was provided for working group discussions, in order that the views of each Working Group could be expressed as fully as possible. While there was some inevitable overlap in the coverage of the Working Groups, each had a somewhat different emphasis. We have, in the Summary of Proceedings, attempted to indicate both convergence and divergence where these exist.

This report contains a summary of the main proceedings of the Seminar, reflecting the presentations and discussions during the plenary sessions and the sessions of the Working Groups. It also contains the resource papers, the country papers, the case studies and the recommendations of the Working Groups. All in all, the report presents a considerable volume of information on the situation of the urban poor in Asia and the Pacific as well as an examination of the issues and new ways and means to improve the situation.

To a very large degree, the success of the Seminar was due to the hard work, professionalism and enthusiasm of all participants, many of whom devoted a great deal of time and effort prior to the Seminar and some of whom were involved in the work after it. To all these persons, we owe a special word of thanks and appreciation.

The Water Supply and Urban Development Division (West) of the ADB takes particular pleasure in presenting this report, which we hope will help to continue the excellent exchange of ideas and information that began with the Seminar.



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Manager
Asian Development Bank

PART A

**SUMMARY OF PAPERS AND
PROCEEDINGS**

Summary of Papers and Proceedings

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Summary of Papers and Proceedings

OBJECTIVES AND SCOPE

A Regional Seminar on the Urban Poor and Basic Infrastructure Services in Asia and the Pacific, organized by the Asian Development Bank (ADB) in collaboration with the Economic Development Institute (EDI) of the World Bank, was held in Manila from 22 to 28 January 1991. The purpose of the Seminar was to review and discuss past approaches and practical ways and means of improving access of the poor to basic infrastructure services in Asia and the Pacific, taking into account the needs of the urban poor and available resources for alleviating urban poverty. Basic infrastructure services included land, housing, water supply, sanitation, drainage, solid waste collection, public lighting, roads and public transportation services.

ORGANIZATION AND FORMAT

The Seminar focused on three main themes, as follows:

- (i) Non-Governmental Initiatives,
- (ii) Roles of Different Levels of Government, and
- (iii) Financing Mechanisms.

Thirty-one participants from the following developing member countries (DMCs) of ADB attended the Seminar: Bangladesh, People's Republic of China, Fiji, Republic of Korea, India, Indonesia, Malaysia, Nepal, Pakistan, Papua New Guinea, Philippines, Sri Lanka and Thailand. The DMC participants included government officials at policy-making levels, as well as representatives of non-governmental organizations (NGOs) and the private sector involved

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in the provision of basic urban infrastructure for the poor. Observers from the United Nations Centre for Regional Development (UNCRD), the United Nations Centre for Human Settlements (UNCHS) and the United Nations Children's Fund (UNICEF) also attended. The Seminar Chairman, two Vice Chairmen and Working Group Chairmen were chosen from among the DMC participants.

Mr. William R. Thomson, Vice-President (Operations) ADB, gave an inaugural address in which he described the ADB's increased interest in direct poverty alleviation and the potential of the poor to participate in economic development. Mr. Teodoro Katigbak, Presidential Adviser on Housing and Urban Development and Chairman, Housing and Urban Development Coordinating Council, Government of the Philippines, delivered the keynote address, which usefully highlighted the Philippines' new and innovative programs for the urban poor, involving implementation by community-based organizations and the private sector, supported by NGOs and the Government. Mr. Farrukh Iqbal, Deputy Resident Representative of the World Bank in the Philippines, brought out the World Bank's interest in promoting broad-based economic growth with reduction of poverty as the dominant objective.

The plenary sessions involved presentations and discussions of theme papers, case studies and country papers. Three working groups examined issues related to the themes and prepared recommendations summarizing their views. A final plenary session, chaired by Mr. Utis Kaothien of Thailand, was held to discuss the working groups' recommendations. A field trip was arranged during which the participants visited a community-led urban upgrading site, a community-based sites-and-services project and a low-income housing project sponsored by an NGO, all in Manila.

A total of 22 papers were presented at the Seminar, including five resource papers discussing past approaches and the issues related to each theme; twelve country papers highlighting the experience, problems and initiatives of the DMCs represented at the Seminar; and five case studies describing and evaluating several recent initiatives in providing urban infrastructure for the poor. Each of these papers, and the reports of the working groups, are included in this report.

PAST APPROACHES

The participants were virtually unanimous in observing that the pressures of urbanization in the region in the past had been modest compared to what is in store for the future. While only about 26 per cent of the population of Asia in 1980 lived in cities, this number would double or triple in most countries by the end of the century. By that time, Asia would have 148 cities with more than one million inhabitants, and 13 cities with a population more than 10 million. Rapid economic growth had often been accompanied by increasing social inequities.

A 1988 World Bank report estimated that 136.5 million persons, or 23 per cent of the total urban population of Asia, lived below the poverty household income level. Within Asia, the proportion of the urban population living in poverty varied sharply by subregion and country. The problem of urban poverty appeared to be most grievous in South Asia (86 per cent of the urban population of Bangladesh is below the poverty line) but it was significant also in some countries of Southeast Asia, such as the Philippines. The absolute number of the urban poor in most countries of Asia has increased in recent years although the percentage of the poor in the total population has declined.

There were shortages of land and infrastructure in most cities. Nearly one-third of urban households lived in crowded conditions with three or more persons per room. Millions of persons lived in one-room houses, most without water or sanitation, or even on pavements. Slums and squatter settlements so lacking in infrastructure services that the health of the residents was endangered existed in most of the larger cities of Asia, where they accounted for 30- 50 per cent of the population of such cities. Often the poor got their water from unsafe groundwater or surface sources, or from vendors who transported water in containers from distant sources to their homes. In many cases, the poor paid much more for such unsafe water than they would have been required to pay had the service been in their homes or neighborhoods. High land prices in central areas forced the poor to live far from their places of work and/or the public transport necessary to get to work.

Almost all developing countries had undertaken development programs to improve the living conditions of the poor in urban communities. In the 1960s, many countries adopted the approach of

clearing slums and relocating slum dwellers in new settlements and apartments. In most cases, however, because of lack of job opportunities close to new properties and high construction costs and high rentals, poor people did not benefit from these projects. In many cases, they abandoned their new quarters and returned to the slums.

Since these policies did not succeed, governments shifted to in-situ slum upgrading and sites-and-services or core housing projects in which the poor would build their own houses on plots provided by the government. The in-situ slum upgrading projects have resulted in some basic services for slum dwellers, e.g., street pavements, water supply, improved drainage, pit latrines or community toilets and street lighting. In some cases, they have also involved conferment of land titles. The Tondo Foreshore Development in Manila, the Nadi Program in Kuala Lumpur, and the Kampung Improvement Program (KIP) in Indonesia are some of the success stories in slum upgrading. However, they did not improve conditions where squatting was on private land, and they were often too costly to sustain.

A closer relationship was achieved in several countries between communities of the poor and governments. Communities of the poor, assisted by NGOs, governments and the private sector, demonstrated that they could acquire and develop land, participate in planning, improve some of their own infrastructure, and build their own houses – sometimes at a lower cost and more in accordance with their needs than governments.

A closer relationship was also achieved between the private sector and governments, particularly in the supply of urban land. In some countries the private sector, particularly where appropriate incentives from governments and financing were available, became involved in land development and provision of low-cost housing.

Many countries in the region had underway efforts to strengthen their urban local governments, which often were short of professional staff. However, considerable effort would be needed before they were able to undertake development projects without assistance from higher levels of government.

Many countries had subsidized urban infrastructure services, but resources were almost always insufficient and shortages of infrastructure resulted. The subsidies often benefited groups other than the poor. In some countries, however, such as the Philippines and Thailand, emphasis was placed on efficiently providing a low-

cost service, for which the poor paid a user charge. This cost-conscious and market-responsive approach had enabled both countries to provide water supplies even to individual houses in slum areas.

There was a lack of the necessary financial institutions and financial management capabilities. A number of countries were strengthening their financing arrangements for the sector, often through establishment of local loan funds. There was a need to strengthen housing finance systems and create mechanisms for financing CBOs.

In some countries, the poor had been regarded more as surplus labor and a liability than as an asset. In other countries, however, a view was emerging that the poor formed a pool of low-cost labor which could contribute to urban industrial development.

Issues

Within this context, a number of issues were identified for consideration in the various sessions of the Seminar; they were the following:

- How can the participation of the poor in decision-making processes be improved? At what levels can the participation of the poor be improved – the political, the administrative, the technical?
- What types of projects and programs best meet the needs of the poor? To what extent is an integrated approach necessary/feasible?
- How can governments use market mechanisms in land and infrastructure development with adequate safeguards to protect the interests of the poor?
- In what ways can governments re-orient their roles to act as both facilitators and providers of services? In particular, what institutional changes are called for to make this possible?
- What roles should the various levels of government play in the provision of urban infrastructure? How can the involve-

ment of local governments in planning and development be strengthened?

- What roles should community-based organizations (CBOs), NGOs and the private sector play in the planning, development and financing of infrastructure? How can the involvement of such entities in the sector be facilitated?
- How can financing better be directed at the needs of the poor? In particular, how can the financial management of CBOs and local governments be improved? How can funds be made available in greater quantities to CBOs, local governments and the private sector involved with the poor?
- What is the role of the poor in the urban economy; what are the economic benefits of improving infrastructure for the poor, and are these sufficiently appreciated?

NON-GOVERNMENTAL INITIATIVES

In most countries of the region, the poor build their own housing and some infrastructure, incrementally, as funding permits. The end product is usually simple, in accordance with the needs of the inhabitant and low in cost. In some cases, where land and infrastructure are substantially available, and densities do not become too high, such spontaneous settlement provides adequate housing. This is often the case in the *kampung*s of Indonesia, where people who build their houses in villages on high land between rice farms have, until densities become too high, a safe water supply from wells, adequate space for pit latrines and natural drainage and pathways.

The poor, however, often settle on marginal land, subject to flooding, with poor drainage, or without water and their settlement densities become high. In such cases, informal infrastructure systems no longer work. Wells become polluted, latrines overflow, illness becomes endemic and the very density of the area makes it difficult to provide services. Where illegal squatting is involved, the situation is made still more difficult due to the legal issues and, if these can be resolved, the need to provide compensation. If the land is publicly owned, it may be possible to arrange for transfer to the

residents at a moderate cost. Where it is privately owned, the owner must be compensated, which can often be beyond the resources of either the community or the government.

A number of successful projects involving the provision of urban basic infrastructure services through CBOs and other NGOs were described in the various papers. Examples of programs with strong CBOs included the slum and shanty upgrading projects in Colombo, in which community development councils were established and health wardens were trained to assist in upgrading; the land-sharing projects in Thailand under which associations of poor squatters purchase, plan and develop their land; the Orangi Pilot Project in Pakistan, in which the members of lane associations plan, finance and build their own sewers; the Pagtambayayong Foundation project in the Philippines, in which groups of the poor purchase land, plan the site and build houses; and the Huda-ki-Basti project in Pakistan, in which community organizations finance and extend their infrastructure after settlement in the project area. In all of these cases, assistance was provided to CBOs by either higher-level NGOs or government agencies to help them organize themselves, understand the project and carry it out. Other examples of NGO-supported projects include the Sulabh International project in India, an example of an NGO providing financially viable sanitation services, and the Ahmedabad project in India, in which an NGO helped rehouse flood victims.

The main advantage of CBOs was that they were close to the people, and could reflect their needs. On the other hand, CBOs often lacked cohesiveness, leadership and technical skills. There was also an issue of whether they usurped functions that could better be undertaken by local governments. Governments and NGOs could assist CBOs – in their organization, operations, technical capabilities and management skills.

The main potential roles of NGOs in the provision of urban basic infrastructure services were discussed at some length. One important role was innovation. NGOs were free to assess situations, respond to needs and experiment with new solutions in ways that the public sector was unable to do. Thus, Pagtambayayong Foundation had developed its methods of assembling and subdividing land, Orangi Pilot Project the simple technologies and training methods to enable communities to build their sewers and Sulabh its approach to providing latrines. Other key roles included empowerment (helping

people develop self-awareness and a capacity to plan and control their lives), sharing information and advocacy. Another important role was to provide an intermediary between the people and the formal sector.

In many cases, NGOs and the private sector had access to technical resources and know-how that were not available to governments. The Orangi Pilot Project had benefited from the services of a university-based team of engineers and architects, and from the assistance of a bank which had helped it design a small business loan program. While NGOs had many advantages, they also had disadvantages, among them the tendency to become paternalistic and to depend upon excessive inputs of technical assistance. Care had to be taken in designing roles for these institutions to ensure that their programs could, if so desired, be scaled up appropriately.

The role of the profit-making private sector in the provision of urban infrastructure services including those for the poor was also considered. It was concluded that there was a need to foster a partnership between the public and private sectors, with a view to develop vibrant and strong urban housing, transportation and other industries, with suitable facilities for the poor. Complex regulations pertaining to the registration and development of land, and a lack of financing for house purchase had to date severely constrained the ability of the private land development and housing sector. Land use and building regulations, rent controls and other similar regulatory systems could be simplified, and financing could be made more readily available. While low-cost housing built by the private sector might not serve the poorest of the poor, it could alleviate the needs of the lower middle-income groups, thereby indirectly creating a supply of housing for the poor. Public-private joint ventures had some potential for reaching the poor.

Recommendations

- There must be a change from the patron-client relationship to a more mutually supportive relationship under which the government, NGOs and the private sector form a partnership for development;
- Poor people do meet many of their own needs and should be encouraged to do so;

- CBOs and NGOs should be relied on to a much greater extent – for providing services in the case of the former and providing services, training and technical assistance as well as advocacy for the poor in the case of the latter;
- The private sector should be involved in providing basic land development, housing and public transportation services with due regard for the interests of the poor;
- Governments should improve their information dissemination, technical assistance and training capabilities as in the Philippines and Sri Lanka; community workers could monitor the situation in poor communities and help in their improvement; and
- Financing programs should be available to CBOs and NGOs; in some cases, grant financing would be sufficient but in others, particularly where the CBO or NGO was well-managed, loan financing could be considered.

ROLES OF DIFFERENT LEVELS OF GOVERNMENT

The participants noted that the twin themes of bottom-up planning strategies and decentralization of activities, increasingly accepted in principle in many DMCs, needed to be integrated into a broader framework of policy reform. Two other factors were at least as important in determining sensible policies for urban land and infrastructure; these were the new acceptance of market-oriented approaches to development and the growing recognition that urban land and infrastructure constraints are more important to economic growth and job generation than previously assumed. Where governments had ignored market forces and tried to be the dominant provider in urban development, they had almost always failed to create a decent living environment for the poor. The output of land, infrastructure and housing had been negligible in relation to need, per unit subsidies had been high and middle-income households (who could not find affordable accommodation in the constrained private market) were likely to obtain the benefits of housing projects instead of low-income groups. The masses of the poor had often

been forced due to shortages of services to pay prices far in excess of costs.

Inefficiencies in land markets and infrastructure could seriously constrain business activities. Some of the poor were capable of setting up businesses but their costs were increased when they had to provide services such as water supply, electricity or roads themselves. In the worst case, they would simply be unable to invest. There was a need for a greater awareness that land and infrastructure created benefits particularly among the poor, mostly through increasing consumption of services but also by expanding the ability of the poor to acquire assets and engage in business activities.

A very efficient land market with a conducive environment for the private sector housing industry had been created in Bangkok, where community leaders and local developers formed informal alliances with public agencies responsible for providing services. Small plots were permitted consistent with market needs, development and building permit processing was relatively simple, an efficient land title processing system existed and mortgage financing was available for a significant part of the housing market. The result was a vigorous and efficient market responsive to most groups of the population, created through growing competition. By 1989, developers were providing housing units at \$5,400, a price affordable to 80 per cent of all households in the area.

Many countries had embarked on policies of decentralization. Local governments were weak throughout the region, however, particularly in South Asia. Their greatest problem was a shortage of trained people, particularly engineers and accountants. Malaysia had already established strong local governments which might serve as models for others. Nepal, Philippines and Sri Lanka had established local loan funds. There was a strong case for decentralization but also there were factors that made it difficult in the developing world. These included needs to control financial conditions, respond to economic emergencies and take advantage of economic opportunities. Decentralization required reallocating authority while building local capacity. It should be thought of as a process of "learning by doing" and it was important to view it as a process in which there would be successes and failures rather than a static end state.

Although the Seminar emphasized the role of market forces in creating an efficient land market, it noted that the People's Republic

of China, with a centrally controlled urban economy, had succeeded in providing reasonably efficient city infrastructure and adequate places to live for most of its people. PRC had established a strong capacity in its local governments, which perhaps was a key to its success. It was now embarked on a process of deregulation, particularly in the housing sector, where market forces were to be given play.

An increasing body of knowledge indicated that urban infrastructure could be made affordable, provided that appropriate standards were adopted for it. The most promising avenues for change were adoption of appropriate supply and consumption standards based upon a careful assessment of needs, higher densities for land (which would reduce distance and therefore the cost of infrastructure networks) and incremental upgrading strategies – for instance relying on pour-flush latrines until densities required sewers. The challenge was to find the most cost-effective solution, not the lowest-cost solution. The poor could often afford a higher-level solution than was available, but the financial weakness of the responsible agency prevented its being provided to them.

The Seminar discussed at some length the nature of urban poor communities, and the implication for programs directed at the poor. It concluded that most communities of the poor contained a mix of income levels, with different leadership capabilities, skills, income levels, needs, etc. Many communities of the poor contained business activities, including not only small retailing shops but also repair shops, small industries, small contractors, operators of taxis and rickshaws and other similar activities. Many communities of the poor also had informal community organizations or savings societies. There was thus a potential for income enhancement as well as services, and for mobilization of financial and other resources within the community.

The Seminar endorsed the UN Global Strategy for Shelter to the Year 2000, which called for governments to generally withdraw from the direct production of housing and concentrate on enabling and facilitating enhanced production by the private sector (formal and informal). Such a strategy would bring down the cost of housing and infrastructure to more affordable levels. It would generate tremendous increases in economic activity and wealth – which would then generate the resources necessary to support an improved residential environment for the poor. The Seminar also recognized,

however, that the transition in the roles of the different entities should occur in a staged process.

Recommendations

Within this framework, governments should:

- establish the goals and broad policies that frame the incentives for action by all participants;
- in land development, reform the regulatory environment to provide affordable standards, a simplified and enforceable regulatory system, and rules that encourage business activities with streamlined application processing procedures; establish efficient land titling systems that would permit families, firms and communities to acquire secure tenure in a short period of time and at a modest administrative cost;
- in infrastructure development, adopt market-oriented strategies for the provision of housing, water supply and public transportation;
- assist in the creation and operation of effective intermediaries (CBOs, cooperatives and other NGOs) to assist the poor in securing adequate services, through providing required technical assistance, a regulatory framework and financing;
- assist in the development of the private sector through providing an appropriate system of incentives, a regulatory framework and financing;
- make funds available to CBOs, local governments and the private sector in a manner that induces substantially increased resource mobilization; and
- coordinate and finance research, monitoring, evaluation and information dissemination activities.

While governments would withdraw from the direct production of housing except needed slum upgrading and sites and services projects, they would retain a strong role in the provision of some urban land and infrastructure, as follows:

- governments may need to perform as a major land developer in the interim while private sector provision is severely constrained;
- governments should continue to control the direct provision of most trunk infrastructure;
- governments should consider private/public joint ventures, particularly for land development;
- governments should, in planning the improvement of already built-up communities, shift more of the planning, financing and implementation responsibilities to the people themselves (with supporting NGOs and CBOs);
- all government involvement in low-income communities (new or established) should give emphasis to measures that enhance income-earning opportunities, particularly for women; and
- policies and programs for the poor should recognize the variety of their needs, and the potential for a multifaceted approach to their solution.

The Seminar participants agreed that local governments had a potentially greater role to play in the provision of urban services, including those for the poor. In many cases this would require legislative changes to clarify local responsibilities and establish the required degree of autonomy for decision making, staff recruitment, budgeting and revenue generation. Such decentralization, however, could not take place immediately. Rather, it should be planned as a phased process in which local responsibilities are expanded as capacity is enhanced. In order for the latter to occur, there was a need for the following:

- building up the professional staff of local governments, particularly in engineering and financial management;
- training staff and councils in various aspects of program delivery and management;
- disseminating information to local councils/establishing networks of information;
- reform of legal codes, administrative systems and procedures, particularly those related to financial management; and
- improvement of the financial position of local governments to enable them to finance development as well as operations and maintenance.

FINANCING MECHANISMS

The discussions about financing mechanisms revolved about the following questions: how can the resources available to the poor be increased; how can the financing of local governments and CBOs, which are closer to the people than provincial or national governments, be improved; and what actions can be adopted at higher levels of government to increase the resources available to the poor?

The near-unanimous view of the Seminar was that the poor in many cases were able to save, and provide not only for their own housing but also much of their community infrastructure, provided that mechanisms were provided to facilitate, rather than restrict, their efforts. The first, and most obvious, action was to adopt participatory planning processes as well as land titling and building control systems accessible to the poor. The second action was to create incentives for savings, as through the use of matching grants. The third was to facilitate, and appropriately support, the creation of community-based organizations capable of mobilizing the resources of the poor. Finally, governments should take a comprehensive view of the needs of the poor and provide not only infrastructure but also employment-generating services. CBOs and NGOs could become involved not only in the provision of urban infrastructure but

also such services as nutrition, child care, adult literacy, vocational training and other development services.

The participants examined the financial position of a number of local governments in the region, and the constraints on their operation. In this, they noted that local revenues per capita were, except for capital cities, relatively small. Property taxes played a significant role in revenues in most local governments throughout the region; motor vehicle taxes were significant in Southeast Asia; and *octroi*-type taxes were important in South Asia. Some cities, such as Seoul and Karachi, were virtually self-financing, while others, such as those in Indonesia, relied heavily on central governments for resources. Constraints on local government finances included limited legal powers to levy taxes or set rates; lack of skilled manpower; a lack of accountability to their constituents; and a tendency for funds for urban facilities to go to line ministries or agencies, rather than local governments, with little or no regard for local plans or priorities.

The participants considered the main options for increasing local tax revenues, based upon criteria such as yield, elasticity, equity, ability to implement and suitability as a local revenue source. Property taxes had many advantages, including the obvious relationship to land values, and the ease of assigning revenue. However, difficulties of keeping assessments up-to-date and enforcing penalties had resulted in a decline of the share of property tax revenues in total revenues in the region. To improve the performance of this tax, reforms were needed involving the use of aerial photography, publication of valuation roles, adoption of realistic tax rates and other similar actions. The Republic of Korea had a model property tax system, and several countries were modernizing their systems. Other potentially important taxes included motor vehicle and fuel taxes, which could be assigned to local governments which were responsible for maintenance of roads; in Indonesia, vehicle taxes were assigned to local governments while a share of fuel taxes were assigned to local governments in the Philippines; taxes on utilities such as electricity, telephone and gas had the advantage of being simple and easy to collect; and entertainment taxes and sales taxes also had potential. Although *octroi* taxes had certain economic disadvantages, they were a major source of revenue in South Asia. Although they might be phased out, this should be done in parallel with the development of other sources of revenue.

Emphasis was placed on the need to develop user charges as a source of revenue. In many cases these were set too low, either because the providers did not have an accurate knowledge of costs, or because they desired to protect low-income groups. The Seminar, while recognizing the need for the latter, cautioned that the effect of too deep subsidies was often to restrict supply to the poor, raising their costs rather than lowering them. Subsidies for the poor should be either explicit subsidies for a particular product (i.e., public standpipes) or else cross-subsidies within the pricing structure of the service (a "lifeline" rate for small quantities of water).

A need was identified for improving urban local governments' overall financial management, revenue and expenditure administration, citing the case of New Delhi, which was able to double the revenue from property taxation in one year as a result of better administration. In many cases, accounting, budgeting and reporting systems were outmoded and badly in need of modernization.

Informal savings societies existed in many communities, and these showed that there was both a capacity to save and a capacity to manage funds. In the Orangi Pilot Project, lane associations saved money for constructing sewers. In the Philippines, community associations saved money for purchasing land. In Bangladesh, Samity Provati had saved money for community improvements and purchasing land. Under the Community Mortgage Program in the Philippines, loans were provided to help qualified community associations carry out land acquisition or infrastructure improvements. In most countries there was a need to develop the financial management capabilities of CBOs, through a combination of technical assistance and appropriate regulation. Once this was done, they might be able to borrow funds.

There was a need for carefully designed grant and loan systems for programs targeted at the poor, available to both local governments and CBOs and designed to encourage rather than discourage local revenue generation. In some cases, such entities could borrow from the private sector or issue bonds. However, such borrowing would need to be carefully regulated.

The participants noted that there was now a growing recognition of the need for improved housing finance in many countries. However, the poor were largely excluded from the direct benefit of this increased financing. This was due partly to the lack of resources relative to demand, partly to the lack of community-based institu-

tions that could absorb financing and partly to the misconception that such financing had to come from mortgage finance institutions. In Thailand, credit unions had played a key role in housing finance that could well be emulated in other countries.

Recommendations

- Substantial resources remain untapped at the local level; property taxes should be relied upon more heavily and there was scope for increasing user charges as well; whenever possible, consideration should be given to relying on the private sector to provide services rather than the public sector;
- Regular valuation procedures should be adopted for property taxes, maximizing gaps between market and assessment values;
- User charges should be levied whenever feasible and cost-effective for infrastructure and public amenities such as water, sewerage, garbage collection and parking; user charges should reflect the true costs of the infrastructure as a service;
- Since land is a valuable resource and essential to improving the lot of the urban poor, underutilized land should be alienated, with appropriate guidelines for its use, to local governments, the private sector and NGOs for development for housing the urban poor;
- The financial management capabilities of local governments should be improved through introduction of modernized financial procedures, rationalized control and better budget and accounting systems; the laws governing taxes, user charges and other sources of revenues should be updated and effective enforcement measures provided;
- There was a need to develop community-based financial institutions such as credit unions, savings and loan associations, cooperatives or savings banks to mobilize savings

from the community, and form a bridge between the community and other financial institutions;

- Mechanisms should be established to channel financial and other resources directly to local poor communities, to enable them to meet their own infrastructure needs according to their own priorities; financial systems should encourage, rather than discourage, the mobilization of resources at the local level; and
- Housing finance should be expanded in most countries. In order for housing finance institutions to be able to mobilize savings, they would have to lend at market rates.

SUMMARY

To summarize, the following important policy recommendations emerged from the Seminar:

- Policies should be re-oriented to facilitate the participation of individuals, CBOs, other NGOs and the private sector in the provision of urban infrastructure;
- Individuals and communities should be actively involved in the planning, implementation, maintenance and operations of infrastructure services;
- An integrated approach should be adopted for meeting the needs of the poor – covering income generation, basic infrastructure, shelter and strengthening of community organizations;
- Appropriate policies should be adopted for urban land management, based upon modest but adequate standards for urban land and infrastructure, simple but enforceable regulations conducive to development of the private sector, efficient land titling and simple urban structure plans;

- planning for urban infrastructure should be market-based;
- care should be taken to identify the needs and capabilities of the poor, and incorporate these into programs;
- Institutional reforms should be undertaken to promote decentralization and the strengthening of local governments; the resources of these should be increased in parallel with the development of their management capabilities, requiring
 - reforms of the regulations related to local governments' financial management, revenues and expenditure control;
 - technical assistance and training programs to strengthen staff capabilities; and
 - increased reliance on property taxes and user charges reflecting the cost of various services, with adequate protection for the poor;
- Assistance programs should be set up to promote the development of CBOs, requiring in most cases assistance in organization, technical matters and financial management;
- Governments should consider appropriately focused grant and loan programs, available to both local governments and community-based organizations and managed according to sound principles, that would (i) provide the funding needed for essential urban services; and (ii) encourage mobilization of local resources; and
- A higher importance should be placed on the role of the urban poor in providing a pool of labor for economic development. Many urban services had production benefits as well as consumption benefits; access to land could help the poor accumulate economic assets as well.

The Seminar involved a comprehensive review by senior representatives of governments, NGOs and the private sector of the major issues related to improving the access of the urban poor to basic infrastructure services. The papers presented and discussed revealed an ongoing and very significant shift toward strategies for

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enabling and facilitating the growing role of individuals, NGOs and the private sector helping the urban poor in most countries, and a wealth of recent experience which was shared by all the participants.

PART B

RESOURCE PAPERS

Past Approaches and Emerging Challenges

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Past Approaches and Emerging Challenges

EXECUTIVE SUMMARY

Since the end of World War II, rapid urbanization in Asia has created a significant demand for the provision of urban basic infrastructure services. The problem is expected to grow in the future. The urban poor are concentrated in Asia and more pronouncedly in South Asia.

The present state of urban service provision is very inadequate in all the sectors, including land, housing, water, sanitation, solid waste disposal, transport, electricity and public lighting. More than any other population group, the urban poor are usually served last owing to structural, traditional and attitudinal biases. Improvement of the access of the poor to basic urban services is a major challenge for Asian planners and policymakers, now as well as in the future.

A variety of approaches to delivering urban services to the poor have been tried, with varying degrees of success. A trend seems to be emerging for multifaceted and integrated projects, with active beneficiary participation.

On the basis of country and project experience in Asia, many lessons, both of success and failure, may be learned. Some of the more salient lessons may include the failure of top-down planning, the need for community participation, the merit of strengthening local governments, the urgency of investing in leadership and training, and increasing women's contributions.

An examination of the Asian experience in delivering basic urban services highlights a host of key policy issues and alternatives. Foremost among these is the question of who pays for the services. It is an issue that local governments are particularly and commonly

ill-prepared to tackle in view of their low revenue base. Many other issues may be conceptualized, such as cost recovery versus subsidization, centralization versus decentralization, equity versus efficiency goals, public versus private sector provision, formal versus informal sector roles, high versus appropriate technologies, and so on.

In order to assist us in thinking about ways to meet emerging challenges, a number of questions have been raised.

INTRODUCTION

Rapid urbanization in the postwar period has been a process that has weighed heavily on the development policies of developing countries, not the least of which involve provision of infrastructure services in urban areas. In 1980, 40 per cent of the world's population lived in cities, but Asia, representing the least urbanized region, had only 26 per cent of its population living in cities. This seemingly low overall rate of urbanization masks considerable sub-regional and intra-regional diversities in the urban and socioeconomic condition. Whereas South Asia and Southeast Asia had only 23 per cent of their population living in cities, East Asia, inclusive of its developed countries, reached a much higher level of urbanization, with 71 per cent of its population concentrated in urban places.

If population projection figures are correct, the pressure of urbanization on developing countries in the past has been modest compared with what is in store for the future. The United Nations projects an accelerated rate of increase of urban populations by the end of this century, resulting in urban populations in many Asian countries double or triple the present figures. The number of Asian cities with populations of more than 1 million is projected to increase from 69 to 148. Also, of the world's largest 22 cities, Asia will have 13, each with a population of over 10 million. It is imperative that adequate planning be done for providing urban services to the poor in Asian cities of the future.

Basic infrastructure services refer to services such as housing, land, transport, water supply and so on, without broadening the concept to include other services that may be viewed as basic to the needs of urban dwellers such as food, energy and other services. The notion of access encompasses both the availability of services,

wherever these are provided, as well as the affordability of services by the inhabitants.

Efforts to improve access by the urban poor to basic infrastructure services have been made at international, national and city levels. After almost two decades of trial and experimentation, a growing stock of experience, both positive and negative, in delivering basic services to the urban poor is accumulating. This paper attempts to delineate the dimensions and character of urban poverty, survey the current state of basic infrastructure services in Asia, highlight successful and unsuccessful approaches to basic infrastructure service delivery, take stock of the lessons learned, outline key policy issues and finally, anticipate the challenges of the future.

THE URBAN POOR IN ASIA

Despite the still unsettled debate on the conceptual and operational definitions of urban poverty, one fact is unequivocal: it is that cities in developing countries are being burdened with large segments of their populations which to all intents and purposes must be viewed as poor. Any realistic urban policy must take into account this large and growing proportion of poor urban populations. Even in developed countries, urban poverty is a persistent social condition which has failed to disappear with national and general economic progress and prosperity. The inescapable conclusion that follows is that urban poverty will be with Asian cities for as far as we can see into the future.

Urban poverty persists in the majority of Asian cities for many reasons including the absence of structural change and of adequate employment opportunities. There is a positive correlation between structural change, defined as the shift of employment from agriculture to non-agriculture, and the increase in the GDP in tandem with the urbanization process. This has occurred most spectacularly in the newly industrializing countries (NICs) of Asia and slowly or not at all in other countries in the region. Between 1960 and 1980, Taipei, China and the Republic of Korea witnessed a sharp decline of their labor force in agriculture from 56 to 20 per cent (Taipei, China) and from 66 to 34 per cent (Republic of Korea) and a related huge increase in industry, from 11 to 33 per cent (Taipei, China) and from

9 to 29 per cent (Republic of Korea). In the period 1980-1989, the GDP of countries in East Asia and South Asia grew impressively at an average annual rate of 8.4 and 5.5 per cent, respectively, against developing countries' average of 4.3 per cent. The corresponding figures on a per capita GDP basis were 6.7 and 3.2 per cent. So rapidly have the economies of East Asian countries grown that between 1965 and 1989, their share of developing country real incomes rose from 22 to 37 per cent (World Development Report, 1990).

Rapid urbanization and uneven economic growth have been accompanied by accentuated social inequities and economic inefficiencies. A large proportion of the new urban population is poor, hence shifting the incidence of poverty from rural areas to urban areas within the region. The growing incidence of urban poverty aggravates the already serious situation in employment, the environment, physical and social services. In large cities of Asia with large segments of their population living in hardship and poverty, the severity of inadequate basic infrastructure services is magnified.

Students of social conditions have agreed that the notion of subsistence poverty is arbitrary and circular for it involves subjective judgment on the monetary and physical needs of individuals. On the other hand, the idea of relative poverty seems to have become acceptable. There is support for the notion that poverty is a general form of relative deprivation, the outcome of the maldistribution of resources. Maldistribution involves not only income but also other resources such as capital assets, occupational fringe benefits, access to public services and private income in kind. It is the household's effective command over society's resources that determines its position relative to the rest of society. A household in poverty is one which has resources, opportunities and economic surplus substantially removed. This immediately raises the question of social and economic inequality as part and parcel of the concept of poverty.

Politicians and planners have tried to operationalize the concept of poverty in order to assist, or sometimes be seen to assist, the poor. Policies designed to narrow the "poverty gap" or "income deficit" and the World Bank's "lower 40 per cent" principle are examples of putting into practice measures to alleviate poverty. Income maintenance programs in several developed countries are variants on the same theme. National and international agencies have often adopted the concept of absolute poverty expressed in some monetary value equivalent to a minimum level of consumption

necessary to sustain physical health. However, problems of data collection, comparability across countries and cities, and rapidly changing economic circumstances, coupled with religious, ethnic and ecological factors, limit the value of this concept in application. In the absence of anything more manageable, the concept of absolute poverty is often applied using a "poverty line" to delineate the size of the poor population. There is, of course, another common practice of arraying the population by income levels in percentage terms or statistical groupings, whereby policies designed to reach a certain proportion of the poor population can be tailored and targeted, at least theoretically.

Based on the notion of the poverty line, a 1988 World Bank estimate showed that the incidence of urban poverty was most pronounced in low-income countries, where 177 million inhabitants or 27 per cent of the total urban population were judged below the poverty line. As much as 53.7 per cent of the world's urban poor were concentrated in these countries. In Asia about 137 million persons, or 23 per cent of the total urban population, lived in poverty, representing the largest regional concentration of the urban poor in the world (Table 1).

Table 1: Incidence of Urban Poverty in Developing Countries, 1988

Region	Urban Population (million)	Share of Each Region (per cent)	Urban Population Below Poverty Line (million)	Share of Each Region (per cent)	Urban Population Below Poverty Line (per cent)
Africa	133.24	11.2	55.46	17.0	41.6
Asia	591.91	49.7	136.53	42.0	23.0
EMENA a/	174.14	4.7	59.53	18.0	34.2
Latin America	291.66	24.5	77.27	24.0	26.5
Total	1,191.95	100.0	329.79	100.0	27.7

a/ Europe, Middle East and North Africa.

Source: The World Bank, Infrastructure and Urban Development Department, *Reaching the Poor Through Urban Operations*, November 1989.

Inhabitants of slums and squatter settlements in Asia contend with appalling physical conditions and lack of basic infrastructure services. Demographically, poor households tend to be large, with many children or other economically dependent members. A 1984 Pakistan study revealed that the poorest 10 per cent of households had an average of 7.7 members, of whom 3.3 were children aged below nine years. These figures may be compared with the corresponding national averages of 6.1 and 2.0. Many studies have shown that the urban poor depend heavily on the informal sector as their source of livelihood in a wide range of callings. About half of the urban poor in Pakistan are self-employed, a sector requiring less in skills than is usually demanded of wage-earners. Poor households typically spend a disproportionately large amount of their income on food. For example, the Indonesian poor spend as much as 60 per cent of their income on the local food staple. Household per capita expenditure and adult illiteracy are negatively correlated. A recent study in India shows that the higher the percentage of illiterates aged 15 and above, the lower is the household per capita expenditure. This is consistent in both rural and urban populations, with females more disadvantaged.

Over the past two decades, many Asian countries have made a successful assault on poverty, as reflected in significant improvements in key indicators, such as mortality of children under five years, life expectancy and primary school enrolment. Relative to other developing regions, the progress made in reducing poverty in East Asia has been particularly notable. In Indonesia, for instance, the headcount index of poverty plunged from 58 to 17 per cent between 1970 and 1987. Likewise, Thailand witnessed a drastic reduction of the headcount index from 59 in 1962 to 26 in 1986. Although these figures did not break down rural and urban poverty, one might assume that urban poverty has also been reduced as well.

Incomes tend to be distributed more unequally in low than in higher-income countries. In Asia, the World Bank social indicator data of 1980 revealed that the percentage of income received by the richest 5 per cent in selected countries were as follows: Bangladesh (16.7), India (26.3), Republic of Korea (17.1), Malaysia (27.0), Pakistan (17.8), Philippines (28.8), Sri Lanka (18.6) and Thailand (23.8). On the other side of the coin, the same data source showed that the percentage of income received by the poorest 20 per cent were the following: Bangladesh (7.9), India (6.7), Republic of Korea (7.1),

Malaysia (3.3), Pakistan (8.0), Philippines (3.7), Sri Lanka (7.5) and Thailand (6.1). It is clear from these sets of figures that income distribution is extremely uneven in some Asian countries but the situation is varied among the selected countries. For instance, income distribution is more unequal in Malaysia and the Philippines than in Bangladesh, Republic of Korea, Pakistan and Sri Lanka.

Within Asia, the proportion of urban populations below poverty income levels varies sharply by subregion and country. The World Bank social indicators of 1985 depicted the following percentage of distribution of urban populations below poverty income level: Bangladesh (86.0), India (40.3), Indonesia (26.0), Myanmar (40.0), Malaysia (12.6), Nepal (55.0), Pakistan (32.0), Philippines (32.0), Sri Lanka (26.0), Republic of Korea (18.0) and Thailand (15.0). The diversity in the level of urban poverty implies that the intensity of the problem varies as do the policy instruments. The problem of urban poverty appears to be most grievous in South Asia whose urban populations and by extension urban poor populations have been increasing rapidly. It has been estimated that South Asia's share of urban poor households will increase, on a global basis, from 31 to 44 per cent in the period 1975-2000. By the end of the century, South Asia will have an estimated 32.6 million urban poor households that can be translated into almost 200 million urban poor people. East Asia, on the other hand, is expected to achieve a substantial reduction in general poverty with its per capita incomes projected to grow at 5.1 per cent per annum to 2000. The divergent situation calls for a diversity of approaches to alleviating poverty and to improving access by the poor to basic infrastructure services.

THE STATE OF URBAN SERVICE PROVISION

For the scale and speed of urbanization that has been taking place in developing countries of Asia, most municipal governments are unequipped physically, fiscally, politically and administratively to tackle the problems of providing basic infrastructure services to their people. In a situation of scarce resource allocation, the urban poor are frequently badly placed to compete for essential services. Biases in investment, standards, pricing policy and administrative procedures more often than not skew services in favor of the rich,

denying the poor shelter, safe water, acceptable sanitation, minimal nutrition and basic education.

Housing

The gravity of the housing situation may be brought home by a few quantitative descriptions. In urban Asia, the average number of persons per room is 2.17 and nearly one-third of all dwellings have three or more persons per room. In extreme cases of overcrowding, the poor may live on pavements, hire beds on a shift basis, or share the same room among several households. Half of the inhabitants of Calcutta live in one-room shelters and an estimated 77 per cent of the households in Greater Bombay have an average of 5.3 persons to one room.

The estimated percentage of people living in slums and squatter settlements generally ranges from 30 to 50 per cent in large Asian cities, and although such figures remain quite stable for most cities, only the city-states of Hong Kong and Singapore have been successful in reducing their population in such residential environments because of their outstanding public housing programs. One such set of estimates (in per cent) of the proportion of urban population living in slums and squatter settlements in the mid-1970s is as follows: Ahmedabad (27), Colombo (25), Dhaka (50), Delhi (36), Hong Kong (17), Kuala Lumpur (20), Manila (35) and Seoul (29) (UNCHS, 1982). Such figures are subject to different interpretations by different countries as illustrated by the 35 per cent and 37 per cent quoted for Kuala Lumpur by Pendakur (1984) and Grimes (1976). When translated into population figures, these may mean 1.7 million inhabitants in Calcutta, 1.25 million in Jakarta and 0.81 million in Karachi. The scale of the squatting problem is immense for most governments to deal with and, unless there is a way of improving the situation, housing needs for the masses will continue to haunt many politicians and planners in urban Asia.

For almost too long, many governments in Asia have adopted the twin policy measures of squatter relocation and low-cost public housing schemes in their vain attempts to come to terms with the housing problem. The most eloquent expression of the failure of the former is the attempt in 1963 to relocate squatters from Intramuros and Tondo in Manila to Sapang Palay, some 40 km away. The project was a complete failure as, for lack of employment opportunities and

basic services in the relocation area, the squatters quickly drifted back to the city. The irony of the episode is that after all these years, the vacated land in Intramuros is still not built upon as new construction would have to meet certain requirements in architectural style and planning standards. Despite reduced building standards and special financial arrangements, public housing schemes in most countries in Asia are still beyond the reach of most low-income households.

Since the early 1970s, there have been numerous praiseworthy developments directed at improving housing for the needy at the local, national and international levels. Yeung (1983) has accounted for these elsewhere, but several observations are merited here.

In terms of intervention strategies, there appears to be an increasing realization that in order to ensure that the benefits of housing programs percolate to women, gender-specific policies must be seriously considered. Although the poverty of women-headed households in Asia is not more pronounced than in other developing regions, existing housing policies for the poor, in particular related to access to land and facilities for credit, work against women. This problem is compounded in certain Asian societies in which women are disallowed legal inheritance to land and immovable property. Given the degree of poverty among women in Asia and their unrecognized but vital economic and social contribution to households, the need for policymakers and planners to take into account gender differences in housing the poor at the policy level is more urgent than ever.

After decades of ineffective policies, aimed largely at clearance of squatter settlements, many governments have adopted a conciliatory and accommodating approach towards all forms of spontaneous settlements. Curiously, the ideas of mutual aid, self-help, community action, core housing and progressive development derived from the actual practices of squatters and slum dwellers, held so much in suspect in previous decades, suddenly became the main ingredients of a basic housing policy in many Asian countries. It was as if planners and politicians had just discovered that squatters had skills, motivation and perhaps resources to build basic shelters. The marked softening of the earlier hard line policy toward these forms of settlements came about in part by virtue of the efforts and support of the international assistance agencies.

At the international level, since 1972 many in the donor community have been more forthcoming with assistance to shelter programs in Asian countries. For example, the United States Agency for International Development (USAID) set up its Housing Investment Guarantee Loan Program to provide housing finance; the Institute of Housing Studies (previously the Bouwcentrum for International Education) and the Canadian International Development Agency (CIDA) have been active in supporting training for housing administrators; the Asian Development Bank (ADB) assisted in shelter projects along with other integrated urban infrastructure components in several countries; the United Nations Children's Fund (UNICEF) continued its extensive and well-covered work towards better services and opportunities in slums and squatter communities, particularly for women and children; and the United Nations Environmental Programme (UNEP) funded projects such as those in marginal settlements in Manila (Barrio Escopa) and Jakarta, designed to explore the possibilities of utilizing alternative (solar) energies to improve living conditions for the inhabitants. As an offshoot of the United Nations Habitat Conference held in Vancouver in 1976, the United Nations Centre for Human Settlements (UNCHS) has been established to promote better linkages among researchers, policymakers and practitioners between countries and across regions through support for action plans, research, publications, training, conferences and so on.

Land

Land and housing are often mentioned in one breath in discussion of basic urban services. Indeed, with the widespread and sharp appreciation of land prices within Asian cities, in particular in large cities, the hitherto informal access to urban land by the poor is faced with new obstacles and possible blockages.

During the past two to three decades, even the urban poor had relative ease in firming up locations through land invasions and illegal occupation and constructing their own housing. However, this period of extensive availability of land is coming to an end. Increasing commercialization of land and land speculation, expanding administrative controls, demographic growth and suburbanization, upgrading of irregular settlements and the sheer physical

growth of the city underlie the rapid exhaustion of the stock of accessible land.

Yet, over the last three decades, there have been notable changes in the thinking of architects, planners and engineers on the land issue. Angel and others (1983) are credited with an original and refreshing approach to the problem of access to land for housing the poor in Asian cities. They argue that the resolution of the land issue is central to the resolution of the problem of shelter and that the land issue is not a technical issue but largely a political and institutional one. Giving attention to land issues represents a shift of focus in the debate on affordable housing.

By now, many Asian cities have evolved active informal land and housing submarkets quite separate from the formal and legal framework. In Bangkok five major housing submarkets have been identified which cater for the needs of low-income groups. An obvious advantage of the private informal sector is that it can acquire, develop and dispose of plots more efficiently than the public sector. Increased affordability is reflected in the fact that 45 per cent of households were unable in 1987 to afford a house built in the private sector submarket, compared with 85 per cent in 1980 (Angel, et al., 1987). In Ahmedabad, Hyderabad and Delhi, illegal subdivisions and unauthorized settlements have evolved as a response to elitist standards, urban land demand and ineffectiveness of urban management agencies. In Karachi, too, illegal subdivisions have thrived since 1947 despite the Government's efforts to curb them. Thus informal housing, submarkets and land subdivisions have the effect of restoring a balance between supply and demand and of providing an avenue of access for the urban poor to land and housing. Hosaka (1988) maintains that "occupation-building-servicing-planning, which characterizes informal sector development, meets the reality of Third World countries by reversing the conventional sequence of operations".

Government responses to unregulated commercial submarkets may range from hostility to acceptance or support. In the last-mentioned case, land readjustment and land pooling, as often practised in Japan and in the Republic of Korea, are two increasingly common alternatives. So pervasive and effective is the role of unregulated commercial submarkets in the provision of land and housing that UNCHS advocated they be strengthened (Payne, 1989).

Another approach to rationalizing access to urban land is the implementation of an urban land reform program. This was undertaken experimentally in 1978 in the Philippines with the enactment of the Urban Land Reform Law. In Metro Manila, 244 areas mostly in slums and squatter settlements were identified for priority development. However, the political and administrative will was not equal to the basic legal machinery and proved the experience ineffective.

Transport

As cities in the developing world continue to grow rapidly in population, area and functions, the demands on transport networks to maximize economic efficiency are greater than ever. Yet, many Asian cities, spending as much as a quarter of their annual budget to construct and maintain transport systems, are unable to keep up with growing needs. They are increasingly afflicted by serious problems of moving people and goods within their urban areas. Causes leading to these difficulties can be attributed to factors inside and outside the transport sector such as the lack of harmonization between the distribution of population and activities necessitating long trips, inadequate resources available to the sector and inefficient management of operations.

For most Asian cities during the postwar period, urbanization and motorization have occurred simultaneously. Certainly for some, increased city size has been accompanied by growing affluence and enhanced personal mobility. This is manifested in the phenomenal growth in private automobiles and motorcycles. For example, during the period 1976-1981 alone, Bangkok witnessed a 66 per cent increase in the number of private automobiles and a 190 per cent increase in motorcycles. Similarly, Jakarta and Manila had their automobile population increased by 28 per cent and 170 per cent, respectively. Even under severe transport restraint measures, Singapore also registered a 19 per cent increase in automobiles and a 52 per cent increase in motorcycles. The result of this rapid and sustained growth in motorized vehicles can be expected: worsening traffic congestion, clutter in the streets, inevitable loss of time by travellers and of fuel by vehicles and increasing noise and air pollution. In the midst of all these changes, the urban poor are especially vulnerable because their low incomes cannot bear increased

transport costs. Nonetheless, they need to be mobile to engage in productive activities.

The urban poor, for reasons of economy, make an inordinate proportion of their trips on foot or by non-motorized transport. In Bombay, it has been reported that 80 per cent of the trips of low-income groups were made on foot, compared with only 25 per cent for high-income groups. A 1977 study of Bandung likewise revealed that 59 per cent of all trips in that city were made on foot, mostly by the poor. For such reasons, the mobility of the urban poor is limited and tends to be focused on essential purposes like work and education.

The primary means of urban transport in most Asian cities is the bus. Bus service, however, is of varied efficiency and uneven access to different parts of the city, low-income areas in particular. Public bus companies, it has been stressed, are often hopelessly inefficient. Annual transport system subsidies by governments have been enormous, such as \$5 million in Karachi, \$10 million in Calcutta, and \$30 million in Bangkok. Private bus systems, on the other hand, have been reported to be much more successful. For instance, Seoul has a highly successful bus operation, with 90 companies of varying sizes, all operating without any direct subsidy. The companies have a combined fleet of 13,000 buses, the routes and fares of which are regulated by the government. On the other hand, not all public bus companies are financial drains. The Bombay bus company, for example, offers a highly praised service to 3.6 million passengers daily with its fleet of 2,325 buses (Urban Edge, May 1985). Apart from the internal management efficiency of the bus companies themselves, there are diverse ways the government can help in traffic management by giving a higher priority and impetus to bus services. One measure that has been adopted by several Asian cities is the designation of bus lanes for priority or exclusive use. In this connection, Bangkok introduced, in 1980, the most extensive system in Asia of 95 km of bus lanes, supplemented, in 1984, by "contra-flow" lanes. The resulting improvement has been very noticeable. Hong Kong, too, adopted the same measure of introducing bus lanes, even before traffic reached a saturation point.

All too often, low-income areas are inadequately or not at all served by public buses. In Bandung, for example, standard buses are not allowed to operate in the inner urban area except for the intercity parts. Other motorized public transport consists of mini-

buses and minibuses. The *becak* (bicycle rickshaw) is the backbone of the public transport system. In most Asian cities, a vast range of small vehicles, variously called para-transit or intermediate/informal transport, provide the much-needed service to the urban poor. Complementing the public system, these para-transit modes include the jeepney and tricycle in Manila, minibus and microbus in Kuala Lumpur and Bandung, *samlor* and *silor* in Bangkok and Chiangmai, *bemo* and *helicak* in Jakarta and Surabaya and auto-rickshaw in Dhaka. These vehicles can travel along narrow roads and lanes and provide door-to-door service, a reflection of local innovation and adaptation. All these modes of low-cost transport are operated almost exclusively by individuals from low-income groups. They are therefore very close to the daily lives of inhabitants in low-income communities.

Despite their obvious contributions to the livelihood and transport needs of the urban poor, informal transport modes are oftentimes not duly accounted for in transport planning in Asian cities; in their rush to become modern, many cities have been attracted to high technology solutions. The experience of Jakarta's transport modernization policy is pertinent. It calls for the replacement of low-technology, secondary systems (*becak* and *bemo*) with one of stage-buses and minibuses. What is more, this policy is held as a model for other Indonesian cities to emulate.

Water

Of all the basic needs, water is undeniably the most essential to individual health and family welfare in any community. Yet it is one commodity that people are least able to provide for themselves. Many urban poor also lack the information to minimize the effects of the unsanitary conditions they live in. Polluted water is known to have debilitating effects on the health of individuals; in the worst situation it can kill. Every year millions of children in the world die of drinking polluted water. In India alone, nearly 20,000 babies die during the first year of their birth because of water-related diseases.

In most Asian cities, water supply systems were originally installed to serve industrial needs and higher-income residential areas. Additional investment has usually been devoted to expanding or improving the original system, with little or no provision for extending the system to serve the needs of squatter settlements. In

Manila, for example, two million inhabitants were without access to safe water in 1978. Similarly in Iloilo and Bacolod, smaller cities in the Philippines, less than 50 per cent of the population were served either by house connections or standpipes in 1981.

Table 2 indicates widely varying country situations in urban water supply and piped water provision to individual households. A higher level of availability is positively correlated with a higher level of economic development and vice versa. In Nepal, household water supply in urban areas was almost nonexistent in 1970 but the general urban situation improved markedly by 1980. Within low-income communities, however, it is not usual for water taps to be installed on individual houses. Many cities in Asia suffer from irregularity in supply resulting from low water pressure and leakage. Leak detection and repair may be regarded as some of the most cost-effective conservation measures for urban suppliers to undertake, particularly when the water system is old and poorly maintained. In many cities of Asia and other developing regions, as much as a quarter to half of the water supply seeps through broken pipes and other faults in the distribution network. This represents water "unaccounted for," unable to reach billable customers.

Table 2: Community Water Supply and Sanitation Facilities in the Urban Areas of Developing Asian Countries

Country	Percentage of Urban Population Served by Water Supply System		Percentage of Households with Water Connections		Percentage of Urban Population Served by Sanitation System
	1970	1980	1970	1980	1980
Bangladesh	40	26	16	—	21
Burma	37	38	7	—	38
India	56	77	39	—	27
Indonesia	35	35	23	—	29
Rep. of Korea	86	86	84	86	100
Singapore	74	100	74	100	80
Malaysia	91	90	72	90	100
Nepal	59	83	2	—	16
Pakistan	76	72	34	30	42
Philippines	65	65	55	53	81
Sri Lanka	67	65	36	—	80
Thailand	60	65	52	65	64

Source: UNCHS. *Global Report on Human Settlements*. Nairobi, 1987. Abstracted from Tables 17 and 18.

Generally speaking, the water supply situation is far more serious in squatter areas which, because of their tenurial irregularities, have never been able to convince municipal authorities to extend water supply networks to them. To provide for minimum basic needs, it is common for standpipes to be installed to serve a number of families. When many families compete for a limited supply of water, it is a daily chore to procure enough water for family needs. This arduous task frequently falls on the shoulders of women and children. With a restricted water supply through public standpipes, water consumption on a per capita per day basis rarely exceeds 40 to 50 liters in most squatter areas. In such poorly provided communities where standpipe water supply is insufficient to meet household needs, enterprising individuals often take up the business of vending water in containers at prices many times those charged by public authorities. The ratio of the price of water supplied by a private water vendor to the price charged by a public utility in the early 1980s was up to 25:1 in Dhaka, Bangladesh and 60:1 in Surabaya, Indonesia. The vendors themselves also obtain their water from the standpipes but they have a more organized way of gaining access to the limited supply of water which they, in turn, sell to individual consumers for a price. Consequently, the poor have to pay dearly for an essential service using funds which they would otherwise save for other family needs. The overall effect reduces their discretionary income and increases economic hardship.

Sanitation

Water supply and sanitation go hand-in-hand in the environmental hygiene of any habitation. The majority of the population of most Asian cities lack sewerage service or other safe sanitation. Hygienic disposal of human excreta remains one of most difficult problems confronting slums and squatter settlements in Asian countries. Inadequate attention and resource allocation to deal with the problem has wider health and environmental implications and directly affects the personal and economic welfare of the residents in the poorly serviced locations.

Waterborne sewerage, however, is extremely expensive despite its many advantages and convenience. In most cities of Asia, such a cost-intensive system is only partially developed, serving primarily

higher-income areas. In Manila, for example, only about 12 per cent of 5 million or more inhabitants are served by the sewerage system. Part of the system was constructed in 1909 for 450,000 users with additions to the system in the early 1950s to serve another 130,000 people. The rest of the inhabitants rely on a range of technologies, with the septic tank being an important method of disposal for many households. Unfortunately, septic tank effluents are allowed to flow into street drains and eventually into the Pasig River and its tributaries and canals, contributing to water pollution (Ramana, 1980). The public waterways of many cities in Asia are similarly used.

A survey of squatter settlements brought the gravity of sanitation problems to the fore. It revealed that in half of the settlements under study, a large proportion of the inhabitants did not have access to any toilet facilities at all, not even public or shared toilets. In the surveyed settlements of Sabarmati Riverbank in Ahmedabad, there was absolutely no toilet facility of any kind (UNCHS, 1982). When faced with such lack of facilities, inhabitants are driven to their own devices, such as using streams, canals and open lands as toilets or carrying wrapped wastes to dumping grounds. Asians widely use bucket latrines and collected excreta are transported and dumped on the periphery of settlements or in the nearest water course or refuse site. Unfortunately, all these ways of disposing human waste create health and environmental hazards.

Planners, bureaucrats and sanitation engineers even now are more disposed toward the conventional sewerage system though this is an unrealistic and uninformed view. Even engineers are not fully aware of the range of sanitation technologies that have been applied with success and effectiveness in other countries. For low-cost alternatives, one may cite pour-flush toilet, pit latrine, communal toilet, low-cost septic tank and composting toilet. The range of sanitation technologies varies greatly in cost. Linn (1983) estimated that it would cost 5 per cent of a typical poor household's income over five years to finance the low-cost alternatives, whereas high-cost systems would require 50 per cent of the same income over 20 years.

Solid Waste Disposal

Clearly, one of the urgent tasks in improving the environmental conditions of poor urban areas in Asia is the search for low-cost technologies that can reduce the transmission of excreta-related diseases. The choice of appropriate sanitation technologies is dependent on many factors, including affordability, information, institutional support, personnel and cultural acceptance. An appropriate technology may be defined as one that provides people with a socially and environmentally acceptable level of service at the most economical cost. As it is easier to change technologies than it is to change behavior, the target population must be involved as early as possible in the selection of technologies. Community participation will ensure not only a culturally acceptable choice, but is likely to be successful in implementation, maintenance and cost recovery.

As societies modernize and industrialize, the amount of solid waste generated increases. Residents of Manila throw away 2.5 times their weight in garbage each year. Garbage generation rates among cities are positively correlated with their level of industrialization and income levels, as the following set of per capita waste generation rates of Asian cities show: Singapore (0.87 kg per day), Hong Kong (0.85), Lahore (0.60), Bandung (0.55), Calcutta (0.51) and Manila (0.50) (Pollock, 1987).

Municipal governments often approach the waste management needs of low-income urban settlements by offering the same disposal system for both human and other solid wastes. It is not unusual that inhabitants dump their faeces together with garbage, thus increasing the danger to health. In developing countries as a whole, an estimated 30 to 50 per cent of urban solid wastes are uncollected. Such wastes are found in drains, waterways and open land, providing a breeding ground for disease vectors. Few municipalities bother to estimate the health and economic costs of failing to collect, process and recycle solid waste.

Poor people in Asian cities know only too well that garbage can be a valuable resource from which recovered components such as metals, glass containers, paper and plastic are recyclable for profit. Scavenging, with participants coming primarily from low-income groups, is a well-established activity. In Bangkok, collection crews spend up to 40 per cent of their time on service routes recovering and

sorting paper, bottles, cans and plastics. Earnings from the recycled materials reportedly equal their official salaries. For similar reasons, collection crews in Manila bring along an extra unpaid family member solely for the purpose of sorting (Pollock, 1987). Likewise, families scavenging materials from refuse dumps in Karachi are reported to earn in three days as much as the minimum wage in Pakistan for one month. Even in relatively affluent Japan and the Republic of Korea, there is a thriving paper recycling industry, for without substantial forests available for pulp wood harvesting, the "fiber poor" countries have been forced by necessity and high price to conserve waste paper. The Republic of Korea produces half of its paper from waste paper. People's Republic of China, India, Philippines and Thailand have been identified as likely large markets for recyclable paper (Chandler, 1983).

The potential for recycling aside, the major problems related to garbage collection may be traced to the lack of functional management, institutional and financial systems to support the equipment and facilities required for the service: equipment meant to service better-off urban areas is not efficiently utilized, workers are loosely supervised and vehicles are poorly maintained. The problem is acute in low-income areas which modern technologies cannot reach. Furthermore, certain traditional attitudes toward the poor and even blatant discrimination results in neglect of their settlements.

In Asian cities, slum dwellers often pay coolies to carry garbage to the nearest collection points served by municipal services. One way of improving the present service for the urban poor is for local governments to use labor-intensive methods that would permit the service to reach zones of limited accessibility. Where mechanized vehicles prove to be ill-suited to local conditions, primitive collection methods may be contemplated. In India, wheelbarrows and bullock carts are commonly used. In Thailand, hand-carried baskets or two-wheeled dollies with baskets are used.

As a general principle, every local government should evolve its own waste-management system which is compatible with the quantity and nature of wastes, level of income, equipment requirements and maintenance capacities. In this respect, the recent experience in waste management in the cities of the People's Republic of China is illuminating. A survey of 289 cities reported that 73.6 million tons of garbage and 73 million tons of nightsoil were generated in one year. Urban sanitation departments handled only

about 70 per cent of the total amount of urban garbage and 40 per cent of nightsoil. About 26 million tons of garbage and 15.5 million tons of nightsoil were used as fertilizer by farmers. The remainder was either left in the cities or discharged into public sewerage systems or rivers, contributing to environmental pollution (Zhang, et al., 1989). In the same vein, Whitney (1988) has observed that the traditional symbiosis of town and country, in which the city's wastes became the farming hinterland's resources, has already broken down. The invisible, internalized waste economy of the past has become externalized: highly visible dump sites ring all the large cities. Municipal governments in the People's Republic of China appear to be following the example of the West by giving up their widely lauded and ancient system of urban-rural waste recycling for the environmentally costly methods of garbage incineration or sanitary landfill. While other Asian cities could have learned practical lessons from the traditional ways of urban waste management, it is ironic that the planners themselves have turned outside their country for inspiration.

Electricity and Public Lighting

On average, developing countries spend one quarter of their public capital investment or up to 2 per cent of their gross national product on power projects to generate electricity. Many of them have satisfactory national or regional distribution systems of power, with the greatest focus in urban areas. Between 90 and 95 per cent of electricity investments in these countries goes to providing power to large cities and industries. In the period 1961-1980 developing countries increased the use of electricity as much as six times, but the annual per capita electricity use is still a fraction of that used in developed countries. Although rural Asia is much worse off in terms of electricity supply, even Asian cities, in particular low-income areas within them, suffer from an inadequate supply.

However, a recent Philippine study of low-income communities in Manila, Cebu and Davao, the three largest cities (Aquino, 1983), showed that 78.4 per cent of the surveyed households used electricity, whereas in 1970 only 60 per cent of the urban population had access to power. By 1983, 61.6 per cent of the households had direct electricity supply, 16.8 per cent had indirect supply through connections with another household's electric meter, and 20 per cent

had no electricity. The percentage of households having no electricity supply at all varied sharply among the cities: Manila (5), Cebu (32.5) and Davao (29.7), reflecting the superior supply situation in Manila. Another finding of the study is that households without access to power supply turn to kerosene, wood and charcoal for their power supply. Even some households which have electricity still use these materials in order to reduce their power consumption and hence electricity bills.

The use of electricity in low-income urban communities in Asia is mostly confined to lighting and powering small appliances. Energy needs are usually satisfied in more traditional ways, such as using a dried compound of animal and other wastes as cooking fuel in South Asia. Alternative power sources are by no means cheap. It has been reported that alternative sources of light are more than twice as expensive and squatters in Manila pay more for using kerosene lamps than those who have electricity (Linn, 1983).

Relative to other basic infrastructure services, electricity appears to be held in a lower priority. A systematic comparative study of infrastructure components in ten selected slum improvement programs and projects (Angel, 1983) showed that electricity ranked fourth after water supply, roads and walkways and drainage. Similarly, in another study of 523 low-income residential communities in six Asian cities, electricity was rarely mentioned as the first priority for improvement. Nevertheless, in a study of Karachi in 1975, electricity was one of four items, along with water supply, a sewerage system and tax collection, that bore a strong relationship to the hope for tenure regularization.

If electricity supply is not critical infrastructure to low-income urban areas in Asia, public lighting is. In a study of Leveriza, a low-income settlement of 3,000 families in Manila, it was found that there were not enough street lights for safety. Insufficient public lighting surely makes the streets less safe at night; the work of the community *ronda* or volunteer watchmen becomes more difficult.

Most developing countries' electric utilities are government-owned monopolies, often with strong political connections with the power to commit large sums of money. Yet their financial and management problems are increasingly caused by the pace of recent growth (Flavin, 1986). There are also problems of forecasting demand, pricing difficulties arising from consumer ignorance, costly metering and choosing among competing modern technologies.

Cost minimization and economic efficiency are overriding objectives if utilities companies have to be in a position to extend their services to the urban poor in Asia.

APPROACHES TO DELIVERING URBAN SERVICES

Participatory Urban Services

One might begin by referring to two multicountry projects funded by the International Development Research Center (IDRC) of Canada. The first study, called Participatory Urban Services in Asia, involved five countries, namely, Hong Kong, Indonesia, Republic of Korea, Malaysia, and Philippines. The project was focused on the different ways the urban poor improved their physical and social environment where basic services were found to be deficient. As elsewhere in developing countries, a queuing system of some kind is at play, and for lack of political clout, interest articulation and appropriate organization, low-income communities are served only after higher-income areas. Under these circumstances, the poor have organized themselves and obtained the needed services. The harnessing of community resources in participatory, or self-help and cooperative styles of participation did contribute to narrowing the gap between the demand and supply of urban services in low-income communities in these countries. The study also brought into relief the general ineffectiveness of a "service delivery" model (i.e., government-provided services) and reaffirmed the worth of experimental and innovative efforts to mobilize people's resources towards improving the urban living environment. The findings of this comparative study have been reported elsewhere (Yeung, 1985; Yeung and McGee, 1986). It suffices here to mention a few of the common themes.

First, a critical question pertains to the geographical and demographic unit for functional efficiency with which participatory urban services might be organized. Is there a minimum threshold size? In Indonesia and the Philippines, the lowest administrative units, namely the *kelurahan* and the *barangay*, were found to be convenient building blocks for extending or organizing urban services because they possess an effective leadership structure. Second, the study found a positive relationship between strong leadership and successful delivery. Leadership structures are especially well-

developed in the *barangay* in the Philippines, which appears to be a more effective system than the one prevailing in the Indonesian *kampung*s in which leadership is centralized in the *lurah*. The *lurah*, an appointed person, makes all key decisions in implementing service programs and, as such, is not entirely effective in delivering services to his community. Third, a mismatch between residents' needs and government program goals was found in most of the countries. In Penang, where government programs had been slow to react to the needs and problems of young workers, they turned to organizations which were far more successful in identifying the activities and meeting the needs for community participation. Ideally, information should flow freely among individual, household, community and state – so that strategies can be adopted to meet the socioeconomic needs of each urban community.

Poverty-Redressal Programs

The second comparative project, representing the concerted action of national and city governments, is concerned with a whole range of strategies aimed at poverty redressal in general rather than urban services per se. This line of action rests on the notion of a direct attack on poverty to improve the lot of the urban poor. The study was comparative in a loose sense as it was undertaken at different times and without a strictly comparative framework. It covered the Republic of Korea, Malaysia and Philippines (Yeung, 1988). The main conclusions may be useful to the seminar. First, the degree of awareness among the citizens in poverty redressal programs and their utilization rates are closely linked. Therefore, the need to increase public awareness is urgent. Second, the problem of insufficient funding for the program is a serious one, reflecting the country's and the city's priority for economic growth or other social programs. It is thus necessary to prioritize services and target groups in a situation of limited resources. Third, functional duplication of efforts is a general problem but one that especially bedeviled Manila's numerous programs. This calls for a comprehensive approach with built-in monitoring and evaluation to avoid duplication, to maximize efficiency and to reach the target population. Finally, given the generally low educational levels of the poor, the project should be designed and simplified to be easily understood by them.

Settlement Upgrading Programs

Complementing sites-and-services projects that involve the preparation of previously unserviced new plots for housing low-income groups, Asian countries have, over the past two decades, built up a store of rich experience in upgrading slum and squatter settlements. Even a cursory examination of some of these programs would highlight their country-specific strengths and weaknesses. With the distinction of being the largest settlement upgrading program in the world, the Kampung Improvement Program (KIP) in Indonesia started in 1969 as an indigenous initiative to improve the worst living conditions in Jakarta but has flowered into a gigantic multilateral program with substantial support from assistance agencies such as the World Bank and the Asian Development Bank. By the Third Plan (1980-1984), KIP had already expanded to cover 200 cities, including many medium and small-sized cities, and benefited 3.5 million inhabitants. In the Fourth Plan (1985-1989) period, the program will reach a total of 398 cities. KIP, adopting a "public works" physical infrastructure approach to settlement upgrading, is essentially an environmental program, not a poverty alleviation program. In fact, an obvious weakness of KIP is its almost total neglect of the social needs of the inhabitants, leaving it to organizations like UNICEF which developed an Urban Kampung Services Program for delivering social services in low-income *kampung*s through community participation. The UNICEF program covered during the period 1979-1984 four cities, namely Cirebon, Yogyakarta, Surabaya and Ujung Pandang. Land issues are not touched in the upgrading process. Although a recent study on KIP in Bandung reported a new strategy of cost recovery through the property tax, service costs are generally not recovered from the beneficiaries. In this manner, the program has reached a huge number of poorly serviced urban communities across the country within a relatively short period (Devas, 1981; Soegijoko, 1985). It should be noted, however, that KIP constituted in the period 1984-1989 less than 10 per cent of the total development expenditures on the public works subsector, with water supply and roads occupying 35.4 and 30.7 per cent, respectively, as the largest spenders.

In Thailand, the Slum Improvement Program is implemented by the National Housing Authority. Some 26,000 dwelling units were included in the program during the 1978-1982 period. Ex-

perience to date points to problems in land acquisition, cooperation from slum dwellers and the question of standards and physical design. The King Petch Project in Bangkok may be cited as a typical one, with half of the total costs derived from a World Bank loan to the Thai Government and with equal attention being devoted to physical and socioeconomic conditions, both in need of rehabilitation. The project, in a well-established area in central Bangkok, improves, among others, the community organizations of the inhabitants. Overall, the experience in King Petch mirrors a process that has been in progress in many other slum areas in Bangkok. In varying degrees, the program is being extended to other cities in Thailand and, in concert with other concurrent efforts, has been able to reach more of the poor whose housing conditions are in great need of improvement. Within Metro Manila, the National Housing Authority (NHA) has implemented a slum improvement program known as the Zonal Improvement Program (ZIP), designed to provide land tenure and services to over 1.8 million people in 300 depressed areas over 12 years. It is a "total" approach to settlement upgrading based on the 11 basic needs approach announced in 1979. Complementing the ZIP are two upgrading programs called the Metro Manila Infrastructure Utilities and Engineering Program (MINUTE) and the Program for Removing Sewerage from Streets (PROGRESS), designed by the Ministry of Public Works as a "network" approach to reinforce the "area" approach of ZIP (Taylor and Williams, 1982).

In India, the substantial improvement in living conditions of three million people who live in the *bustees* owes much to the urban reforms since 1972. In the new relationship between the state and the *bustees*, the former has learned to intervene and use its power to ensure that the *bustee* dwellers are protected from the unfair property control of the *thika* tenants and private landlords. Calcutta is no longer gripped by an air of desperation about its *bustees* and basic utilities. It has upgraded environmental conditions in large tracts of private rental housing through redistributive public finance (Pugh, 1989). In other Indian cities, it has been reported that the key issues in shelter policy (based on experience in settlement upgrading in Delhi, Chandigarh, Ahmedabad and Hyderabad) include program content and coverage, the informal economy, affordability, security of tenure and beneficiary participation (Datta, 1987).

Multifaceted, Comprehensive Approach

During the past decade, Kuala Lumpur has evolved an integrated, multidimensional approach to upgrading squatter settlements that is worth recording. The squatter problem began to attract public attention since the 1960s as the squatter population grew rapidly. Between 1974 and 1980, the squatter population grew at 9.7 per cent per year and, in 1982, reached a total of 243,200, occupying 7.3 per cent of the total city area in 177 areas. In 1979, the comprehensive Nadi (meaning "pulse" in Bahasa Malaya) Program was created based upon the previous efforts of the Sang Kancil (named after the clever mousedeer in popular children's stories in Malaysia) anti-poverty project funded by UNICEF and the expanded National Family Planning Board program which combined family planning, with a parasite control program for children. As an integrated program, Nadi was to involve a multiagency delivery of services and resource utilization, group and area specificity, a sharp focus on the family as the unit of development and the direct participation of beneficiary groups. Eighteen agencies have been involved in delivering services which can be grouped into community-based operations with 173 different tasks (Diaz, 1982). The bulk of the funding comes from the Malaysian Government with technical support from UNICEF in the early stages. The main services targeted for provision under the Nadi Program include comprehensive health services, basic infrastructure services and community and family development activities. In actual practice, the services that have received the lion's share in funding encompass electricity supply, parasitic control, provision of standpipes and the Sang Kancil project. The latter was an innovation in that squatter participation was first used in project design, thereby enhancing official awareness of the multifaceted needs of the poor. Lim (1985 and 1988) has fully documented and analyzed the Nadi Program and emphasized the need to develop administrative structures and capability to implement new strategies to deliver services to the poor. Appropriate structures, in turn, require prior identification of problems and adjustment to changing socioeconomic conditions and priorities. The program has not achieved a snowballing effect in Kuala Lumpur, but the experience to date has certainly been positive. The reason for the relatively limited impact of the Nadi Program is that it was not designed as a self-contained program of any particular agency, but

was dependent upon contributions and cooperation from a multitude of existing agencies. Thus the Ministry of Federal Territory under which a Steering Committee is set up to implement the program has not earmarked resources to expand its coverage.

Integrated Social Services Program

In the rapidly industrializing Republic of Korea, a new program with an accent on social rather than physical services has been developed in Bongchun Dong, one of the largest squatter areas located in southern Seoul. The idea of an integrated services program for the poor in the urban district stemmed from a series of workshops organized by UNICEF in connection with its contribution to the nation's Fifth Five-Year Development Plan (1982-1986). The main objective of the project is to foster the development potential of the urban district by providing a package of services with the cooperation of the government and private organizations. In this sense, the program depends on a mixture of "top-down" and "bottom-up" approaches. A measure of success has been reported because of the high motivation and the professionalism of the non-governmental organization (NGO) staff that has accounted for the positive response from the residents. Three types of community organizations, viz., government-backed popular organizations, the community development committee and project organizations have been instrumental in building a consensus among the beneficiaries. The experimental project is likely to benefit the community. However, there is no comprehensive, long-range plan for providing services for the urban poor (Whang, 1988).

Government-Encouraged Community Development

Another variant of the community participation approach to delivering urban services is the case of Community Development Councils established in the slums and shanty gardens of Colombo during the last decade. In 1978, given the Government's determination to improve social development and physical infrastructure within the urban areas, the Slum and Shanty Development Unit was established under the Ministry of Local Government's Urban Development Authority. In the following year, the Environmental

Health and Community Development Project was launched with UNICEF's assistance in the slums and shanties of Colombo. A three-tier Community Development Council system was developed, drawing representatives from the local level in the slum gardens, from the district level and from the city level. The 1979-1983 year program involved recruiting and training a new cadre of field workers called Health Wardens who would require knowledge and experience in community development, primary health care, nutrition education and environmental sanitation. Under their mobilization, 291 Community Development Councils had been established by 1981, covering 15 per cent of the Colombo slum and shanty population. By 1981, 723 latrines, 340 bathrooms and 543 standpipes in 285 shanty gardens had been improved. Clearly, the infrastructural improvements were impressive. So satisfied were the municipal authorities with the progress that they took over the payment of the Warden's salaries in full after the initial two-year commitment by UNICEF came to an end and the Government planned to extend the new modality of amenity upgrading to other cities in Sri Lanka (Cassim, et al., 1982). A similar and more recent program adopted by the Government but highly dependent on community efforts was the successful Million Houses Programme covering the period 1983-1989. The program involved different types of slums and squatter settlements, utilizing the methodologies of upgrading, minimal relocation, sites and services, planned plots and dissemination of information. Financing was provided for both infrastructure and house improvement. The program relied heavily on community participation in action planning, on-site blocking of land, contract system, maintenance of infrastructure, enterprise programs and training leaders. So well-received was this program that the 1.5 Million Houses Programme is being implemented for the period 1990 to 1995, following the outline and themes of the previous program. Another project that evolved on a similar mode of government-community cooperation is the Urban Community Development Project in Hyderabad, India. Although initiated by a department of the municipal government, the project was aimed at improving housing conditions, child and mother care services, pre-school education and income augmentation of the urban poor. With the beginnings in a small locality in Hyderabad, the project has been extended to the entire city over two decades. The success of the project has ac-

counted for sizeable investment funds being provided by national and international sources for its replication in other Indian cities.

Aided Self-Help Approaches

A multitude of self-help approaches with the initial push provided by NGOs have been tried out in Asian countries with the aim of improving basic urban services. A brief reference to some of the projects will provide an idea of their diversity, innovativeness and resourcefulness. The Building Together Project in Bangkok is an outstanding example of erecting a new neighborhood on the basis of mutual assistance. The approach, with professional assistance available on a voluntary and consultative basis, required residents to purchase their own land, plan the site, finance the project and eventually build the houses. The impact on the residents in question was so favorable that the project attracted funding and support by aid assistance bodies from other countries.

In Delhi, a Project Rehabilitation providing shelter for flood victims in Jahangirpuri has been the responsibility of the Delhi Catholic Archdiocese in project design, implementation, monitoring and coordination. The project has been judged to be successful for it succeeded in meeting the requirements of the target group. In addition to shelter, other components, such as self-employment schemes, adult education and legal aid have been introduced. Similar success was attained by the Ahmedabad Study Action Group, an NGO which took immediate action in 1973, when 23 settlements involving 3,000 households were affected by floods at Vasna, Ahmedabad where the river Sabarmati overflowed. An Integrated Urban Development Project was set up to implement a comprehensive development project which had taken into account the physical and socioeconomic needs of the flood victims. The IUDP is notable for its people-based approach and an action-research methodology.

In the Bogun Jahri area of Seoul, a colony of 170 houses was constructed in five months by evicted squatters. The striking feature of this building program was the manner in which the people were motivated and action initiated for community development and improvement. The leadership in the project came from two individuals, a priest and a university student who lived in Seoul's largest slum for more than two years prior to eviction notices being

served. The project serves to underline the importance of personal relationships in effective community participation. On a larger scale is the Orangi Pilot Project that started in 1980 as an NGO to improve the sanitation of the Orangi settlement in Karachi that has sprung, essentially unplanned, over an area of 5,000 acres since 1965. Through social organization and technical extension, the community has successfully installed sanitary latrines in the houses, underground sewerage in the lanes and secondary or collector drains. The improvements in sanitation and general environmental conditions are considerable.

In Manila, Freedom to Build is an NGO that distinguishes itself by the way it organizes itself and facilitates people to build their own houses. It started off in the mid-1970s with a project in the Dasmariñas Resettlement Project, a 234 ha site 34 km outside Manila, where approximately 4,000 evicted squatters had been relocated since 1974. Freedom to Build ran a building supply store and provided other assistance for settlers to build their homes. In Hong Kong, the fact that boat dwellers eventually had their rehousing needs recognized and upgraded to that of land squatters in 1982 owed much to the efforts of the Society for Community Organization that began in 1970 as an informal group. The Society initiated a project in 1971 which aimed at helping to resettle boat dwellers in public housing flats after the plight of Yaumatei boat dwellers became a public issue in the territory. Finally, Kampung Sawah was one of two slums affected in 1982 by the construction of a highway in West Jakarta. Residents received assistance from the Panca Bakti, a Jakarta-based NGO, to help them relocate to Cikumpa Depok and Sidomukti Depok, to build anew there and to establish a cooperative once the families were resettled. Although the relocated settlement in Depok would mean increased transport costs for some families, it was an opportunity to start life with proper land titles, a task that would be beyond the organizational capacity of many households and hardly possible without the assistance of the NGO.

It is clear from the cases cited above that the commonality of these projects is their organization and management expertise provided by an NGO which has been successful in rallying inhabitants to a common goal. Translation of this common goal into reality requires consummate skills, relevant experience and expert knowledge about ways of dealing with the bureaucracy, all of which the inhabitants lack. The NGO not only provides the initial spark of

interest in crystallizing a critical problem but sees the project to its completion. Essentially, the people themselves would do the work but the NGO provides a vital institutional framework with which to reach a common goal. Recent experience speaks well for this approach in Asia.

LESSONS LEARNED

Having highlighted different approaches to delivering urban services in Asia, it would serve a useful purpose to distill generalizable lessons from them. Again, the task can only be selective without any pretension of comprehensiveness.

Institutional Arrangements

As demands for basic services become more complex and strident with more people and land area to serve, city governments are experimenting with a range of institutional arrangements in their endeavor to improve delivery. Cheema (1988) has discerned three phases of institutional evolution. At first, most Asian cities attempted to design, finance and manage infrastructure services on a sectoral basis. Large-scale projects in housing, water, sanitation and the like were the responsibility of sectoral authorities independent of municipal governments. They succeeded in expanding urban infrastructure and services but suffered from at least three deficiencies: (i) the short-term sectoral planning approach implemented through semi-autonomous government agencies resulted in inadequate attention being paid to the potential of long-term impact of government intervention in service provision; (ii) the approach had the disadvantage of expanding the role of appointed (rather than elected) officials in the management of the city; and (iii) with the increasing sophistication and development of urban services, the authorities concerned were not able to implement their programs with optimal utilization of resources or effective coordination with other agencies. These programs could not effectively reach the urban poor.

The limitation of sectoral responses led to the second phase in which metropolitan-wide authorities were in vogue in the 1960s and 1970s. The Calcutta Metropolitan Planning Organization (1961) and the subsequent Calcutta Metropolitan Development Authority, the

Karachi Development Authority (1962), the Bombay Regional Development Authority and the Metro Manila Commission (1971) were all born with the objective of formulating, financing, coordinating, and supervising the implementation of multisectoral projects through sectoral and local authorities. These authorities were initially involved only in coordination and supervision of program activities but gradually assumed the functions of sectoral agencies and local governments themselves, prodded by international and donor agencies who were interested in speedy implementation of foreign-funded projects. As a result, these command-type authorities led to the further centralization of powers. Multisectoral planning and programming functions were also relatively neglected.

The third type of institutional arrangement centered on the creation of metropolitan-wide government with special provincial powers and status. The Bangkok Metropolitan Administration (1972) and the Special Capital Territory of Jakarta (1964) are examples of this genre, with the power to plan and coordinate activities in contiguous areas. For Asian cities, six types of metropolitan management structures may be distinguished: centrally controlled (Shanghai, Beijing); special province (Bangkok, Jakarta); two-tier system (Manila, Tokyo); development authority (Delhi, Bombay, Karachi, Colombo); single-tier city/metropolitan government (Kuala Lumpur, Surabaya); and inter-municipality cooperation (Calcutta).

Failure of Top-Down Planning

At great pain and cost, it has now dawned on most Asian municipalities that a centrist, top-down approach to service delivery without support from other sectors is unsustainable. The futility of the centralized government to use delivery orientation was poignantly manifested in Seoul's attempt to resettle, in 1973, 76,650 squatter families to satellite Sungnam New Town. Nor was the project in Seoul to enhance the welfare of slum dwellers through urban renewal any more successful. As much as 43 per cent of the new houses were occupied by people not originally in the renewal area as the target households were not able to afford the minimum purchase price. Both projects failed because their target was not on urban poverty, not even the proper management of services to the poor, but simply the eradication of illegal housing units. The projects were designed primarily to satisfy aesthetic considerations

and physical planning standards, with the service needs of the disadvantaged groups relegated to a secondary level of consideration (Whang, 1985).

Need for Community Participation

Many of the projects and approaches to improving the access of the poor to urban services have demonstrated the critical role played by beneficiaries themselves if any project is to succeed. Locally led and energized initiatives are particularly essential in the initial phase, when priorities are set, as well as at the implementation stage. Community participation may be effected through official support (such as Community Development Councils in Colombo), the efforts of an NGO (the Panca Bakti in relocation of Kampung Sawah in Jakarta), or by the inhabitants themselves (urban Saemaul Undong in Seoul). In every case, it is necessary for effective project implementation to elicit positive responses from the affected population to achieve mobilization, replication and self-reliance. It may be noted that while the tradition of community participation is strong in rural Asia in satisfying the basic needs of the rural population, urban dwellers have only recently evolved people-based mechanisms to supplement inadequacy in infrastructure provision by the government. In Indonesia and Malaysia, the age-old principle of *gotong-royong* (self-help) has been extended to urban *kampung*s. likewise, in the Republic of Korea and Sri Lanka, the movements of Saemaul Undong and Sarvodaya have respectively found the cities in those countries fertile ground in which to further the notion of common objectives such as the improvement of basic living conditions.

Towards Greater Integration

It is more widely recognized than before that there is a higher likelihood of success in improving urban infrastructure services to the poor by greater integration in two ways. Although sectoral considerations are important in some circumstances, the trend has been for many municipalities to design integrated infrastructure packages. At the same time, planners and decision makers have realized that for improved urban basic services planning, implementation and monitoring among different levels of implementers must be better coordinated, streamlined and, to a degree, integrated. Integration implies better coordination and planning between levels

and sectors but not necessarily greater control from central authorities.

International Aid Agencies as Partners

In many large-scale integrated projects, the assistance of international aid agencies has been crucial in design, concept, funding, training and implementation. The dependence on outside technical assistance is understandably obvious in countries that have not achieved rapid industrial and economic progress. Assistance programs of any import on urban development in developing countries took place only in the 1960s when the United Nations system of agencies was among the early ones to respond to the newly identified needs. Most of the assistance was in the form of technical assistance (with some training), pre-investment studies and capital assistance. Often, however, authorities in the aided countries have chosen high-cost urban technologies under the mistaken impression that this is the best way to use the capital assistance available. The availability of capital assistance among these countries may in the beginning have had an inhibitive effect on the development of less expensive infrastructure, notably in sanitation, housing and transport. Since the early 1970s, however, the thrust on the alleviation of urban poverty has characterized many of the urban assistance programs by the agencies. They have developed their own style and priority activities in attempting to improve the material welfare and living conditions of the urban poor in developing countries. It can safely be said that, each in its own way, the multilateral development agencies have provided much-welcomed and well-intentioned assistance to work in partnership with Asian countries to alleviate the plight of the urban poor.

Strengthening Local Governments

Dependence on foreign assistance must proceed hand-in-hand with measures to strengthen local government in the long-run interests of the countries themselves. In this respect, recent progress in several Asian countries has been reported by Wegelin (1989). In India, conditional soft loans were made available by the central government to state governments in the Integrated Urban Development Program between 1974 and 1979. The loan provision took the form of matching funds for a specified investment package with the balance coming from the state and local governments. The program,

designed for cities with a population of 300,000 and above, was supplemented by the Integrated Development of Small and Medium Towns (IDSMT) in 1979, in an attempt to extend the facility to other cities. In Indonesia, a nationwide approach toward delivering urban services called Integrated Urban Infrastructure Development Program (IUIDP) was mounted in 1985, in which responsibility for planning, programming and implementation of urban services would be lodged at the local level and various components of infrastructure provision would be integrated. The program has been viewed as a bold departure from the hitherto top-down approach in favor of bottom-up planning for 300 local governments in 27 provinces. In the Philippines, the Program for Essential Municipal Infrastructure, Utilities, Maintenance and Engineering Development (PREMIUMED) was launched in 1984 to cover 16 regional centers outside Metro Manila as a strategy to strengthen local governments. Likewise, the Sri Lankan Government embarked, in 1985, on an ambitious program to improve municipal management in its 51 urban local authorities with the aim of decentralization and strengthening local governments. Also, Thailand's Regional Cities Development Program that was launched in 1985 for four major municipalities, has recently been extended to cover several additional urban centers with the implementation of urban infrastructure as a high priority. These programs reflect a growing realization of the positive economic functions cities can fulfil through large-scale investments in infrastructure, urban services and shelter improvement. These new functions can be financed out of revenues generated in the cities themselves provided local urban management and institutional capabilities are drastically improved. The common approach all the cited programs adopt is that cities should reduce their dependency on national fiscal resources through increased generation of local revenues to finance more cost-effective urban infrastructure and services development. All the programs rely heavily on technical assistance including training. Also, the programs attempt to break out of an exclusively "top-down" policy and planning environment by strengthening the "bottom-up" approach to urban services delivery within certain set rules, implying a changing balance of power and access to funds between different levels of government. These innovative improvement strategies are too new to be assessed for their efficacy.

Striving for a Consensus

Angel (1983) has astutely maintained that only a low level of consensus exists at present on the goals and methodology of effecting infrastructure improvement in low-income communities in Asian cities. The different perceptions of house owners, environmental engineers, community builders, politicians, international funders and the people are grounded in divergent self-interests and preferences, albeit congruent objectives. Continued dialogue and articulation of any party's views would help in narrowing the differences and would be in the interest of the betterment of basic services for the urban poor.

Seeking Tenurial Security

One of the issues on which the aforesaid participants of infrastructure upgrading in Asian cities differ sharply is the extent to which squatters should be recognized with respect to the land they occupy. Land is a commodity access to which the urban poor have great difficulty in obtaining and securing. Many municipal governments hesitate to improve infrastructure services in low-income settlements with uncertain tenurial status as any such effort might be interpreted as tacit approval of "squatter's right" and give the residents a strong claim to security of tenure. In any event, it is almost universally true that where tenurial rights are regularized, the improvements in the living environment, especially individual shelters, are considerable. This was abundantly demonstrated in the Tondo Foreshore Project in Manila. A 1981 evaluation showed that about 97.5 per cent of the households had improved their dwellings, with 12.5 per cent building entirely new structures. Also, in Bhopal, India, slum clearance and improvement programs have been implemented since 1957 but it was not before 1984 that legal tenure was granted to households in existing squatter settlements. Shelter consolidation by the poor has been in progress from the beginning, pointing to the fact that it is the improvement in perceived tenurial security rather than the legality of tenure itself that can induce infrastructure improvement (Mitra, 1988).

Affordability and Cost Recovery

Affordability and cost recovery are two closely related aspects of urban service provision that have intimate links to the questions of access by the poor and subsidization and replicability. The ability

of governments to extend urban services to a large number of people is contingent upon measures of cost recovery through community contributions, user charges, taxation, etc. The interplay of these factors is connected to the larger issues of urbanization policy, public expenditure, building standards, income levels, and the ability and willingness of different income groups to pay. In World Bank-assisted shelter projects, it was discovered that many families were willing to spend up to 40 per cent of their income for shelter, not 25 per cent as originally anticipated, with substantial income transfers from extended families to help monthly payments. Many families perceived improved housing as a form of investment. This accounted for a 10 per cent increase in families offering space for rent in Tondo in 1981. Another example of an affordable and cost recoverable urban service is that of the improvement of low-cost sanitation in India where there is considerable experience in this sector. India decided to provide low-cost pour-flush latrines on a large scale in urban areas of less than 100,000 inhabitants each. Since 1979, household sanitation has been improved in towns in five states, namely, Gujarat, Tamil Nadu, Kerala, Madhya Pradesh and Uttar Pradesh. The low-cost option has been propagated to households as an attractive investment of approximately \$150 to \$200, as distinct from the conventional piped sewerage system viewed as a public works project (Urban Edge, December 1987).

Unrealistically High Standards

There is an inherent conflict between attempts to maintain high physical standards and the low incomes of urban populations. Project design at standards beyond the reach of the urban poor results in their inability to pay for the economic costs of operation, maintenance and debt service of new infrastructure services provided. Cases abound in Asian cities where settlement upgrading programs have directly caused the target group to move out simply because they could not afford the costs of new facilities. The failure to benefit the original settlers from upgrading policy has been recorded in government housing programs in Calcutta (Pugh, 1989), in the KIP in Indonesia (Soegijoko, 1985), in an urban renewal project in Seoul (Whang, 1985) and in the Tondo Foreshore project in Manila (Laquian, 1983). Residents are known to sell their priority assignment or cannot afford the costs of living in an improved environment. The poorest of the poor have thus been eluded in the improvement

process. As a result, such projects give rise to increased subsidies, distortion of market factors and failure to mobilize fully the potential of urban centers. Linn (1983) has succinctly summed it up this way: "Experience has shown over and over that where public service standards are set at levels unrealistically high in relation to the poor beneficiaries' ability and willingness to pay, most of the intended recipients of the services have generally not received any service at all." Linn's dictum is best illustrated by the experience of subway construction in Calcutta. Between 1972 and 1978, transport investments in Calcutta reached \$50 million annually, representing 48 per cent of the Government's budget for infrastructure investments. The initial projected investment has multiplied by a factor of ten to \$1 billion on completion, due to escalating costs in the interim. The system will also need at least \$1 million each year to operate. Heavy investments and subsidies notwithstanding, the urban poor – the city's single largest group – cannot afford to ride the subway (Brown and Jacobson, 1987).

Investing in Leadership and Training

One of the worst bottlenecks in development administration in Asian cities is the shortage of trained personnel. It has been reported in one city of four million inhabitants that there is not one qualified accountant in the entire municipal administration. The staff for planning totals 50 – from senior officers to draftsmen; perhaps five are professionals with enough training and leadership qualities (PADCO, 1976). Repeatedly, it has been shown that strong leadership and successful service delivery are positively related. Leadership may be formal or informal, elected or installed, but leaders with dynamism, adequate training and good communication skills are hard to find everywhere. Leaders must be trained, nurtured and identified. In view of their shortage in Asian cities for the task of improving infrastructure services, it is imperative that investment in human resources be increased. The contribution of such investment to poverty alleviation will be indirect but critical in the realization of policy goals.

Recognizing Women's Contributions

Urban poverty being not gender-specific, women constitute one of the most vulnerable groups, along with children, in low-income communities. This facet of urban Asia has been fully recog-

nized by programs designed by UNICEF and, to a larger extent, by other bodies. Growing attention has been given to women's specific economic and household roles in these communities. Contributions by women in the development of low-income communities have been observed frequently. For example, female wardens are especially effective in mobilizing women's participation in preventive and curative health programs in the environmental health and community development project in slums and shanties of Colombo. Activities organized by housewives in urban *kampung*s in Indonesia are very successful and well-attended. Such favorable perceptions of women's role in the lives of the urban poor have prompted expanded training opportunities for women. Such training models may be exemplified by a participatory program for women pavement dwellers in Calcutta, whereby women learn to resolve their problems in a noncrisis situation. On the other hand, the Self-Employed Women's Association in Ahmedabad is a trade union of self-employed and poor women workers, many of them illiterate. To help them stabilize and increase their incomes, a bank was formed and a cooperative society set up to develop their skills and help them in problem solving through social interaction. Recognition of the positive roles of women in economic affairs and family welfare is reflected in the planned activities of the Orangi Pilot Project in Karachi. Apart from the more visible and by far the most successful low-cost sanitation program, the project design includes women's health education and a women's work center program. The progress to date in these two components relating to women is uneven and slower than anticipated. However, the potential is certainly present as many women have expressed interest in obtaining work from the work centers.

KEY POLICY ISSUES AND ALTERNATIVES

Financing Urban Services

The foremost problem in DMCs in the provision of infrastructure services to their inhabitants is the inadequacy of funds to finance them. Per capita spending by local government tends to be higher in larger cities but at the same time they have many more services to provide than smaller cities. There is also an extensive overlap in responsibilities of local, provincial and central authorities

where, not infrequently, the same services are provided by them all. Poverty makes it difficult at every level of government to raise fiscal revenue. The culmination of these prevailing conditions results directly in large sections of the region's cities being unserved or underserved, with the urban poor suffering the brunt of these deficiencies. The revenue structure of developing country cities may be divided between two components: local revenue in the form of locally raised taxes (including property tax), user charges and locally raised revenue such as license fees, penalties and stamp duties and external sources of local finance through borrowing and grants from provincial or central governments, including shared taxes. The bulk of urban finance in most Asian cities is derived from local sources, up to 70 to 80 per cent. Karachi, Jakarta, Manila and Madras relied heavily on local taxes, whereas Ahmedabad, Bombay and Seoul exhibited a more balanced distribution between local taxes and self-financing service revenues (Linn, 1981). Cities may also raise loan financing from the international donors although it appears that cities in India and Pakistan are permitted more flexibility in this than cities in the Republic of Korea. Given the grave problem of urban service deficits in Asian cities, there is much scope for expanding the degree of grant and share-tax financing with higher-level governments. Indeed, this is the approach taken by Bangkok which has an exceptionally narrow local fiscal base with only four taxes, viz., house and land tax, land development tax, signboard tax and animal slaughter tax coming under the Bangkok Metropolitan Administration. Its fiscal powers are not much stronger as property, land and cars are grossly undertaxed. In 1981, the average revenue of the city government was 741 bahts per person which was one-third the national average. Consequently, the central government every year contributes the lion's share of Bangkok's fiscal expenses. Financing urban services is thus basically an inter-governmental process in which international agencies have a vital role to play where domestic finance resources are unable to match needs.

Cost Recovery versus Subsidization

The previous issue of the gap between perceived urban service needs and financial resources leads to the policy dilemma of cost recovery versus subsidization. Cost recovery refers not only to the financial measures for initial capital outlays but also to long-run maintenance and operating expenditures. The higher the cost

recovery, the lower the drain on the public coffers. The fiscal devices for cost recovery include land pricing, taxation on land and buildings, user charges, tax and nontax revenues. If urban services are provided on a strictly cost recoverable basis, many of the urban poor would not be able to afford them. Subsidies, if adopted as fulfilling a redistributive goal or poverty alleviation objective, can be justified. Likewise, subsidies for refuse disposal are often required because of externalities of pollution and the difficulty of controlling unauthorized dumping. Selective subsidization appears to be a prudent policy choice which is preferable to indiscriminate or heavy subsidization as both can produce inefficiency in service provision. The earlier reference to the subsidized but inefficient bus systems in some Asian cities is a somber reminder of the merit of keeping certain urban services competitive and cost-effective between the public and the private sectors. Based on the experience to date on urban service provision in developing countries, a guiding principle seems to avoid general subsidies in the design and implementation of urban development projects.

Shifting Policies

Three broad types of policies may be distinguished in providing basic services to the urban poor. One is a policy based on market mechanisms which in essence ignores the existence of low-income settlements in the belief that they are an aberration in the development process and, given time, they will disappear with economic development. The second type refers to restrictive policy which aims at reducing the size of these settlements or, where feasible, relocating them to the urban periphery. These two types of policies are largely discredited, leaving the third type, supportive policy, designed to improve and expand on present infrastructure conditions in cooperation with local residents, as the most popular and widely adopted (Rondinelli and Cheema, 1988). In this connection, it is pertinent to mention the World Bank's successful experience in employing market mechanisms in its projects to reach the urban poor. Many of these projects in policy design are an amalgam between *laissez-fairism* and interventionism.

Centralization versus Decentralization

At the core of this dichotomous choice of urban governance are the concerns of resource mobilization, financial capability and

management efficiency of the local government to deliver urban services. Traditionally, most countries in the region are characterized by a high degree of political and financial centralization to the detriment of municipal authorities which are starved of the requisite resources, power and political will to deliver basic urban services. To be sure, the magnitude of the urban problem is beyond the financial and administrative capabilities of many developing countries. More specifically, a 1977 study of 25 Asian countries submitted that even if their total savings were mobilized for the provision of urban housing and infrastructure for additional migrants, there would not be enough. For most countries in the region, though, several decades of development experience have successfully convinced politicians and planners that decentralization of authority, resources and responsibility to local governments promises to be the emerging wisdom of development administration. The recent strategies designed to strengthen local governments in five Asian countries outlined in the previous section have built-in performance criteria at the local level to ensure the desired results. In Sri Lanka's move to improve municipal management in its urban local authorities, for example, municipalities must have scored on selected performance improvement indicators in order to obtain government grant funds. Strengthened local governments come with increased public accountability and responsiveness. Decentralization is not, however, easy to achieve.

Equity versus Efficiency Goals

It has been fashionable for arguments about urban service provision to be couched in a trade-off between equity and efficiency goals. There is now accumulating evidence to attest to the compatibility between these two objectives, as the rates of return on poverty-oriented projects supported by assistance agencies like the World Bank have been shown to be not significantly different from untargeted ones. Moreover, it has been stressed that these goals can be best achieved by avoiding increased subsidies to urban services through reliance on local taxes and user charges (World Development Report, 1988). On a larger plane, the equity issue impinges on the urban poor in relation to other higher-income groups in the city. Biases against the disadvantaged groups in infrastructure provision, whether they relate to pricing policy, attitudinal orientation, or structural irresponsiveness, must be minimized. Within the urban

poor group, also, equity is still an issue that recurs in projects having a differential impact on strata within the target population. By contrast, sites-and-services and core housing projects can be designed to achieve greater equity when affordability criteria can be enforced. Even then, such projects have yet to reach the poorest 20 per cent of the urban population.

Modalities of Service Delivery

The debate on the varying effectiveness of different modalities of urban service delivery revolves around the broader issues of resource mobilization and the extent of decentralization of power to local governments. For many infrastructure services, a "service delivery" model, that is, government-provided services, is still the most important. However, in the context of the present trend calling for greater beneficiary participation, a range of approaches involving support from international organizations, semi-public or private agencies, NGOs, community self-help and so on, have evolved in many Asian cities. Generally speaking, participatory, self-help and community programs are conceived as "bottom-up" approaches that are being looked at more favorably than before by the authorities. Clearly not any one mode of service delivery is sufficient for all needs. Each has a useful role to play and a responsible and responsive government should give support to local group efforts in planning, setting norms and priorities and evaluating projects. Local groups, often poorly organized, manned and financed, need all the encouragement, support and funding governments and other bodies may be able to provide. In the end, they all contribute to make the urban habitat a better place in which to live.

Public versus Private Service Provision

It has been recognized that economies of scale, externalities and the possibility of monopoly conditions under private sector provision are accepted arguments in favor of public provision of utility services in urban areas. The present regulatory framework tends to protect public agencies with established monopolies. However, for some urban services, such protection is not well-placed and results in inefficiency. Transport is a case in point. In Calcutta and Bangkok, public bus companies cover only about 60 and 72 per cent of their total costs with their revenues and incur large subsidies. In dramatic contrast, private buses which carry 75 per cent and 40 to 50

per cent of the total bus ridership in the two cities, respectively, and charge the same fare as public buses are able to operate at a profit, without subsidy. Private operators are plainly more efficient than public ones and in addition contribute sizeable revenues to public coffers. The disparity in efficiency is so obvious that it has been suggested that all nationalized bus monopolies be open to private operators of buses and minibuses (Feibel and Walters, 1980). In low-cost housing, too, the role of the private sector has been well-argued for in Malaysia by researchers. Official recognition of the private sector in housing provision for the poor is again reflected in the planned construction by the private sector of 374,100 low-cost dwelling units in the Fifth Malaysia Plan (1986-1990). The Malaysian example underscores the wide scope that exists for closer cooperation between the public and private sectors in delivering urban services in Asia.

Supply and Demand of Urban Services

Much of the infrastructure provision by public or quasi-public bodies is typically supply-led, with little or no direct relation to the nature and size of demand by the urban poor. One of the more effective ways of increasing access to urban services is, in fact, to promote employment-generation activities in order that, with higher incomes, the disadvantaged population would create greater effective demand for basic services capable of being satisfied through a variety of mechanisms. In many Asian cities, the prevailing high levels of unemployment and underemployment and low incomes among the urban poor are translated into their inability to pay for needed urban services either directly through user charges or other methods, or indirectly through taxes. Projects designed to improve the livelihood of the urban poor may be embedded in integrated infrastructure approaches that have been reviewed previously, or may be income generation-specific, such as the Program for Investment in the Small Capital Enterprises Sector (PISCES) supported by USAID. The demand for specific urban services may also be met by financing programs such as the Community Mortgage Program in the Philippines which involves an innovative concept of low-income home financing for an undivided tract of land to be acquired by several beneficiaries through community ownership. The landless urban poor can thus secure land for house construction through the

financing program administered by the National Home Mortgage Finance Corporation.

Formal versus Informal Sector Roles

The region's cities, as elsewhere in the developing world, are creations of planners and politicians whose predilections are to cater to the interests of the rich and powerful. As a consequence, the regulatory framework, resource allocation and political support are everywhere in favor of the formal sector. However, the extent to which the informal sector can directly benefit the lives of the urban poor should not be neglected. In a number of urban services, such as housing improvement, transport, water supply and public security, informal sector contributions have been observed to be low-cost and effective. For example, in many squatter settlements, an informal market exists facilitating mutual help, procurement of building materials, dissemination of information and exchange of know-how. Strong social networks in these communities are often sufficient to deter crime and where necessary, a mutual aid system of vigilante corps can be developed based on voluntary contribution of labor. Despite the rhetoric for administrative and financial decentralization and devolution, excessive regulations and restrictions still impede the activities of the informal sector. As a case in point, in Tamil Nadu, India, where it is illegal for the private sector to attempt to duplicate the successful sites-and-services projects supported by the World Bank, the private sector has simply been forced to operate "underground".

High versus Appropriate Technologies

The choice of technology for urban service provision is connected with the pros and cons of the formal and informal sector roles, and the issues of affordability, cost recovery and replicability. The Calcutta Subway Project serves to underline the absurdity of pursuing a high-technology option with near disregard for the needs of the urban poor. There is thus an inviting challenge for Asian cities to seek low-cost, appropriate technologies that are not only innovative and indigenous but also, more importantly, affordable by most of the economically disadvantaged.

Large versus Secondary Cities

Given the increasing concentration of population in large Asian cities and the pressure on infrastructure services, economically conscious scholars and administrators have raised the question of the relative costs of service provision in cities of different sizes. Of course, urban agglomeration goes with economies of scale but beyond a certain city size, the gain in most urban services disappears. Evidence tends to indicate that urban infrastructure services can be economically provided in cities as small as 100,000 in population and the per capita costs in providing many urban services are lower in intermediate-sized cities than in the largest metropolitan areas.

EMERGING CHALLENGES

To conclude this paper and to facilitate discussion on likely ways of meeting the emerging challenges, a number of questions are posed in the following section.

What do Asian cities face in terms of basic infrastructure service provision?

Asia's cities already have been confronted with deteriorating levels of basic infrastructure service provision in recent years, as supply has failed to catch up with demand. Given the trends in Asian urbanization, with growth rates remaining high and the persistence and increase of urban poverty, the challenge to planners and policymakers is to search for innovative ways of delivering at least the present level of services to larger numbers of urban dwellers within the present financial and administrative constraints. Many problems of the present system of delivery have been identified and these obstacles need to be removed. They include standards of service being unrealistically high, technology unaffordable by the inhabitants, legal framework prejudiced against the interests of the urban poor, administrative and organizational inefficiency of the delivering agencies, weak local (city) governments not having the political clout and financial ability to carry out effective programs, feeble channels of needs articulation, etc. It is clear that many city governments in Asia are engaged in an uphill battle to maintain their

present inadequate levels of service provision, let alone upgrade them.

What should be the scope of urban basic infrastructure services?

This paper has taken a rather orthodox and conventional definition of infrastructure services, including such services as land, housing, transport, water supply and waste disposal. These are surely key services needed for the sustenance of life and the well-being of individuals and families. It has been argued, however, that if one were to take a broader basic needs approach, other services, such as food, energy, etc. could be taken into consideration in certain circumstances. Of course, all services are land-consuming and thus more difficult to provide in view of escalating and competing demands on urban land. The point to emphasize is a need for maximizing the congruence of basic urban services provided by the authorities and those that are really desired and affordable by the inhabitants. In this case, a greater sensitivity to varied demands of different income groups should be cultivated.

Who pays for public urban services?

Financing urban services in Asia is one of the most challenging tasks for administrators and planners and one that appears most difficult to break through because of institutional rigidity, bureaucratic inertia and ingrained biases. Many Asian cities have narrow and limited revenue bases from which to finance the needed services for their populace. Jakarta and Bangkok, for example, depend heavily on their central governments for transfer payments to foot their municipal bills. Indian cities are so financially strapped that even routine maintenance of essential urban services has been reported to have suffered from neglect. The situation in slums and similar settlements has been described as appalling. If the city government cannot raise enough revenue from its inhabitants, who are themselves poor, there is every reason to question the general efficacy of the government-sponsored, or "service delivery" model of service provision, for the poor. Alternatives to the conventional models of delivery must be explored, including all shades of self-help, participatory and community modes of delivery which are proven to be much more cost-effective and meeting the needs of the population groups concerned. Even improving the established

methods of service delivery through adoption of more appropriate technology, more realistic standards and improved user charges could go some distance in lightening the financial burden of the authorities who deliver basic urban services.

How can non-governmental organizations (NGOs) help in improving urban service delivery?

Considering the city government's inability to provide the necessary basic infrastructure services to its inhabitants, it is almost incumbent on NGOs of every description to assist in mitigating the plight of vulnerable population groups, in particular, the urban poor living in slums and squatter settlements. There are also community-based organizations (CBOs) which aim primarily at improving their members' situation. As both NGOs and CBOs are close to the grass roots, they are more effective than governmental organizations in identifying real service needs and have more innovative, flexible and often cost-effective ways of meeting them. The Building Together Project in Bangkok, the Orangi Pilot Project in Karachi and Freedom to Build in Manila are examples of voluntary and private initiatives to improve housing, sanitation and environmental conditions of the inhabitants in question. In the same vein are the increasingly recognized economic and household roles that women can play in improving the well-being of low-income communities. Women's contributions have been particularly acknowledged in the environmental health and community development project in slums and shanties in Colombo.

Who else can help in improving urban basic infrastructure services?

Higher levels of government and international organizations can substantially assist. To begin with, state governments can decentralize responsibility, authority and resources to the city government to expand service provision. National governments can, as well, redesign the contributions of central and local governments in delivering urban services, demonstrate renewed political will to alleviate urban poverty and basic service deficiency through budgetary allocation and institutional restructuring and increase spending on human resources development for better service delivery. Regional institutions can likewise promote exchange of ideas, visits, experience and information through a program of train-

ing, conferences and research. At the same time, they can, via pilot schemes or demonstration projects, disseminate new insights and technologies in building more humane communities. Finally, international organizations can assist in policy transformation to improve urban service delivery in conjunction with national governments, refocus efforts and resources on poverty alleviation, and broaden the range of activities in support of anti-poverty goals.

What is the best institutional and management arrangement to improve urban service delivery?

While the authorities have been ineffective in providing infrastructure services in Asian cities and community-based groups have proven their value and usefulness in helping urban dwellers to help themselves, it must be stressed that government and community should not work at cross-purposes or independently. Clearly, one group is not entirely successful on its own. Thus understanding, cooperation and mutual assistance should be promoted between the two. The Environmental Health and Community Development Project is an example of such cooperation, in which case the Colombo city government and people themselves worked well together in a project to upgrade urban amenities. Another example of cooperation between government and private organizations in improving social services is that achieved in Bongchun-dong, a large squatter area in Seoul, referred to earlier. It needs to be recognized that NGOs are by themselves poorly resourced and fragmented in orientation. Ultimately, only governments have the resources and authority to create conditions for full-scale grass roots mobilization.

How relevant are environmental issues in urban service provision?

In fact, the choice of shelter strategy, transport technology, waste disposal methods, source of water supply and energy choice all have vital bearings on the status of the urban environment and beyond. Of these basic urban services, energy choice, transport technology and water and sanitation are perhaps the most significant. The heavy dependence on burning coal in China for cooking and heating, especially in its northern areas, and the widespread use of the automobile relying on oil as carbon-based fuel in Asian cities are major sources of air pollution. They are directly respon-

sible for the production of increasing amounts of carbon dioxide, methane, nitrous oxide, and chlorofluorocarbons (CFCs) – "greenhouse" gases – that have led to alarming warning changes in the earth's climate recently, with potentially disastrous and irreversible changes to the ecosystem of the world. Many countries' water bodies are badly polluted, and urban water supplies are affected accordingly. Consequently, their planners and administrators ought to be more environmentally conscious of the decisions they make in choosing technology options in service provision.

What is the root cause in the increasing gap between the demand and supply of urban services?

The increasing insufficiency of urban services being provided is the result of the much faster growth of population than the financial and other resources that could be marshalled to provide additional services. Quite plainly, therefore, the root cause of the problem lies in the concentration of people in the cities, leading to a situation of demand rapidly outstripping supply. Urban populations grow in general at twice the national population's growth rate, and population in low-income communities within Asian cities are commonly known to grow even faster than the overall urban population. Not surprisingly, as a result of rapid population growth in these communities, the gap in service provision tends to widen over time compared with other parts of the city. There is a need for formulating national urbanization policies in which the roles, functions, and population distribution of different-sized cities should be rationalized.

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Financing Mechanisms, Constraints and Future Opportunities

SUMMARY

The problems which the poor in the cities of the developing world face are severe indeed in their struggle to obtain land on which to live and essential public services. There are, alas, no magical solutions to these problems just waiting to be discovered. There are, however, a number of directions in which urban policy should move if the poor are to have a better chance of receiving essential urban services.

More Appropriate Urban Development Policies

First of all, it is essential that governments and municipal authorities recognize the pace of urban growth and the scale of needs for urban services and that they develop policies which match the scale of needs. Traditional approaches have tended to provide relatively high standards of service for a part of the population, while the majority, particularly the poor, were effectively left without services. In most cities, a massive increase in service provision is required. Nor is it enough just to provide additional services for the poor since, if higher-income groups are not served, they are likely to preempt any provision for the poor.

Secondly, the policies adopted should be affordable by the poor. High standards, however desirable, can make access by the poor to essential services more difficult. This is particularly a problem in the case of shelter, where the poor need to be able to assemble their shelter incrementally as resources permit. Great care has to be exercised when seeking to improve services for the poor that this does not add to their costs or increase their vulnerability. This is

particularly an issue in relation to land, where apparent improvements can result in increased rents and greater vulnerability to expulsion.

Thirdly, government policies should seek to "work with the market" wherever possible, harnessing and guiding market forces: in this way, greater resources can be mobilized. Of course, there will always be a need to regulate the private sector, but the aim should be to use the leverage of the public sector to enable and influence the private sector to achieve a more socially desirable outcome. All too often, governments confront the private sector with unenforceable regulations which merely result in corruption.

Redirecting Public Expenditure Towards the Needs of the Poor

For many services, such as land for housing, water supply, sanitation and waste disposal, the first priority is to increase substantially the basic supply. Only if the supply starts to match the scale of demand, have the poor any real hope of gaining access.

Secondly, resources need to be targeted on those services which are a priority for the poor (public standpipes, pit latrines, footpath access, public transport routes, etc.) and on areas where the poor live.

Thirdly, general subsidies should be avoided: they limit the government's ability to expand services and they are likely to be appropriated by the better-off or by those administering the service. In certain areas, specific subsidies targeted on services which benefit exclusively the poor may help. But in most cases, what matters much more than subsidies is access to the services.

Fourthly, proper cost recovery policies should be adopted. For some services, this means full cost recovery (or marginal cost) pricing. For others it means financing out of taxes which are related to the service provided (for example, property taxes, valorization charges and motor vehicle taxes).

Fifthly, governments need to be more responsive to the needs of the poor. Paradoxically, in some countries, particularly in Latin America, municipal governments often seem to move in and service low-income squatter settlements with remarkable rapidity, generally as a result of coalitions of interest between politicians and informal land developers. But what is necessary is that municipal governments become responsive to the needs of the poor on a more systematic basis rather than on an ad hoc, clientelistic basis. This

raises the whole question of democratic accountability of municipal governments.

Improving the Financial Capacity of Municipal Governments

Municipal governments cannot improve the delivery of services to the poor without an adequate financial base. In many countries, there is a need for a reappraisal of the taxing sources available to local governments, with new sources and greater local discretion over tax rates being assigned to them. The choice of local taxes should take more account of issues such as equity, economic neutrality and costs of administration. Above all, local governments need revenues which are elastic with respect to inflation and population growth. In some cases, the best way to provide these is through sharing of national taxes.

Grant systems need to be reformed to ensure that national resources are fairly distributed and that they send the right signals to local governments in terms of efficient use of resources and incentives to local revenue mobilization. Loan finance also needs to be more easily available, subject to limits on local borrowing capacity. This may best be achieved through a municipal development fund.

In most countries, there is considerable scope for improvements in local financial management, in terms of both revenue administration and budgetary systems. Expenditure management needs to be much more concerned with performance achievement, efficiency improvements and the cost-effectiveness of service delivery.

Developing New Forms of Public/Private/Community Cooperation

Conventional distinctions about the appropriate roles of the public sector, the private sector and the community are breaking down. New models of partnership or at least interrelationship are being developed. These include contracting out public services to the private sector; using government resources to stimulate, influence or lever private investment; public investment which complements what the local community is able to provide and enables households to meet their own shelter needs; and sharing responsibility with the local community for the provision and management

of local services. Such arrangements may be more complex than the traditional ones but they can help to mobilize substantially more resources to meet the community's needs for essential services. What matters is that the government or municipality provides a framework which enables the private sector to respond and enables the community and individuals, particularly the poor, to help themselves.

Increasing the Ability of the Poor to Pay

Only if the incomes of the poor are increased will they have the ability to demand and pay for essential services. All too frequently, public policies discriminate (often unintentionally) against the informal sector and other income-earning opportunities for the poor, such as renting out rooms. Such discriminatory policies need to be abandoned. At the same time, access by the poor to credit needs to be improved through the development of accessible savings-and-loan institutions, local credit unions, etc. Subsidized interest rates are not appropriate as these tend to restrict the availability of credit. Once again, what matters is access rather than subsidies.

The Role of International Agencies

The role of international agencies is to encourage these positive trends and policies and to try to ensure that resources are used to improve the position of the urban poor. In the past, donor agencies have had considerable positive influence on developing more appropriate government policies in the urban sector. But they have often also created problems, by insisting on complex financial arrangements and the establishment of a multiplicity of new agencies, resulting in bureaucratic obstacles. Donor agencies have tended to favor capital investment, whereas what is often required is institutional reform, management improvements and resources for operation and maintenance of infrastructure. These are issues which agencies like the ADB seem now to be recognizing (Mathur, 1987). More recently, donors have been instrumental in encouraging the adoption of more appropriate urban management policies (Indonesia's Performance-Oriented Maintenance Management System and Sri Lanka's Municipal Improvement Programme are examples).

Donor agencies often have short-time horizons which do not allow for long-term institutional reform and policy reorientation.

They are also prone to frequent policy shifts as a result of changing fashions. This is unhelpful to recipient governments. Donor agencies need to recognize the importance of training, particularly long-term institutional development through training, and of research, including in-depth field research on the impact of public policies on the urban poor (Devas and Batley, 1988). Such research could have great benefits in informing urban public policy and guiding reform. Finally, there is a need for donor agencies to recognize and build on the capacity of local communities to provide and manage services for themselves and therefore to seek to channel resources to them, e.g., through proven NGOs.

MEETING THE URBAN SERVICE NEEDS OF THE POOR

Why do Existing Mechanisms Fail to Serve the Poor?

It is not surprising to find that the market capitalist system does not satisfactorily meet the needs of the poor. Such a system, left to itself, tends to reinforce existing disparities in incomes and wealth. In the cities of the developing world, private ownership of land, combined with the very rapid rise in land values which accompanies urbanization, presents a particular problem for the poor. While economic growth may enable a few of the poor to benefit through the "trickle down" process, it is universally acknowledged that some form of government intervention is required to ensure that the poor obtain the essentials of life. Yet government interventions so often do not improve the situation of the poor. Programs intended to alleviate poverty may not match the real needs of the poor, or may not reach them, while the benefits may be captured by those for whom they are not intended.

There are a number of reasons why government interventions in the urban sector frequently fail to serve the poor:

- the inadequacy of provision in relation to the huge scale of need;
- the relatively high standards adopted, which means either that the poor cannot afford what is offered, or else a substan-

tial subsidy is required which the government cannot afford;

- in either case, the poor are likely to be squeezed out and the subsidy element is likely to accrue either to higher-income groups, or to the public officials who distribute the program or to rent-seekers;
- failure to address the fundamental obstacles which the poor face in gaining access to land and basic infrastructure;
- inappropriate forms of infrastructure and services, together with inadequate resources for operation and maintenance, which means that services do not effectively reach those who need them; and
- the adoption of policies which discriminate against the poor or impede them from improving their situation, such as the adoption of regulatory standards which are unaffordable by the poor, harassment of the informal sector, etc.

These failures of government intervention may be blamed on incompetence, lack of perception or understanding, corruption or simply vested interests of those in power. Whatever the reason, the situation of the poor in most of the cities of Asia continues to be extremely unsatisfactory.

Not everything is bad, though. There have been some successful examples of interventions by governments and by NGOs, as well as by communities themselves, which have led to improved services for the urban poor. The purpose of this paper is to review the ways in which the needs of the urban poor can more effectively be served and particularly how such services can be financed.

How the Urban Poor Obtain Services

However precarious their existence, the poor do survive in cities. It is therefore useful to start by looking at how they obtain essential services. In doing this, one must acknowledge that generalizations across Asia, let alone the whole of the Third World, are bound to be oversimplified.

In many cities, the only way that the poor can obtain access to shelter is by occupying (usually illegally) land which has little or no market value: inaccessible land, land prone to flood, steep hillsides, land along railway tracks, pavements, land where title is unclear. This immediately raises a question about any program which seeks to regularize land tenure or improve the condition of the land, since this could lead to the commercialization of land values, thereby worsening rather than improving the situation of the poor.

Flood protection and drainage works are complex and beyond the means of the poor, so the poor must accept a high risk of floods (often a regular occurrence in poor neighborhoods), landslides or other disasters which destroy their homes. Access to land occupied by the poor is usually by narrow, unpaved alleys which are prone to inundation. Such access routes are usually constructed by the residents themselves, although improvement of access routes is often a first target of any official upgrading program. Such improved accessibility then makes the area more attractive to higher-income groups, often to the disadvantage of the poor.

In terms of housing itself, incrementalism would seem to be the key issue. The poor can rarely afford to build, buy or rent adequate, permanent housing. But given the right conditions they may be able to assemble materials over a period of time and gradually improve and extend their shelter as their resources permit. This observation has profound implications for government controls over land development and housing construction.

The urban poor often depend on purchasing water from private boreholes or from vendors at inflated prices, or else obtaining it from springs, streams or canals which may be heavily polluted. Where public standpipes exist, there may be long queues, inadequate pressure and frequent breakdowns in the service.

Sanitation in poor communities is often minimal. Unstable ground conditions, small plot sizes and high capital costs make construction of latrines an unrealistic proposition for most of the poor. The only alternative, therefore, is to use public spaces such as open land, canals, rivers and drainage channels. The environmental consequences of this are obvious. Similarly, the absence of a solid waste disposal system in poor communities means that much waste ends up in public areas and drainage channels, posing a further hazard to health and the environment. Some waste may be burned or buried by households, but small plot sizes make this unrealistic

in most cases. However, in many Third World cities, a substantial proportion of waste is recycled, providing an essential source of income for some of the poor.

The most important form of transport for the urban poor is walking, a mode largely ignored by transport engineers and planners. This has major implications for where the poor need to live if they are to have access to employment. In China, bicycles are the main means of transport for most people. Buses and minibuses (or *jitneys*) are important for longer distances in most Asian cities. Such private systems of public transport are remarkably cheap and so serve the poor. Public transport may also, of course, provide an important source of employment for the poor as in rickshaw and *becak*, bus and *jitney* driving or conducting.

It may seem surprising that poor neighborhoods are often relatively well-provided with electricity. But it may well be easier to obtain an electrical connection (whether legally or illegally) than to obtain other services. Also, the availability of electricity may have important implications for income earning (e.g., electric sewing machines and power tools, light to work at night, etc.) and may be cheaper than alternative fuels.

Through organization and political pressure, poor communities can sometimes force the authorities to improve public services to their neighborhoods: such an approach appears to be the standard method of obtaining public services in much of Latin America. However, that still leaves open the question of how such services will be financed, assuming that the authorities are not awash with resources. It is also an uncertain strategy, since richer and more powerful communities are likely to be much better placed than the poor to influence public expenditure allocations.

Improving Conditions for the Poor: What are the Options

Dennis Rondinelli lists six policy options for dealing with urban service deficiencies (Rondinelli, 1988)¹ which provide a useful basis for further discussion:

- expand direct government provision of urban services by building up municipal government capacity;

- use "market surrogates" to increase the organizational efficiency and responsiveness of service-providing public agencies;
- lower the costs of providing services through changes in regulations and methods of delivery;
- actively support self-help and service upgrading by the poor;
- promote public-private cooperation and private sector participation in service delivery; and
- increase effective demand among the poor for services by generating employment and higher incomes.

The traditional assumption has been that urban infrastructure and services are a government responsibility, in practice, the responsibility of the city or municipal government.² The justification for a public sector role is the "public good" nature of many urban services and the failure of the market to supply the services adequately, particularly to the poor. However, governments, particularly local governments, lack resources to meet the necessary scale of infrastructure and service provision (Prakash, 1988). For this reason, international agencies and others have tended to emphasize the need for full recovery of service costs from beneficiaries, either through direct charges or through taxes on the beneficiaries. Such cost recovery is necessary in order to generate the resources required to continue providing and extending the services: the notion of "replicability". However, 100 per cent cost recovery has rarely if ever been achieved (Swan, et al., 1983); and there are services where direct cost recovery is inappropriate and which should therefore, be financed out of general revenues. We will examine how governments and municipalities in particular, might increase their resources for urban services and how they might manage those resources more effectively in order to benefit the poor.

Because of the acknowledged failure of the public sector to satisfy urban service needs, increased emphasis has been placed on the role of the private sector. Such a change in emphasis reflects a worldwide shift in thinking about the respective roles of the state and the market. Increasingly, the role of government is seen to be to

provide a framework which enables the private sector to respond more effectively, rather than the government always providing the services directly itself. However, there are important limitations to the role of the private sector. We will examine the scope for harnessing the potential of the private sector to serve the needs of the poor, as well as the safeguards which may be required.

There is also increasing interest in the potential role of individual and community self-help as the means of providing basic services to the poor. There are good reasons for this interest: individuals and households are obviously better placed to determine what meets their needs and financial capacity than any public sector agency. Community-provided services are more likely to be responsive to local needs and priorities, and substantial additional resources can be mobilized through self-help. But it is clearly inappropriate and unrealistic to expect poor communities to undertake expensive public services, especially when richer communities have them provided free of charge. Nevertheless, there are some interesting examples of community initiatives in urban service provision which we will examine.

Of fundamental importance to any program to improve the urban services available to the poor is the need to increase their incomes and particularly the incomes of women, thereby increasing their effective demand for services. This can be done by such measures as: encouraging the adoption of appropriate technology; using local labor in the building of new infrastructure in housing projects; removing repressive controls on the informal sector; improving access to credit through both formal and informal channels such as credit unions; assisting small-scale enterprises within poor communities; skills training; improving access to health services, including health education, family planning and nutrition programs; developing child care facilities which enable women to work; and improving access to education. There are many examples of successful programs in these areas, frequently funded by international agencies like UNICEF, OXFAM, MISERIOR, etc., although their scale is frequently too small to have a major impact on the vast pool of need.

Finally, it is interesting to note the example of the People's Republic of China. While in much of the world there is a disillusionment with the capacity of the public sector to deal with the problems of urban poverty and a frantic search for private sector and com-

munity-based alternatives, the People's Republic of China presents an interesting contrast. The Government there appears to have succeeded in providing a reasonable standard of urban services and infrastructure for all. While there are undoubtedly some serious problems, not least in terms of political rights and democratic accountability, the performance of the State in providing reasonably well-managed basic public services to all, including the poor, appears impressive.

The Scale of Urban Service Needs for the Poor

It is obvious that the needs for basic urban services for the growing populations of the cities of Asia are huge. The statistics on service shortfalls are well-covered in numerous reports by donor agencies. The costs of meeting these needs are also vast. Prakash suggests that it would be necessary for the governments of developing countries of Asia and the Pacific to spend around \$7 billion each year between 1975 and 2000 (at 1975 prices) in order to meet basic urban services requirements by the end of the century (Prakash, 1988). In the case of Indonesia, it is estimated that, in order to meet the Government's targets in basic urban services by the year 2000, it will be necessary to invest nearly Rp 2 trillion (around \$1,400 million) at 1984 prices each year between 1985 and 2000; this represents roughly one fifth of the central government's entire annual development budget (Devas, 1989).

Such figures may appear quite unattainable. However, there are ways in which additional resources can be generated; what matters is to recognize the scale of needs and to develop strategies, policies and financing mechanisms which are realistic in relation to both needs and available resources.

The other side to these figures is the question of what the poor can afford to pay. Affordability studies have often been carried out as part of the various donor projects in the urban sector, usually with the assumption that the poor can afford to spend around 25 per cent of their income on housing and related services. However, such studies are of dubious validity, not least because of the great difficulty of obtaining accurate data on incomes but also because the resources of the poor are often extremely variable and hard to quantify. The experience in much of Asia has been that the poor can mobilize considerable resources (e.g., from the extended family network) for

investments which have a clear benefit to them, such as housing with secure tenure rights (Rondinelli, 1988). In the case of water, the poor often pay very high prices to purchase water from vendors or well owners, spending considerably more than governments usually assume people can afford to pay when setting tariffs. The implication of this is that it may not be particularly useful to try to make precise estimates of what the poor can afford to pay for services; rather, the aim should be to make public services more cost-effective and to ensure that the poor have access to them. In this way the poor will be able to make their own choice about what they can afford.

STRENGTHENING MUNICIPAL FINANCE

The Role of Municipal Governments

Whatever may be the weaknesses of the public sector in managing urban development and providing urban services, governments still play the key role. Within the government system, it is generally a local government entity which is responsible for urban services, whether the entity is a metropolitan authority, a city or municipal corporation. There are good reasons for making local governments responsible for urban services which are by nature local in character: local governments are likely to be in the best position to assess local needs and priorities; decisions about expenditures can be made accountable to local citizens; and resource allocation can be improved by linking the costs and benefits of local services more closely (World Bank, 1988a). In addition, it is often argued that local governments are better able to mobilize resources for services which benefit the local community. Over the last few years there has been a perceptible trend, worldwide, towards decentralization of decision making: in Latin America, in Eastern Europe, in parts of Africa and in several countries in Asia.

But it is important not to exaggerate the capacity of municipal governments to solve the problems of inadequate public services. Local governments face a number of serious problems:

- they often have inadequate powers to control urban development and provide services because: urban areas may be fragmented between a number of jurisdictions;

powers may be divided between a number of competing agencies; and central governments may exert considerable control over what can or cannot be done;

- local governments generally lack financial resources; they are often heavily dependent on grants from central government and have limited legal powers to levy taxes or set tax rates; the situation is particularly bad in small and medium-scaled cities;
- despite the stated policies of decentralization, the share of total public finance going to municipal governments has tended to decline in many countries; meanwhile, a large proportion of resources for urban services may come directly from central governments through line ministries and agencies, with little regard for local plans and priorities, as has certainly been the case in Indonesia;
- local governments may also lack skilled manpower and the capacity to plan and manage services efficiently. Such problems are often exacerbated because skilled manpower gravitates to central government where the real power is perceived to lie; and
- there may be a lack of democratic accountability at the local level, thereby undermining the case for decentralization of decision making.

Table 1 shows the main revenue sources for some of the cities of Asia. Differing arrangements for classifying revenues makes comparison difficult, but a number of points emerge: (i) the relatively small amount of resources available per capita in most cities (although capital cities are in a considerably better position than others); (ii) the great variety of local revenue sources in different countries, but the importance of property taxes of one sort or another in most of them; and (iii) considerable variations in the degree of dependence on central government for resources – from Seoul and Karachi, which are virtually self-financing, to some of the smaller cities in Indonesia where over 80 per cent of resources come from central government.³

Table 1: Sources of Finance for Local Governments in Asia
(per cent)

Source	Delhi 1982-83	Calcutta 1981-85	Karachi 1984-85	Dhaka 1982-83	Chittagong 1982-83	Nepal 1985-86	Bangkok 1986	Thailand 1985	Indonesia 1983/84	Jakarta 1983/84	Malaysia 1987	Manila 1981	Seoul 1985
Property Taxes (1)	28	34	27	34	24	0	14	1	4	5	64	35	15
Property Transfer Taxes (2)	4	0	1	3	5	0	2	3	0	0	0	0	33
Motor Vehicle Taxes	7	0	0	0	1	4	17	2	7	33	0	0	7
Professional/Business Taxes (3)	0	3	0	1	2	1	32	17	0	0	0	20	0
Electricity Taxes	1	0	0	0	0	0	0	0	0	0	0	0	0
Entertainment Taxes	12	0	1	2	3	0	2	0	1	11	0	0	0
Octroi-type Taxes (4)	22	26	61	0	0	51	0	0	0	0	0	0	0
Fuel Taxes (5)	0	0	0	0	0	0	1	1	0	0	0	9	0
Other Local Taxes	2	0	1	0	0	0	3	13	3	2	0	9	18
Subtotal: Local Taxes	86	63	91	40	35	56	70	64	14	51	64	73	73
Non-Tax Revenues	0	8	6	35	23	18	14	14	7	18	28	18	25
Total Local Own Revenues	86	71	98	75	58	74	84	78	21	69	92	91	98
Subsidies/Grants (6)	14	29	2	25	42	15	16	22	79	31	8	9	2
Total Revenues	100	100	100	100	100	100	100	100	100	100	100	100	100
Local Revenues/ Capita (in US\$)	136	52	228	50	33	64	983	186	4,905	23,888	66	184	89,167
Total Revenues/ Capita (in US\$)	158	73	234	67	56	86	1,169	239	23,706	34,621	72	202	90,729

Notes:

- (1) Includes rates for water, conservancy, etc.
- (2) Betterment Tax in the case of Karachi; Land Development Tax in the case of Bangkok/Thailand.
- (3) For Bangkok and Thailand: surcharge on sales tax.
- (4) Octroi is a shared tax in certain cases (e.g., Calcutta).
- (5) A shared tax in the case of Bangkok, Thailand, Manila.
- (6) For Manila, includes Internal Revenue Allotment.

Definitions and data sources:

Delhi (Delhi Municipal Corporation): Jha, 1988 (Tables 5.10 and 5.11).

Calcutta (all Urban Local Bodies in Calcutta Metropolitan Area): Bannerjee, 1989 (Table 2); Sivaramakrishnan and Green, 1986 (Table 10.4).

Karachi (includes KMC, KDA, KWSE, Military Lands, Cantonments): Bengali, 1989 (Table 2).

Dhaka and Chittagong: World Bank, 1985; 21 and 24.

Nepal (figures for 29 town *panchayats*): Legislation Study Team.

Indonesia (all local governments provinces plus Dati II): Devas, 1989.

Bangkok (Business, Entertainment and Fuel Taxes are surcharges on national taxes; Vehicle Tax is shared tax): Dhiratayakinat, 1989 (Table 3).

Thailand (all local authorities): Poshyananda, 1987.

Malaysia (Sample of 38 local governments.) (Majlis) from Ministry of Housing 1988; 103.

Manila (cities, municipalities and MMC): Sivaramakrishnan and Green, 1986 (Table 15.1).

Seoul (General Account only): Kim, 1989 (Tables 7 and 8).

Criteria for Evaluating Local Revenue Sources

When selecting possible sources of revenue to finance local services, we need some criteria on which to base our judgment. The standard considerations for any government revenue source are: that it should generate a substantial yield; that the yield should be elastic, that is, increasing automatically in line with inflation, population growth and rising real incomes; that the costs of levying the tax or charge should be economically neutral, that is, it should not unduly distort relative prices or create undesirable incentives or disincentives; and that the burden should be equitably distributed in terms of the payer's ability to pay. In addition, it is essential that any revenue source is feasible to administer, given the limits of personnel and skills, and that it is politically acceptable. The last point usually turns on the visibility of the levy and the extent to which it can be disguised in the price of goods or deducted at source.

Many of the best revenue sources in terms of the above criteria are also those which are best administered centrally, such as income tax and sales tax. For a tax to be suitable as a local revenue source, there are a number of additional considerations. Firstly, whether it is easy to assign the revenue to the correct local government: a property tax is obviously easier to assign correctly than a sales tax collected through the head office of a company. Secondly, whether the tax object is widely distributed or whether the tax will benefit only or mainly a few regions, thereby reinforcing interregional inequality; thus, entertainment taxes tend to benefit mainly the large cities, while royalties on particular natural resources benefit only those regions producing them. Thirdly, whether there is both the political will and the administrative capacity at the local level to levy, administer and enforce the tax effectively. If local discretion over tax rates is considered to be important within the system of local government, a further consideration will be whether, for a particular tax, differential tax rates are administratively feasible and economically non-distorting: differential local rates for fuel tax would obviously encourage motorists to drive across boundaries, while differential rates of local income tax would place a great burden on companies paying the tax on behalf of employees living in different local authorities.

No tax is perfect and there are clear conflicts between some of the criteria discussed above: between economic neutrality and equi-

ty, between equity and administrative simplicity, etc. But the aim of local fiscal policy must be to design a set of local revenues which minimizes the infringement of these criteria.

Local Taxation

The following are some of the main options for local taxation:

(a) **Property taxation** is the most common form of local tax. Its advantages are well-known: a tax object which is difficult to conceal, an obvious relationship of property values to the urban services which it is to finance and the ease of assigning revenue to the correct local government. Also well-known are the problems, particularly the high visibility of the tax, and difficulties of assessing property values, of keeping assessments up-to-date and of enforcing payment against defaulters. For these reasons, property tax revenues have often failed to keep pace with inflation and the share of property tax revenue in total revenues has declined in most countries (Davey, 1983; Mathur, 1987). In addition to the regular property tax, a number of countries (e.g., Republic of Korea) levy taxes on property transactions and registrations.

To improve the performance of the property tax, certain reforms may be required:

- the use of aerial photography, field inspection and other sources of information (e.g., building permits) to ensure that property records are up-to-date; ideally a proper land information system should be established covering all real property;⁴
- regular revaluation of properties; since frequent resurvey of all properties is not realistic, some system of indexing values in line with inflation would avoid the political visibility of irregular major revaluations; however, there also needs to be a continuous process of revaluation to ensure that relative values between properties and areas are maintained;
- a system of property assessment which does not require negotiation between taxpayer and assessor, as this can lead to collusion; rather, aerial photography and street inspec-

tion should be used where possible; publication of valuation rolls can also help to reduce collusion;

- exemptions should be minimized and governments should pay the tax (or a grant in lieu of the tax) on their properties;
- appeals against revaluation of property should not be allowed to undermine the processes, as happens in India and Bangladesh, rather, payments should be required before any appeal;
- in countries where property tax rates are very low, more realistic tax rates (e.g., 0.5-2 per cent of capital values) should be adopted; central governments should not fix ceilings on tax rates which unduly restrict the potential of the tax;
- enforcement action should be taken against defaulters, through the logical conclusion of seizure of property in certain, well-publicized cases, in order to create a climate of opinion which recognizes that defaulting will not be tolerated.

According to Binder, Republic of Korea has a model property tax system, with annual revaluation of property, computerized tax records and effective liaison with building permit and registration agencies. In addition, there are discounts for prompt payment and heavy fines for late payment (Binder, 1987). Several countries in the region, such as Indonesia, Malaysia and Philippines are attempting to improve their property tax administration.

It is commonly suggested that property taxation should shift from rental values to market capital values (Rama Rao, 1983; Mathur, 1987) and such a policy has been adopted in Indonesia. This may be useful where rental value data is not easily available, or where it is distorted by rent controls, as in India (Venugopal, 1983). However, data on market capital values may also not be readily available, while the skills required for accurate capital value assessment may be lacking. There is much merit in a relatively simple "index" system which is constructed on the basis of accurate assessment of a few sample properties and which can then be applied by relatively un-

skilled staff to appraise all other properties. Such a method is crude but can be refined over time as more skilled resources become available.

The fact that property taxation is based on the value of the building occupied means that the tax burden is at least crudely related to ability to pay. There may, however, be serious inequities, particularly where valuations are out of date, or where the poor spend a larger proportion of their income on housing than do the rich. One solution is to exempt low-value residential buildings (but not land), as has been done in Indonesia (Kelly, 1989).

(b) **Motor vehicle and fuel taxes** are potentially an important revenue source for urban services, because of their substantial base and their obvious connection with the provision of services such as road construction and maintenance. From an equity point of view, the burden of such taxes falls mainly on the rich. However, in many countries the revenue from such taxes belongs to central rather than local government. There would seem to be a strong case for assigning motor vehicle taxes to local governments which are usually responsible for road maintenance and for giving local governments the right to tax motor fuel (or to receive a share of fuel taxes). These taxes are relatively cheap and easy to administer (in the case of fuel tax, they can be collected directly from the oil company, based on the sales within the local government's jurisdiction), and there is little difficulty in assigning the revenues involved to the correct local government. In Indonesia, vehicle taxes (both the annual tax and the change of ownership tax) are assigned to provincial governments, while in both Japan and the Philippines, local governments benefit from a nationally collected fuel tax. A study on Indonesia concluded that allowing local governments to levy a 5 per cent tax on fuel (gasoline only) would mobilize nearly twice the amount raised by all existing local taxes (Devas, 1989).

(c) **Taxes on utilities** such as electricity and, to a lesser extent, telephone and gas, are now quite widely used as a local revenue source (Colombia: Gillis, 1971; Turkey: Davey, 1988; Delhi: Jha, 1988; Indonesia: Devas, 1989). Such a tax, which is collected as a surcharge on the bills issued by the utility company, has the great advantage of being very simple and cheap to collect. It also has quite a large base, is elastic (if levied according to the value) and burdens mainly the higher-income groups. There are few difficulties in assigning the revenues to the right local government, although such a tax will

benefit mainly those regions where electricity (or telephones or gas) are widely available. The main weakness is the non-neutrality of the tax in increasing the price of utilities. If the surcharge is substantial, this could seriously undermine the pricing and investment policy of the utility concerned. However, a modest surcharge of up to say 5 per cent should have only a marginal effect but could generate substantial revenue for local governments.

(d) **Entertainment taxes** on cinemas, theaters and hotels are a traditional way for local governments to raise revenues, and such taxes can be extended to cover sporting events, amusement arcades, gambling and other forms of entertainment; in Indonesia, the Entertainment Tax is the largest local tax source (Devas, 1989). Such taxes can have quite a large base in the urban centers and are generally equitable and elastic. They are relatively easy to administer, especially using preprinted tickets, although the scope for abuse may increase as the base of the tax is extended.

(e) **Business taxes and licenses** are a source which local governments are often keen to be able to tap. However, this raises some problems: there may be a conflict with national taxes on businesses; it may be difficult to identify a suitable basis for assessment which the local government is capable of implementing; and it may introduce non-neutralities between taxed and untaxed sectors. It is quite common for local governments to levy a tax on trades and professions (e.g., in South Asia), or some form of license based on some crude indicator of business size, for example, in the Philippines (Bahl and Miller, 1983), and the *patente* in Francophone Africa (You and Mazurelle, 1987).

(f) **Octroi**, which is effectively a local customs duty on goods entering a local government's jurisdiction, is a very important revenue source in South Asia. Indeed, for many municipal governments, it is still by far the largest revenue source; *octroi* provided 84 per cent of Karachi Municipal Corporation's tax revenue in 1982 (Mathur, 1987). However, this tax is widely criticized for its effects in disrupting trade and creating non-neutralities, its inequitable burden, and its problems of administration. It remains important in South Asia because its yield is both substantial and elastic and governments there, while recognizing its defects, have not been able to identify a replacement.

(g) **Local income and sales taxes** are used in a number of developed countries; such taxes have a huge base and are highly

elastic. The main problems lie in the difficulty of assigning revenue to the correct local government and the huge disparity in revenue potential between regions, especially where such taxes are collected through the head offices of companies. Thus, for developing countries at least, it is usually argued that such taxes should remain with central government, but there is a strong case for giving local government some share in the revenue from them, as is done in the Philippines (Bahl and Miller, 1983).

(h) **Other local taxes:** there are numerous other objects which local governments tax in various countries: advertisements, bicycles and other non-motorized vehicles, radios, alcohol, slaughterhouses, various types of local produce and the extraction of natural resources. Some of these are useful additions to local revenues. However, many of them have disproportionately high collection costs; in the case of some local taxes in Indonesia, collection costs can even exceed yield (Devas, 1989). In addition, the tax burden of such levies often falls on the poor, while non-neutralities involved in such taxes may impede economic growth.⁵

Charging for Services

In most countries, local governments raise a substantial proportion of their revenues from charges for services. It is normally considered that when the benefits of a service are private, a charge should be levied (assuming that exclusion from the service of non-payers is possible) and that this charge should reflect the full cost of providing the service to the particular consumer. This is the principle of "marginal cost pricing". Such a system of charging is normally considered to be "economically efficient" both in terms of rationing demand and avoiding waste and also in providing the resources to finance (and increase) the supply. In practice, it may be difficult to apply such a principle for a number of reasons. One is that many services comprise both public benefits (positive externalities) as well as private benefits, so that some subsidy from the taxpayer may be required to ensure a socially desirable level of consumption. Another problem is that costs may not be known accurately enough to be able to apply marginal cost pricing precisely. A third problem is that of long-term capacity constraints which may mean that the price has to be raised above the short-run mar-

ginal cost in order to ration demand and to raise the resources required to increase capacity.

While there are problems in application, marginal cost pricing does represent a useful starting point for setting the price of publicly provided services. The basic principle can be adjusted (and made more sophisticated) to meet the needs of particular situations. In practice, however, pricing policies for urban public services are often not properly designed. In particular, prices are often set too low, with the consequence that there is both excess demand for the service concerned and inadequate resources to maintain and expand the service. In that situation, it is usually the poor who suffer, since the rich are better able to negotiate or bribe their way to obtaining the limited available supply.

There are a number of reasons why prices tend to be wrongly set in practice:

- service providers do not have an accurate knowledge of their costs, and so cannot calculate unit costs, let alone marginal costs;
- many costs are disguised, through subsidies or payments by other parties (e.g., government grants which cover staff costs, subsidized loans, transfers of capital, etc.);
- the effect of inflation on costs, combined with a reluctance to increase prices because of the fear of public reaction;
- difficulties of measuring consumption levels in order to determine the charge (e.g., metering of water consumption); and
- the desire to protect low-income groups from the effects of high charges.

This last point may well be a sensitive political issue and is often dealt with by a subsidy – either explicitly or implicitly. However, any subsidy has to come out of general tax revenues and since such resources are limited, any subsidy should be clearly targeted on the poor. This usually requires some form of product discrimination to ensure that only the poor benefit; for example, higher charges

for house connections could be used to subsidize public standpipes, since the rich are unlikely to want to use standpipes. But a general policy of setting the price of water below costs will not help the poor: it will benefit those who already have house connections (who are usually not the poor), while reducing the resources to expand the system to serve those who do not yet have access to it (usually the poor).

What is required in most cases is the development of improved accounting and financial information systems. These need not be complex but they do need to provide a complete picture of the costs – particularly the unit costs of providing the service. The price of the service should then be based (in most cases) on the recovery of all costs, charging each customer according to consumption (e.g., water charged by volume consumed, public transport by distance carried and perhaps differentiated by peak and off-peak, plots of land priced according to size, location, etc.). Any subsidies to the poor should either be explicit subsidies for a particular product-differentiated service (e.g., public standpipes, very small house plots) or else cross-subsidies within the pricing structure for the service. Even so, there is a limit to the extent to which cross-subsidization is possible without distorting the pattern of demand (e.g., by creating a huge demand for the subsidized part of the service while deriving among the high-income groups whose contribution is essential for the cross-subsidy to work).

Improving Local Revenue Administration

In most developing countries there is considerable scope for improving the administration of existing local revenues. Space does not permit a thorough review of revenue administration issues, but some likely reforms would include:

- simplification of tax structures and rates in order to increase taxpayer awareness and reduce the scope for abuse;
- a regular (e.g., annual) system of tariff review; where tariffs are fixed in money terms, they should be increased in line with inflation each year;

- the development of proper registers for all local taxes, permitting cross-referencing of taxpayers for different taxes;
- greater use of field inspection and other sources of information (e.g., permits given by government agencies, records of land transactions, etc.) to update registers;
- the separation of assessment and collection functions and minimizing the area for discretion on the part of the assessor, in order to reduce opportunities for collusion;
- making it easier for people to pay, e.g., through agencies such as post offices, banks and community organizations, rather than just at the municipal government headquarters;
- better systems of recording and accounting for revenues, thereby permitting cross-checking;
- systems of random checking by senior officers on the records of their subordinates, with disciplinary action in cases of fraud;
- penalties for arrears which are a realistic deterrent: fines which are set at or below the rate of inflation are no incentive to prompt payment;
- improved enforcement procedures against defaulters which are carried through to a conclusion e.g., seizure of property in selected cases;
- performance targets for revenue collection based on a realistic assessment of the revenue potential, rather than on past performance, which may have been well below potential;
- systems of reporting on and monitoring collection performance during the year, with action being taken to correct shortfalls; and
- improved staff productivity in order to reduce administrative costs.

Revenue administration is likely to be more effective and efficient where the processes of assessment and collection are automatic (e.g., surcharges to utility bills, standard entry charges) than where amounts to be paid have to be individually assessed or collected door-to-door. Computerization, even at a modest level which is realistic in most countries in Asia, offers great benefits in terms of increased productivity, facilities for cross-checking, automatic production of accounts and reports for monitoring performance, etc. However, care must be taken to avoid computer fraud.

Improving revenue performance is not easy, but it is possible: in New Delhi, for example, the municipal government was able to double the revenue from property taxation in one year as a result of improved revenue administration procedures and tougher enforcement (You and Sudra, 1988).

One particular aspect of revenue administration highlighted by the World Bank in its World Development Report 1988, is the great increase in inter-agency arrears: that is, the failure of one branch or agency of government to settle its accounts with another branch (World Bank, 1988a). In the case of Bangladesh, it appears that public corporations are often the largest defaulters on the property tax (World Bank, 1985). Such arrears, which can be very substantial, can undermine financial discipline and result in a serious misallocation of resources.

Revenues from Land Development

The potential of revenue from land development is often neglected by local governments. Possibilities include:

- sales of publicly owned land where the state has large holdings of unused land (e.g., Pakistan);
- full cost recovery of infrastructure development costs from real estate and other private developers, e.g., through development charges, development permits; systems of "planning gain"; or "land readjustment" schemes;
- some form of betterment taxation or valorization charges to recover the costs of new infrastructure, as used quite widely in Latin America: in Colombia, for example, costs are shared

between the owners of adjacent properties in proportion to the projected increases in property values (Macon and Manon, 1977); in Taipei, China, there is a more comprehensive system of betterment taxation (Lee, 1980), although the complexity of such taxation makes it unsuitable for most developing countries;

- the use of "excess condemnation" to acquire land adjacent to new infrastructure (particularly new roads) and to resell it after construction at a price which finances the works; and
- high rates of taxation on vacant land held speculatively.

All such mechanisms involve a degree of complexity and require careful design and fair execution. As such, some of them may not be considered realistic in the cities of the developing world. In particular, it is important that tax burdens fall on those who can afford to pay, such as landowners who benefit from the increased values of their land, rather than on low-income groups who might be forced off their land by such actions. Nevertheless, the potential resources from such mechanisms are considerable and could provide a mechanism for financing essential urban infrastructure.

Revenues from Local Public Enterprises

In many countries, local governments are encouraged to set up local public enterprises as a means of generating additional funds.⁶ In other cases, such as Indonesia, local governments took over formerly foreign-owned enterprises after Independence. There are examples of successful local public enterprises which generate revenues for the local government: probably the best examples are joint ventures in property development, where the mixture of local government's land development powers and the private sector's management skills and capital can produce a profitable enterprise. Sadly, however, many local public enterprises are not revenue generators but drains on the budget, particularly once any hidden costs or disguised subsidies are accounted for. While this situation may be justified on the grounds of the services provided or the employment created (although these are rarely adequate justifications), such enterprises cannot be regarded as a means of revenue generation.

Transfers from Central Government

Local governments in most parts of the world receive a large part of their resources from central government, since central governments control the principle sources of revenue. Also, since local governments are assigned important functions, it is in the national interest to ensure that they have the resources to carry them out. However, in most countries there is considerable scope for improving the ways in which central government resources are provided to local government. The following are some considerations:

- While recognizing that resources as a whole are limited, local governments, particularly at the lowest tier, often receive less than their fair share. The distribution of resources between levels of government should reflect the relative costs of carrying out the functions which are assigned to each tier, and resources should increase in line with inflation.
- The allocation of resources between units of local government should be based on a proper assessment both of differences in expenditure needs, due to differences in the size of client groups and in local conditions, and of differences in local resource capacity, based on the revenue sources assigned to local governments.
- Transfer systems should be designed to encourage rather than discourage local revenue mobilization and to encourage local governments to utilize resources in productive ways; matching grants and grants related to service performance (rather than to input costs) can assist here.
- A balance is needed between using the grant system to achieve national objectives and allowing local governments discretion in the use of resources to match local needs and priorities; this may require a mixture of specific grants and general-purpose (block) grants.

- Sharing of national taxes (or the right to surcharge on them) offers certain advantages over grant systems, in giving local governments access to elastic revenue sources, rather than having to rely on annual budgetary allocations and in creating a sense of partnership between central and local governments, in which the latter may be able to contribute to the task of revenue mobilization.
- Allocations of resources should be determined well in advance of the budget year in order to facilitate proper planning by local governments and should be paid on time.

Loan Finance

Policies about borrowing by local governments vary considerably between countries. There are good reasons for allowing local governments to borrow, providing that such borrowing is kept within prudent limits. However, in many developing countries, the only source of loan finance is central government (or donor agencies via central government), so that the availability of such loan finance is totally dependent on the priorities and resources of the center (or of donors). It is widely agreed that local governments should have access to a more generally available source of loan finance, for example through some form of revolving municipal loans fund (World Bank, 1988; Mathur, 1987; Davey, 1988). Such funds have been or are being established in a number of countries such as Jordan, Turkey, Mexico, Philippines, Indonesia, Sri Lanka and Nepal.

Loans from such a fund would be available to local governments subject to appraisal of the project by the fund and subject to some limit on the borrowing authority's repayment capacity (e.g., a debt-service ratio ceiling). Loans should be relatively long-term and related to the life of the asset. Interest rates should not normally be subsidized, since this would encourage higher levels of borrowing than is desirable, leading to a misallocation of resources. It would also limit the amount of loan finance available and would tend to benefit the largest borrowers. Rather, the aim should be to mobilize investable funds from savers by offering a competitive rate of interest, although the rate offered to borrowing authorities might still be lower than could be obtained from commercial lenders, because of

economies of scale and the relatively low risks involved. There might be a case for subsidized loans for certain projects which were clearly targeted on the poor and conditional on the achievement of certain performance levels in relation to the target group.

It is important that the borrowing local government should be held responsible for servicing its debt, since waiving repayment obligations encourages irresponsible borrowing. At the same time, lenders should not be given too easy an option, for example, by giving them a lien over central government grant payments to the local government, since this invites the financial institutions to increase their lending with impunity (Davey, 1988).

An alternative is for local authorities to be allowed to borrow from the private market, or even to issue their own bonds. However, these options will only be possible where the capital market is well-developed, and there will be need for careful regulation by government of such borrowing.

Improving Local Government Expenditure Management

There is much that municipal governments can do to improve the performance of their expenditures and thereby make better use of their resources. The following are some commonly recommended strategies:

- reducing public sector employment and increasing staff productivity through better personnel management, performance-related payment, and greater pay differentials and incentives within the public service; such measures should also help to reduce corruption (World Bank Report, 1988a);
- a greater concern with cost-effectiveness of public services, including reviewing alternative ways of providing services;
- the adoption of improved budgeting systems: while systems such as PPBS are generally inappropriate in developing countries, adopting the essential principles of performance budgeting (identifying objectives, output targets and input requirements for each service or activity, rather than the traditional, line-item, input-based, incremental budget)

offers considerable advantages in terms of making clearer the alternative uses for limited resources and facilitating performance measurement;

- greater use of decentralized financial management to operational units within local government and use of market surrogates, performance targets and competition between units to improve performance (Lamb, 1982);
- avoiding open-ended and untargeted subsidies on public goods and services; rather, where possible, services should be properly costed and priced, while subsidies should be clearly targeted where needs are greatest (e.g., the poorest) and where the greater benefits can be achieved;
- a redirection of resources from new capital expenditure to the operation and maintenance of existing infrastructure; while new capital investment may have a greater political cachet, public benefits are likely to be increased by using the limited resources to maintain existing infrastructure which would otherwise deteriorate to the point where total reconstruction was required (World Bank, 1988a);
- greater "strategic use" of budgetary resources to lever private sector resources, or to concentrate on those elements which the private sector is unable to supply satisfactorily; for example, developing bulk infrastructure which enables urban land to be opened up for individual or private housing construction, rather than using public resources to build housing directly;
- improved systems of financial control, accounting, checking, reporting and auditing, which can reduce the scope of corruption and the leakage of public funds, as well as increasing the accountability of municipal government to its citizens; and
- reducing bureaucratic controls by central government on local budgets; such controls often create frustration and

delay without improving the performance of local expenditure.

NON-GOVERNMENTAL OPTIONS

The Role of the Private Sector

The private sector is a major provider of services to the poor – in some cases it may be the major provider: providing land on which at least some of the poor construct their homes, building rental accommodation, operating public transport, selling water, recycling waste, etc. The failure of the public sector to deliver satisfactory services means that the private sector often fills the gap. Indeed, it is frequently argued that the private sector is able to provide many services better, more cheaply and more flexibly than the public sector, in particular because the private sector is more responsive to the revealed preferences of consumers. It has become something of a fashion among donor agencies to believe that the solution to development needs, even of the poor, lies with the private sector.

However, it is important to recognize the limitations and failures of the private sector which necessitated government intervention in the first place. Monopoly situations, non-excludability and externalities all mean that there will be certain services which will not be satisfactorily provided by the private sector. In particular, the private sector is unlikely to find it profitable to provide services to the poor on the scale required. In such circumstances, governments can either provide the services directly themselves or they can use their resources and powers to influence or control the way in which the private sector provides them (Roth, 1987).

In determining their strategy, governments need to start by examining the ways in which the private sector provides services. This will avoid government reproducing what may be done more efficiently by the private sector. It will also indicate ways in which strategic intervention, in the form of regulations, subsidies, taxes, complementary investment, etc., might be used to bring about a better outcome from the activities of the private sector. Such intervention may well be much more cost-effective than the direct provision of all services by the government. It might be termed "working with the market", in contrast with much government inter-

vention which seems to work against the market. Such models of "public-private cooperation" (or "public-private inter-relationship") usually stress the "enabling" role of the state. The following are a number of possible approaches.

- (i) **Facilitating private investment:** So often government regulations and bureaucratically controlled access inhibit private investment, particularly by the poor. Examples include repressive policies towards the informal sector, zoning controls which outlaw small businesses in residential areas, subdivision regulations which prevent the poor from obtaining affordable plots on which to build, bureaucratically controlled access to credit, etc. Such restrictions need to be lifted, unless there is a clear public interest involved, so that the private sector and the informal sector are enabled to respond and resources of self-help are mobilized (Montgomery, 1988).
- (ii) **Influencing private investment through complementary public investment:** The pattern of private investment may be considerably influenced by related public investment. Probably the best example is for land development: given the difficulty of regulating land development in most developing countries, a more effective means of achieving the desired pattern of land development may be through public infrastructure investment (notably roads) which influences the investment decisions of developers (Shoup, 1978; Rivkin, 1978). This approach provides the basis for the Guided Land Development proposals in the Greater Jakarta Metropolitan Planning Study, discussed later in more detail.
- (iii) **Concentrating public resources on activities which the private sector cannot provide:** As Turner (1972) has pointed out, governments often provide those things which the private sector, individuals or communities, can provide for themselves, like house construction, but neglect those aspects which others cannot easily provide, such as bulk infrastructure and a proper legal basis for secure tenure. The shelter sector is an obvious example of where public

expenditure needs to be reoriented to enable individuals and communities to provide for themselves: careful targeting of such public resources can unlock substantial individual and community resources, especially in the case of the poor.

- (iv) **Regulation of private suppliers:** Regulation is the most common method of influencing the behavior of the private sector and there are many situations where regulation may still be necessary in the public interest. For example, while private operators may be able to provide a cheap and efficient public transport service, there is still a need for some regulation to protect the travelling public, particularly in terms of vehicle safety. However, in many developing countries, there has been an excess of regulation, much of which is either unenforceable, or else becomes a mechanism whereby the enforcing agents enrich themselves. Experience of government-induced inefficiencies in many countries has led to moves towards deregulation, with the removal of many non-essential or unenforceable controls. Nevertheless, a balance is still required between deregulating the private sector to respond to market demand and protecting the public from unscrupulous operators.
- (v) **Increasing competition:** Private sector (and public sector) service performance can often be improved by opening up the market to greater competition. Once again, public transport offers the main examples of improvements in service quality and reductions in price as a result of increased competition (e.g., Calcutta: World Bank, 1988).
- (vi) **Use of subsidies:** In some cases it may be possible to induce the private sector to modify the service in the public interest through the use of specific subsidies. For example, a subsidy might be used to induce the owner of a private borewell to provide a public standpipe, to induce a bus operator to provide a service on an unprofitable route, or to enable a land developer to provide sites for low-income groups. However, there needs to be a system of monitoring

to ensure that the subsidized service is actually being provided.

- (vii) **Contracting out services:** Where the government is committed to providing a service, it may not be necessary for it to provide that service directly. Contracting out the provision of services such as refuse collection, street cleaning or maintenance of public buildings to the private sector is an alternative which has been extensively used in developed countries. The experience suggests that there may be considerable benefits, particularly where competition leads to greater efficiency and reduced costs. Contracting out also obliges the contracting agency to specify precise service standards and performance requirements, and to monitor contract compliance. There are, of course, risks: the reduced costs may in fact reflect reduced service standards; or they may be achieved by reducing wage rates or cutting the numbers employed, thereby worsening the position of the poor; and in the long-term, competition among private sector suppliers may be reduced, so that when contracts come up for renewal, the current contractor may be in a very strong position.

There are a number of developing country examples of services such as refuse collection which can be contracted out, e.g., in Malaysia. Perhaps the best known example is SITAF, a private company (and the subsidiary of a French contracting company) which provides cleansing services in Cote d'Ivoire. But this case also illustrates the potential problem in many developing countries – that there is no effective competition, and without competition the gains of contracting out are unlikely to be realized.

A somewhat different model is one where both the service and its revenue source are contracted out. Thus, in Jakarta, private operators bid for the right to collect car parking charges. In Merida, Mexico, refuse collection is contracted out to cooperative crew groups made up of former employees of the service; these crews are then entitled to retain the revenue from the charge for the service which they collect from the households.⁷

The Role of the Community

There are many examples of low-income communities participating in the improvement of their basic services.⁸ Indeed, it may be argued that, given the inadequacy of public services, the community is obliged to provide its own services. However, that does not always work out in practice. Lack of resources, lack of organizational skills, institutional obstacles and a host of other factors may prevent poor communities from organizing themselves to improve their situation. The examples which may be cited of community-based improvements are often the result of external intervention, e.g., by an NGO, usually with some external financial resources. In some countries, there are officially promoted community organizations: the *kelurahan* and RW/RT in Indonesia, the *barangay* in the Philippines and the *saemol undong* in Korea. Such organizations may be a means of promoting community involvement and often build on traditional concepts of mutual self-help such as *gotong royong* in Indonesia and Malaysia and *sarvodaya* in Sri Lanka (Yeung, 1990). But the official status of such organizations may inhibit real grass-roots participation.

Experiences of community participation in urban service provision vary widely, from token consultation of local communities by government agencies, to situations where communities have been "empowered" to bring about significant improvements in their own situation. The following are a few examples of projects where communities have been able to improve their local infrastructure and service:

Korea: community self-help improvements in housing and basic infrastructure through the *saemol undong*, government-sponsored community organizations; costs of improving water supply and access routes are shared between members of the community, who also contribute labor (Yeung and McGee, 1986).

Indonesia: the W. R. Supratman program in Surabaya, in which the municipality provides around half of the costs of community-initiated *kampung* upgrading, while residents contribute labor, materials and cash (Devas, 1980; Silas, 1983).

Indonesia: in the city of Semarang, poor migrants have, through the help of Yayasan Social Soegiyapranata, been provided with access to land and loan finance to enable them to construct housing through cooperative enterprise.

Sri Lanka: as part of the Million Houses Programme, Community Councils have been established by the Government with assistance from UNICEF, to facilitate the provision of improved sanitation and water supplies to poor communities in Colombo. They have also mobilized the community to improve refuse collection and neighborhood cleaning (Cassim, et al., 1982; Sheng (undated); Fernando, 1987). In another project, the community in one of the squatter settlements has been assisted by SAVE to improve housing conditions (Fernando, 1987).

Pakistan: in the Orangi Pilot Project in Karachi, the community, with the assistance of NGOs, has carried out a variety of improvements to the settlement, both through direct self-help actions and through lobbying the State for provision (Hassan, 1990; Turner, 1988). Another example is the development of latrines by the women of the community in Baldia, Karachi, with UNICEF assistance (Turner, 1988).

Philippines: ZOTO, an organization of residents in Tondo, Manila, has organized self-help projects to improve conditions (Murphy, 1990).

Philippines: the Community Mortgage Program was established, so that squatter communities can borrow money to enable them to purchase the land on which they are squatting, to upgrade the infrastructure and to improve their houses. The mortgages are communal rather than individual and the amount is limited to that which low-income groups can afford to repay (Nuqui, 1991).

Thailand: with the help of the NGO Foundation for Human Settlement, one low-income community (Senapattana) which was facing eviction from land near the center of Bangkok was able to negotiate some compensation from the landowner with

which to acquire some marginal land on which to relocate; they then constructed access ways and other infrastructure as well as built their own houses.

Other examples are described by Turner (1988), Yeung (1990), Hollnsteiner (1982) and in *Environment and Urbanization*, Vol. 2, No. 1, 1990.

Community participation offers a number of advantages: it may reduce costs by mobilizing additional community resources (labor as well as cash), and it may help to ensure subsequent maintenance and cost recovery. More importantly, though, it is more likely to ensure that what is provided matches the community's real needs and priorities and can also be an educational and empowering process for the community. However, the advantages should not be exaggerated. All too often, governments see community participation either as an exercise in persuading recipients to accept that which has already been decided, or as a way of economizing on the costs of providing essential public services. Poor communities, by definition, lack resources, so it is both unrealistic and inequitable if they are expected to provide basic services for themselves while other, richer communities receive municipal provision. Conflicts of interest within communities, including gender differences (Moser, 1987) and perceived inequities of burdens and benefits, can easily prevent an organized response by the community. Meanwhile, the technical complexity of much infrastructure makes it difficult for communities to contribute usefully through self-help. Often the experience is that the resulting work is unsatisfactory (Hasan, 1990), and may actually prove to be more costly than if done through employing labor (Shah, 1979; Peattie, 1987).

Much has been written about the nature of community participation (e.g., Gilbert, 1987; Moser, 1989), while Rondinelli cites some useful managerial principles for organizers of community-based programs (Rondinelli, 1988). There generally seem to be two critical issues: the quality of the community leadership and access to financial resources. In terms of the latter, special, non-conventional mechanisms may need to be devised to channel resources to local communities, on terms which match their situation: the Community Mortgage Program in the Philippines would appear to be a good example. Intervention by an external agency such as an NGO also seems to be necessary in most cases, to act both as a catalyst and as

a channel for the initial finance. There is, however, a risk that the resources which an external agency can mobilize externally may overwhelm the local community and undermine the very participation which it seeks to promote: the suggestion is that this may have happened latterly with the Hyderabad Urban Community Development Project (Thomson, 1989).

Clearly there is no one model of community participation in urban service provision, just as there is no one model of government or private sector provision. Rather, there are numerous different arrangements found in different countries and particular cities, involving varying mixtures of public, private and community provision. In general, though, it seems appropriate for government agencies to concentrate on the provision of infrastructure, since this is both technically complex and costly in terms of capital. Meanwhile, the community's energies are most appropriately devoted to house construction, income generation and a variety of health and welfare activities for which direct community involvement is essential. That does, however, presuppose that government agencies become more responsive to the needs of poor communities in ensuring access to basic infrastructural services. It also suggests the need for local communities to have a greater say in the planning and management of local public services in their area.

FINANCING SPECIFIC SERVICES

In this section, we will look at those policy options and financing mechanisms for particular urban services which can best ensure that the needs of the urban poor are met.

Water Supply

In most Third World cities, the poor are unable to gain access to adequate supply of clean water for a number of reasons:

- the inadequate bulk capacity of the water supply and treatment system, including, in many cases, a shortage of raw water;
- an inadequate distribution network, especially to low-income neighborhoods;

- high leakage rates up to 30-40 per cent of capacity in some cities which further reduce the capacity of the system;
- because of the above, inadequate pressure and irregular services in many parts of the city, particularly poor areas; and
- the lack of public standpipes or other means by which the poor can gain access to the distribution network.

To deal with these problems, the first policy must be to devise a pricing system which raises sufficient resources to permit the water supply system to be expanded.⁹ Such a pricing system should cover all costs and generate a surplus for investment (essentially the principle of marginal cost pricing). While general subsidies are undesirable, since they will benefit those who are already served, there may be scope for some modest cross-subsidy from high-income residential or non-residential users to low-income consumers within the tariff structure. However, this will depend on being able to identify reasonably accurately where different income groups live. Another possibility is a "basic needs tariff" – a subsidized tariff for very low levels of consumption (e.g., less than 100 liters per capita per day), which would benefit those households using water only for essential purposes; such an arrangement is in use in Indonesia. Since initial connection charges can often be prohibitive for low-income groups, these could be spread over a five or ten-year period, or simply incorporated with the consumption tariff.¹⁰

The most common approach to providing water for the poor is through public standpipes (or tankers where there is no distribution network). This can be a good system where standpipes are plentiful and accessible, but often the distances involved, the low water pressure and irregular supply mean that the poor (and particularly the women) have to waste a great deal of time collecting water (Moser, 1987; Cousins and Goyder, 1978).

Public standpipes may be provided free of charge, as in India, on the assumptions that only the poor will use them and that consumption tends to be self-limiting. There is, however, a problem with maintenance and non-self-cancelling (or broken) taps can result in a great deal of waste. If large numbers of people are using the taps, the cost to the water utility of free water may be considerable.

In Indonesia, standpipes are operated by a concessionaire who is responsible for paying for the water used. This ensures better maintenance and less wastage, but can lead to exploitation by concessionaires where standpipes are few and far between. Only if competition is increased will prices be forced down. An alternative is for the community to be given responsibility for paying for the water from standpipes, through a bulk metering arrangement. However, this requires a proper community organization and problems can still occur where supply is inadequate.

Where private water vendors exist, their role as informal sector service providers needs to be acknowledged. However, the cost of water from vendors is generally extremely high, due to the long distances water has to be transported and the absence of alternatives. The same applies to private boreholes. Only an increase in the availability of supplies will reduce the costs of water. There are various ways in which this can be done:

- by permitting those who have connections to sell water to others; this already occurs in a number of places, e.g., Philippines (Ramos and Roman, 1986); providing that a reasonable number of people are connected, competition should prevent excessive prices;
- by making available loan finance and technical advice to enable low-income communities to sink boreholes or to build small-scale water treatment plants, where this can be done cost-effectively (Rondinelli);
- similarly, facilitating installation of private and community water storage systems to collect rainwater and to overcome problems of inadequate pressure and erratic service from the public system (Hasan).

In most of these cases, though, the fundamental need is for the municipal authorities to expand bulk water supply capacity and extend distribution networks to low-income areas.

Sanitation

It is not hard to see that waterborne sewerage systems are beyond the means of the poor unless there is a very large subsidy

element. Even with a subsidy, the recovery of sewerage costs through a surcharge on water is likely to discourage the poor from connecting to the system. The alternative, widely used in South Asia, of financing sewerage out of property taxation may help to redistribute the burden towards the better-off but is unlikely to generate sufficient resources to extend the system to all who need it.

But is direct cost recovery appropriate for sanitation? There are major public health benefits from a proper sanitation system which justify a contribution out of general taxation. But the limited level of public resources, and the high cost of conventional sewerage systems, mean that alternatives have to be considered. The most obvious alternatives, where ground conditions and plot sizes permit, are the pit latrine (e.g., ventilated improved pit) and the pour-flush latrine connected to a septic tank. Construction costs for these can be financed from loans (possibly at a subsidized rate of interest), as has been done under the Million Houses Programme in Sri Lanka. In India, a private company, Sulabh Shauchalaya, is installing and servicing low-cost twin-pit latrines for low-income groups (Pathak, 1990), although it is not clear how satisfactory the arrangements are for emptying these latrines.

Communal latrines are another possibility. The same Indian company, Sulabh Shauchalaya, also operates public latrines for which they levy a user charge. Public/communal latrines and washing places have also been provided as part of upgrading projects (e.g., KIP in Indonesia). Such facilities often present problems of social acceptability, maintenance and cleanliness, although these problems appear to have been overcome in Shanghai, China through clear assignment of responsibilities for maintenance and cleaning. There may be a strong case for subsidizing such a service, since a charge which covers the full cost may discourage use. On the other hand, the experience of Sulabh Shauchalaya's public latrines is that, since the users are paying a charge, they demand that facilities are kept clean (Cousins, 1991).

In cities where the bulk of human waste still ends up in the public waterways, devising ways to increase the flow of water along canals and water-courses in order to "flush" them out, may be a necessary first step to improving the city's hygiene: this has been proposed for Jakarta (Jabotabek Metropolitan Development Planning, 1981). The costs of such arrangements would obviously have to be met out of taxation.

Solid Waste

It is estimated that only about one-third of all solid waste in the poor urban communities of Philippines is disposed of through the government collection system (Ramos and Roman); the situation is probably similar elsewhere. Because of the serious environmental and health effects of improper waste disposal, there is a strong case for the costs to be subsidized out of taxation. Attempting to recover costs through charging raises the problem of enforcement, since the only sanction is withdrawal of the service, which is self-defeating.

Given the limited resources of municipal governments, the priority would seem to be to encourage community responsibility for neighborhood refuse collection and cleaning, while concentrating municipal resources on establishing properly organized collection points in each community and the transfer of waste to properly managed disposal sites. Municipal governments must also take responsibility for the cleaning of main streets and public places. These functions should be financed out of taxation, notably property tax, although direct charges could be levied for collection and disposal of waste from commercial and industrial premises, so long as this does not lead to unofficial dumping.

Community-based refuse collection and local street cleaning systems can work well where the community is well-organized and the leadership is respected. One example quoted is the Community Councils in Colombo (Cassim, et al.). The costs of such services can be met from a small charge on residents and community pressure can be used to get most people to pay. The problem arises where such community organizations do not exist or do not function properly.

The role of the informal sector in waste recycling is also important, not only in terms of reducing the volume of waste, but also on the grounds of income-generation for the poor (since it is generally the poor who are involved) as well as for environmental reasons. Every effort should be made to facilitate this recycling process, while avoiding undue health risks.

Housing

Housing has traditionally been one of the first areas in which governments have sought to intervene and yet it is probably the area in which government direct provision is least appropriate. Subsidized public housing rarely benefits the poorest: typically, it

benefits the middle-income groups, particularly civil servants (ADB, 1986). Even "minimal" forms of public housing (low-cost housing, core houses, sites-and-services) have generally proved to be unaffordable by the poor without massive public subsidy and schemes intended for the poor have frequently been taken over by the better-off. This is not only because of the subsidy element, but because such schemes are often the only way for middle-income groups to obtain land. For example, it is well-known that in Indonesia, houses built for low-income groups and sold through the state mortgage bank (BTN) have often been demolished immediately by their purchasers and rebuilt to much higher specifications.

Attempts to subsidize housing for the poor can be extremely expensive: even the Chinese government, which has been committed to providing cheap rental housing for all, has embarked on a policy of introducing more realistic rents and selling off housing in order to stem the hemorrhage of resources (Kirby, 1990). In Thailand, the Government has sought to extricate itself from direct provision of public housing (Mathur, 1987). Nor is the answer to cross-subsidize low-income housing from high-income housing, or from commercial development (as in the case of Delhi Development Authority (Mitra, 1987), since such subsidies rarely make formally constructed housing affordable by the poor and are usually captured by the better-off. Insisting that real estate developers build low-income housing as part of a scheme for the better-off (as is sometimes required in Indonesia) may also be unrealistic for the same reasons, or simply because the developer does not comply with the requirement. On the other hand, there are examples of private developers providing for low-income groups: one such example in Agra, India is described by Garg (1990); in Bangkok, private developers are apparently now serving much lower-income groups than was the case in the past (Sheng, 1989); while in the Philippines, private developers were enlisted to develop a sites-and-services scheme for low-income groups as part of a World Bank project (World Bank, 1989). However, none of these schemes is likely to serve the poorest.

Rather than direct provision of housing, the role of the government should be to ensure access to land and the provision of basic infrastructure. This enables households to provide their own shelter incrementally, as and when they have the resources. As Baross has pointed out, the sequence of priorities for poor households starts with occupation, followed by building, whereas the sequence of

official schemes starts at the other end with planning and servicing (Baross, 1990). Thus, governments need to adjust their building codes and minimum plot size regulations in order to facilitate affordable and incremental construction. Such controls should focus on the key areas of public safety, such as fire prevention and structural safety of multi-storey buildings.

In most developing countries there is a serious shortage of loan finance for housing, a situation which is made worse in many cases by controls on interest rates and restrictions on financial institutions. As a result, formal sector mortgage finance rarely reaches the poor. In the Philippines, for example, it is estimated that only 14 per cent of housing is financed through the formal sector (Boleat, 1987). The evidence suggests that properly managed savings and loan institutions can mobilize substantial resources for housing (van Huyck, 1987). Governments need to encourage the development of such institutions by providing enabling legislation, an appropriate regulatory environment and removal of controls on interest rates. Where governments establish such institutions themselves, they should not subsidize interest rates, since that means that credit has to be rationed and benefits those who borrow most. Rather, such institutions should seek to make their credit available to low-income groups through easily accessible offices, simple procedures and realistic requirements regarding security, collateral and initial down payments. It is clear from the evidence that the poor can repay loans if the financial institutions are well-managed: the Grameen Bank in Bangladesh, which lends to the poor in rural areas, has achieved a very high repayment rate (UNCHS, 1989). The Housing Development Finance Corporation in India also seems to have achieved good results (van Huyck, 1987); other countries which have established such institutions include Indonesia, Philippines and Thailand (Mathur, 1987) although in the first two cases, interest rates are still set well below market rates.

The other alternative is to build on existing, informal sector financing mechanisms, whether in the private sector or within the community. Private money lenders often charge extortionate rates of interest, but the only realistic solution is to increase availability of credit by deregulation and increasing competition from alternative sources, thereby driving down interest rates in the informal sector. There are a wide variety of community-based savings and credit systems, such as credit unions, cooperatives, *arisan* (in In-

onesia/Malaysia) and *tontine* (in Africa). In India, it is estimated that there are 115,000 credit unions with over 70 million members (United Nations, undated). The amounts of money involved are generally quite small but may be crucial in enabling a poor household to get started on house construction. It may be possible for governments to encourage such community-based credit systems, for example by removing restrictive controls and providing access to wholesale credit, particularly longer-term credit. Social pressures within communities can help to ensure low default rates, although there is a risk that communities can be torn apart by the burden of securing loan repayments from members. This has been a particular problem with the single-mortgage cooperative model, since once the project is completed, members may feel free to default (Devas, 1989b).

There are other obstacles which the poor face in constructing housing. In some cases, lengthy delays in issuing tenure documents and building permits can prevent the poor from gaining access to sites or obtaining loans: this has been a serious problem with some sites-and-services projects in the Philippines (World Bank, 1989). Another problem is the unavailability of suitable building materials near poor settlements. In larger sites-and-services schemes it may be possible to store building materials locally (or even to produce them locally), and to make these available through a system of credit. Technical advice with building work, including provision of standard building plans, can also greatly assist, providing that standards are sufficiently low to be affordable and that plans permit incremental construction. There is obviously considerable scope for community involvement in and management of such support services, as well as for mutual self-help in house construction.

Finally, we should not forget the role of rental housing. In many cities, the private rental sector is the primary source of housing for the poor (Gilbert and Varley, 1990; Amis, 1990). This is despite the fact that this sector is often discouraged through rent controls, planning laws and regulations governing sites-and-service schemes. Rental housing also provides a means for low-income groups to pay off debts incurred in house construction. Evidence suggests that rent controls, although largely unenforceable, tend to reduce the stock of housing available for the poor (Renaud, 1987; Tipple and Willis, 1989). While most people would regard renting as being second best to owner-occupation, for the poor there may be little choice. There-

fore government policies (such as tax incentives, interest rate subsidies, etc.) should not discriminate in favor of, or against, any particular form of tenure.

Land Development

Access to land is probably the most important constraint on meeting the shelter needs of the poor. In the past, the poor have often been able to occupy land where the title was unclear, squat on publicly owned land or obtain an unofficially subdivided plot of unserviced land. But the steady process of commercialization of land has closed off many of these options (Baross and van der Linden, 1990). Ironically, government attempts to upgrade squatter settlements and to regularize tenure have often tended to reinforce that process of commercialization, to the disadvantage of the poor.¹¹ Meanwhile, the conventional, public sector solution of sites-and-services has generally been far too small in scale, too expensive (for example, Metroville in Karachi) and often located far from sources of employment

By contrast, in a number of countries (Mexico, Peru, Pakistan, Philippines), the private sector has often been able to open large tracts of land, usually illegally, on which the poor have been able to settle. Such "pirate subdivisions" are usually carefully planned in advance, to permit the subsequent provision of infrastructure, which is then negotiated with local politicians (Ward, 1990). However, the position of occupiers of such schemes may often be little better than a client-tenant of a powerful and exploitative land developer (Hasan, 1990). In Hyderabad, Pakistan in the "Huda-ki-Basti" project the municipal government itself adopted the "pirate subdivision" or "land-grabber" model to subdivide a huge area of public land for low-income groups; in order to discourage high-income groups from settling there, they required would-be residents to construct a temporary shelter and live on the site before granting tenure rights (Siddiqui and Khan, 1990).

In other countries, such as Thailand and Indonesia, the process has been more one of informal subdivision of smaller parcels of land (Thadaniti and Pornchokchai, 1988; Silas, 1983). This process is usually illegal in the sense that it contravenes planning and subdivision regulations and it often creates serious problems for subsequent provision of services. One solution is a formal system of land readjustment, in which the municipality cooperates with land-

owners to ensure an orderly development of land and provision of services, the cost of which is met through the sale of some of the land (Doebele, 1982; Archer, 1987). However, the experience from Korea is that such schemes do not usually serve low-income groups; as a result, it seems that land readjustment is no longer being pursued there as vigorously as before.

Another method of harnessing the continuing process of private subdivision is through Guided Land Development (GLD). GLD is an attempt to guide the process of private land development by providing basic infrastructure over large areas of land which are suitable for development. Infrastructure costs are recovered through a valorization charge on the landowners. The land is not acquired by government: rather, the intention is that private owners will subdivide and sell; indeed by imposing an immediate charge on landowners, the aim is to stimulate the process of subdivision and sale. By keeping infrastructure standards low and plot sizes small, the objective is to make serviced land accessible to low-income groups as well as the better-off. By carrying out the program on a large scale, thereby greatly increasing the supply of serviced land, the premium price of serviced land should come down. Such an approach was put forward as part of the Jabotabek Metropolitan Development Plan (JMDP, 1981; Devas, 1983), but has yet to be put into effect. There are certainly complexities of implementation, particularly in relation to the cost-recovery mechanism and there are question marks about the extent to which the poor would really benefit. But it does represent an attempt to harness existing private sector processes to provide serviced land on a scale which matches the needs: as such, it should be of benefit to all.

Given the central importance for the poor of access to land, it may be necessary for governments to go beyond mechanisms which increase the supply of serviced land to devising ways in which the poor can be sure of gaining access to it. In this, official sites-and-services schemes may continue to have a place, but more attention should be given to community-based and non-governmental initiatives. There are a number of examples where low-income communities, usually supported by external agencies, have been able to acquire land for resettlement: some of those examples have been described. Governments and donor agencies may be able to facilitate such moves by making available publicly owned land, by

channelling loan finance to them for land purchase and development, and by relaxing building and subdivision regulations.

Finally, there is the issue of land speculation. Speculative holding of vacant land is a major impediment to improving access to land for the poor (Rondinelli). However, legal controls on landholdings have proved to be remarkably ineffective: the Indian Land Ceilings Act has done almost nothing to release surplus land for the poor (Raj, 1990); the nationalization of urban land in Nigeria has been similarly ineffective (Okpala, 1979). Improved systems of property taxation, with heavy taxation of vacant land, would make speculative land holding more expensive, although it may be difficult to define precisely what is meant by vacant land. Where squatting on vacant land is a common practice, a readiness to grant tenure rights to squatters may be a deterrent to speculation, although such a policy could result in more violent confrontations over land. In many cases, the underlying causes of land speculation are high inflation and the low returns on alternative assets (e.g., low interest rates on money holdings). Governments wishing to deal with land speculation must, therefore, address these economic issues.

Drainage and Flood Protection

In many cities in Asia, land is low-lying and prone to flooding. Draining and flood protection works are costly but could render large amounts of land usable. Such improvements would greatly increase the value of the land in question, so that where this land is privately owned, it is right that the costs of drainage and flood protection works should be recovered, in whole or in part, from the owners of the land. This can best be done through some form of betterment tax or valorization charge which simply divides the cost between benefitting landowners. It is vital that such cost recovery is agreed with landowners before the works are started and ideally at least part of the payment should be made in advance. Cost recovery after the works are completed is likely to be impossible because the land is usually sold.

In many cases flood-prone land is occupied by low-income groups from whom no direct cost recovery is appropriate, although there could be a system of deferred betterment tax which is collected if and when the property is sold. It will be important to ensure that low-income residents in such areas have adequate tenure rights

before the works are carried out so that they are not subsequently expelled by landowners.

Roads, Footpaths and Traffic Management

Perhaps more than any other form of public investment, the construction of roads opens up land for development and hence increases land values. It is therefore right that, where undeveloped land is privately owned, part or all of the costs of the new road should be recovered from landowners through some form of betterment tax or valorization charge. Jakarta's Special Tax is an example of a fairly simple mechanism which allocates a proportion of the costs of new road construction between adjoining landowners. However, it has to be said that this mechanism has not been much used in recent years. The Land Readjustment model used in Korea and elsewhere is another way of recovering the road costs from existing owners. It may also be possible to use betterment taxation/valorization charges to recover costs of road improvement in existing commercial/industrial and high-income residential areas, but it should not be used in established low-income areas, since this would force out those who cannot afford to pay the tax. However, once provided with infrastructure such low-income neighborhoods should be incorporated into the property tax registers, so that they make a fair contribution towards the services they are receiving. Where improvements in access roads are carried out as part of the upgrading of a slum or squatter area, it may be reasonable to require the community to contribute the land for the road, e.g., by cutting back properties, as in the Kampung Improvement Program in Indonesia.

The conventional preoccupation with roads as the means of travel tends to obscure the primary need of the poor for improved accessibility by foot. This is not to say that vehicular access is not important, but in many upgrading schemes the priority is for improved pedestrian and bicycle access. This requires much less land and lower construction costs than vehicular roads. Similarly, priorities for the poor are better pavements, so that they are not forced to walk in the roads and improved arrangements for crossing busy roads. Main traffic routes without adequate pedestrian priority crossing facilities become a major barrier to movement for the poor.

Direct cost recovery from existing urban roads, e.g., by using tolls, is difficult, because of the problems of exclusion. But the

experience of the area pricing system in Singapore seems to be very positive and worth consideration as a cost-effective means of reducing traffic congestion. Finally, parking charges provide a way of rationing road space and generating revenue at low cost.

Public Transport

It seems clear that, in most Asian cities, privately operated public transport, for example in the form of jitneys, offers a service which is cheap, frequent, flexible and accessible. By contrast, publicly operated bus companies are often highly inefficient [although there are exceptions, e.g., Bombay and Coimbatore in India (World Bank, 1988a)]. Thus, the right strategy would seem to be to open the public transport system to greater competition. Regulatory control should be limited to matters of clear public safety (vehicle condition, driving test), to designation of routes and to ensuring competition. Such regulations should then be properly enforced. Fare levels are probably best left to the market, providing there is adequate competition.

There is no case for general subsidies on public transport, since such subsidies are unlikely to benefit the poorest very much and may simply underwrite inefficiency in municipal bus companies. In exceptional situations, there may be a case for subsidizing particular routes, such as those to distantly located low-income housing areas (e.g., site-and-service schemes which were located where land was cheap). It may be possible to achieve cross-subsidization of routes by allocating (or auctioning) to private operators packages of routes including both profitable and less popular routes. In general, transport policy should favor public transport on both environmental and cost-effectiveness grounds. However, rather than fare subsidies, resources should be concentrated on traffic management systems which facilitate public transport, such as bus priority routes.

While rapid-transit systems have often proved to be very expensive and less cost-effective than buses, they should not be ruled out. The huge size and rapid growth of many Asian cities means that investment in some form of separate track public transport is bound to be necessary at some point, as the only cost-effective and environmentally acceptable means of moving the huge volume of passengers involved. Reservation of routes for such a system at an early stage would seem to be essential. Initial investment costs can be

reduced by using existing rail corridors, where these are suitably located and constructing mainly at ground level.

Transport policies should not discriminate against informal sector modes of transport which provide both incomes for and services to low-income groups: the policy of phasing out the *becak* in Jakarta must be seen as a retrograde step.

Streetlighting

The public good character of street lighting means that there are good reasons for financing it out of general taxation. Where streetlighting is to be installed in a residential area, some contribution from residents could be required towards the capital costs, although this is probably not appropriate in low-income communities.

Electricity

Electricity is normally provided through semi-autonomous public utilities which are supposed to cover all their costs. There is no case for a general subsidy, since the benefits of the service are private; as a general principle prices should be related to margin costs. The availability of electricity offers considerable benefits to the poor: opening up income opportunities, reducing costs and reducing fire hazards compared to alternative fuels. It also may offer benefits to the environment by reducing use of wood. There may, therefore, be a case for a modest cross-subsidy from high-income consumers to consumers of very small amounts of electricity.

In some countries, illegal connections are quite common. A better solution would seem to be to legalize secondary connections via a neighbor's meter; given the wide availability of electricity in most Asian cities (70 per cent of households in surveyed poor neighborhoods in Manila were found to have official electricity connections - Ramos and Roman), this represents a realistic option in many cases, and competition between those with connections should discourage overcharging. In the surveyed poor neighborhoods in Manila, 23 per cent of households received electricity in this way.

Fire and Police Services

Fire protection and police services are clearly public goods and so should be met from taxation: direct cost recovery is inappropriate. However, there are examples (e.g., Turkey: Davey, 1988)

where some of the costs of the municipal fire service are met from a tax on fire insurance companies.

In many Asian countries, neighborhood organizations provide an element of local security, often rather more effectively than the official police service. This is generally financed out of small charges on local residents, related crudely to the assumed income of the residents or the size of property. This would be true of the *kelurahan/RW/RT* system in Indonesia and the *barangay* system in the Philippines. Such neighborhood organizations can provide the first line of defense in the event of fire. Training and supervision of community organizations should be provided by municipal fire brigades and police forces.

NOTES

1. Rondinelli actually identifies seven alternatives, but the last, redistributing population to small and medium-sized cities where infrastructure costs may be lower, is really beyond the scope of this paper. For a discussion of this issue, see Rondinelli, 1983 and Hardoy and Satterthwaite, 1988.

2. The terms "city" or "municipal government" are used here to refer to the various sub-national government agencies responsible for urban development. In some cases that may be a unitary municipal or city government. In other cases there may be more than one level of local government (e.g., province and district), while in other cases there may be a variety of agencies (development authorities, improvement trusts, public corporations, etc.) responsible for different aspects of urban development and service provision.

3. Such figures may, of course, underestimate the dependence on central government, since some funding for urban infrastructure and services may come directly from the budgets of sectoral ministries rather than through municipal budgets.

4. The World Bank's Third Urban Development Project in the Philippines included a component for property tax mapping: it is estimated that this component paid for itself in less than a year as result of increased tax revenue (World Bank, 1989).

5. In 1984, the Indonesia Government abolished a number of taxes on local produce because of their negative effect on export potential.

6. In addition, there are public enterprises which are set up to operate public services such as water supply, because such an arrangement permits greater management autonomy and financial accountability, thereby ensur-

ing greater efficiency. Since such enterprises are not intended to be revenue-generating as such, they are not the subject of discussion here. Also not under discussion here is the situation in China and other communist countries where most or all enterprises are publicly owned and surpluses from such enterprises (or taxes on those surpluses) provide the main source of local (and national) government revenue.

7. This model is, in fact, quite similar to the way in which the city bus company in Jakarta operates, in that the crews hire the buses for the day for a fixed fee and seek to maximize their revenue from their assigned routes. However, this system does not work well, largely because the contracting framework (terms for hire of vehicle, supervision of routes, maintenance of vehicles, etc.) is unsatisfactory.

8. By this, I mean some organized response by the community, as opposed to individual responses of residents, or market responses of the private or informal sectors.

9. The system of financing water supplies through property taxation, which applies in much of South Asia, is unsatisfactory, as there is no pricing mechanism to ration demand. While such a system avoids the problems of measuring consumption, resources are limited by the inelasticity of the property tax.

10. Illegal connections are common in many countries (usually accounting for the very high leakage rates) and are often condoned on the basis that this is a way for the poor to obtain water. However, it is unlikely to be the poorest who have access to such connections, while the water utility loses substantial revenue. In addition, there are serious risks of water wastage and contamination.

11. Although, as de Wit points out in the case of Madras, if the poor have been provided with transferable tenure, they can at least benefit from cashing that in and moving elsewhere (de Wit, 1985).

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Main Policy Issues

K.L. Luthra
Consultant

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Main Policy Issues

INTRODUCTION

This paper attempts to present the main policy issues in meeting the basic infrastructure needs of the urban poor, as a starting point for the deliberations of the Working Groups. The paper draws upon the resource papers, case studies and country papers prepared for the Seminar. The author had the benefit of discussions with government officials and representatives of non-governmental organizations in India, Republic of Korea, Philippines and Thailand and the impressions gathered during these discussions are reflected in the paper. The purpose of the paper is limited: just to present the main issues highlighting some of the problem areas in the light of the countries' experiences. No attempt is made to discuss any of the problems in detail. It need hardly be said that these are inter-related issues, although for purposes of presentation, they are listed under four different heads. Some repetition in presentation is thus unavoidable.

PAST APPROACHES

No matter how urban poverty is defined, whether based on income levels, caloric (food) intakes or other manifestations of poverty such as lack of access to basic services, i.e. shelter, water, sanitation, health or education, the absolute number of the urban poor in most developing countries of Asia remains large and has, in fact, increased in recent years. The urban poor are generally taken to be those living in squatter settlements and slums with unstable employment and low incomes. Slums and squatter areas in large cities have lacked basic services; e.g. safe water, sanitation and other

services. There are serious inequities in the provision of these services within cities and the service levels to the poor living in slums in most cities remain unacceptably low.

Almost all developing countries have undertaken development programs to improve the living conditions of the poor in urban communities. In the 1960s, many countries adopted the approach of clearing slums and relocating slum dwellers in new settlements. Over the last two decades, however, governments have shifted their approaches from slum clearance and relocation to sites-and-services and slum upgrading, and more recently, to promotion of self-help and private sector cooperation in basic services. Experiences in some countries, notably, India, Republic of Korea and Philippines have demonstrated that slum clearance and relocation projects benefited mainly the middle and higher-income groups. Because of higher construction costs of public housing and higher rentals and lack of job opportunities close to the new settlements, poor people could not benefit from such projects. The general perception of these projects, therefore, is that they aimed primarily at clearing the slums rather than helping the poor. Since these policies did not succeed, governments shifted to slum upgrading and sites-and-services projects. Thus in the 1970s, many countries adopted strategies of improving slum areas and squatter colonies. The improvement of slums have resulted in some basic amenities for the slum dwellers, e.g., street pavements, water supply, community toilets, lighting, etc. In some cases, these projects also involved conferment of land titles which provided incentives to the poor to improve their dwellings. Improvement of slums is considered a good interim solution even if the slum dwellers are to be relocated in the long run. The Tondo Foreshore Development in Manila, the Nadi Program in Kuala Lumpur, the Sites-and-Services Schemes in Madras, the Kampung Improvement Programme in Indonesia and the King Petch Project in Bangkok are some of the success stories of slum upgrading. These projects provided for upgrading of services on site through the cooperative efforts and self-help activities of the slum dwellers. The outputs of these projects, however, were somewhat mixed. Not all the beneficiaries were low-income groups. However, the results were most rewarding in cases where active participation of the beneficiaries could be secured in assessment of needs and planning of facilities as well as in implementation and maintenance of the services provided.

In several countries, access to water, electricity and transport is not a major problem of the slum dwellers who manage to secure these services, although invariably at high costs. Housing security, on the other hand, continues to be the most pressing problem calling for urgent actions. The approaches adopted in the past have led only to incremental improvements in housing for the poor. Self-construction of housing turned out to be limited. On the other hand, in many cases, there was considerable turnover of the plots for sale or renting to outsiders from higher-income groups. These projects thus have not been replicated in a big way, not, at any rate, in the measure required to make a significant dent on the total slum population in the developing countries of Asia.

Lately, because of the growing realization that government agencies have serious limitations in providing shelter for the urban poor, increased attention has been given to the possibility of involving the private sector in shelter projects in conjunction with upgrading of slums. In the past, the private sector's contribution in housing has been mainly for the higher and middle-income groups. In recent years, Thailand, Korea and the Philippines have succeeded in evincing active interest of private developers to build houses for low-income groups. In Thailand, developers are producing houses which are said to be affordable to 80 per cent of all households. In Korea, a joint renewal program involving private construction companies and owners of squatter residences was initiated in 1983. The program is designed to benefit poor squatters as well as private companies. This involves squatters getting priority rights to buy apartments in multistoreyed structures raised in or close to slums and private companies selling the remaining units to others at market prices. Likewise, in the Philippines, the National Housing Authority has organized joint ventures with private developers to build low-income apartments which squatters have priority rights to buy on a hire/purchase basis or with credit facilities provided by financial institutions, e.g., GSIS, SSS and the Development Bank of the Philippines. As in Korea, private developers will dispose of the remaining apartments at market prices. However, the Korean experience demonstrates the limitations of this approach; only 20 per cent of the units built under the projects are occupied by the former squatters with 80 per cent sold to middle-income families. The Korean Government now plans to build a large number of low-in-

come group units for renting to the poor. Whether and to what extent this program will benefit the poor remains to be seen.

Issues

These experiences bring up the following important policy issues:

- The effectiveness of programs for sites and services, slum improvement and upgrading depends heavily on how actively the communities/people participate in the programs. This applies equally to the joint venture projects with the private sector. People's perception of projects for slum upgrading and sites and services may not always be very helpful. The question is how best people's participation can be organized.
- Private sector companies will not invest in low-income housing unless they can get a reasonable return on investments. The question, therefore, remains how the approach of joint ventures with the private sector can be reconciled with the idea of making the outputs of such ventures easily affordable to the poor.
- How to provide easy access for squatters to income-generating opportunities is another important issue to be tackled as an integral part of the efforts for their resettlement. Small business loans have been tried in India, Republic of Korea, Thailand and some other countries but have not made any significant impact. The Thai Government's approach to impart skill development and to upgrade income levels of squatters in their respective jobs through the active cooperation of their employers is commendable. However, this is a time-consuming effort and is not attractive particularly to the politicians looking for quick results, although in the process, positive attitudes can be developed for self-betterment of the poor. Whether this can be done on a scale and within a time perspective to make an impact on the living conditions of the urban poor would merit serious consideration. The Nehru Rozgar Yojna introduced on a countrywide

scale in India in 1989 provides not just credits for microenterprises but also wage employment of the poor in public construction works including shelter upgrading works. The Janasaviya Assistance Scheme in Sri Lanka, although less comprehensive in scope, also aims at creating employment opportunities for the poor. These schemes appear to be promising but more time is to be allowed to see their impact on the urban poor.

- Another related issue is that of supplying serviced land. Public land development agencies could make an effective contribution in this regard. The Korea Land Development Corporation, for example, has not just developed land but raised considerable resources and, in the process, provided land for housing at somewhat lower costs. Land-sharing schemes have been tried in Thailand with varying degrees of success. An important prerequisite for land sharing is the willingness of the landowners to cooperate. The community housing project at Lard Kralong, for example, was made possible because the Government needed to expropriate the land to be used for the expressway project in Bangkok. The issues relating to land management would merit a detailed discussion in the light of experiences of different countries in the region.

GOVERNMENTS' ROLES

Governments in most countries have important roles in providing the basic infrastructure facilities and services for the urban poor. This is because the infrastructure programs in cities involve large investments and economies of scale and externalities. The public sector's role in land development has been of special importance. However, with massive increases in infrastructure requirements over the last few decades, public sector organizations have lacked capacity to meet the needs of the rapidly growing urban communities. In the case of a number of services, operations and maintenance are contracted out to private firms. As stated above, governments in some countries are promoting public-private sector partnerships in providing low-income housing and related in-

frastructure. In general, most governments now see their role more as facilitators rather than providers of services. Governments thus can facilitate NGOs, communities and private developers to take on important components of shelter and infrastructure services with appropriate incentives given to them. The detailed mechanisms to bring about an effective facilitating role of government agencies at various levels would merit serious consideration. In particular, it is important to review and reorient the prevailing regulatory practices governing land use to facilitate greater participation of communities and private developers in providing low-cost housing.

An important policy issue relates to the division of responsibility between governments at different levels, i.e., central, provincial and local. In many countries, there has been a tendency lately to shift administrative and financial responsibilities for city services to municipal (local) governments. Traditionally, municipalities in many countries have handled only limited functions such as building regulations, garbage disposal and street lighting. In the case of large cities, in particular, specialized bodies were created to provide water supply and sanitation, housing or area developments. International aid agencies like the World Bank encouraged the creation of such specialized agencies. In recent years, however, there has been a distinct change in the thinking of governments and international agencies about the role of municipalities. Several countries are taking steps to assign developmental functions to municipalities and make them more responsive to socioeconomic needs of the people. For example, Republic of Korea will be implementing a local autonomy system with elected legislators and administrators. Under this system, a considerable part of tax revenues will be transferred to local governments. Likewise, the Philippines has under active consideration a Local Government Code to give more responsibility to local government units in planning, programming and implementing processes for development of city services. The Code will also provide for increased taxation powers to municipal governments and sharing of national tax revenues with them. In India, the Central Government has already taken initiatives to give constitutional recognition to both rural and urban local bodies, to assign them developmental functions and, at the same time, to ensure regular elections to make them responsive to public needs. Provisions are also made to set up statutory financial commissions to determine revenue sharing between states and local bodies. The

draft legislation also includes a provision for the creation of special planning organizations at the metropolitan level with the participation of the Central and State Governments and local authorities.

Delineation of functions between metropolitan planning bodies and municipalities is of critical importance. A metropolitan or regional planning authority has a special role in metropolitan areas with more than one city or town. The authority has to have powers to plan, and to monitor and evaluate implementation of the plan for the metropolitan area with the actual implementation functions entrusted to the local and municipal bodies. This distinction between the functions of metropolitan planning authorities and municipalities may get blurred at times, leading to overlapping functions and unhealthy frictions in their day-to-day operations. The Calcutta case study brings out the complementary roles of the planning body at the metropolitan level, namely the Calcutta Metropolitan Development Authority (CMDA) and the municipal body, namely, the Calcutta Municipal Corporation (CMC). The CMDA, created in 1970, was supposed to coordinate, finance and supervise existing agencies in implementing an infrastructural investment plan for the Calcutta Metropolitan Area. The plan provided for capital-intensive projects like laying trunk infrastructure, water and sewerage plants, flyovers and bridges. CMDA was to be a technical organization, staffed by engineers and planners and free of the political influence that had crippled CMC. However, CMDA took on the execution of several big projects and became an unwieldy and bureaucratic organization. Later, as most capital projects were brought to completion, CMDA took over distributory services like health delivery and disbursement of small business loans. CMDA, being a centralized organization, was not quite suited for such functions which involved close interaction with beneficiaries. The State Government enacted legislation in 1980 to restructure municipalities and CMC was transformed into an elected body with an elected Mayor to administer municipal affairs. The Mayor with political mandate has succeeded, to some extent, in raising municipal revenues and has been able to handle certain sensitive issues relating to public land. However, CMDA continues to administer health care and metropolitan development program with the necessary cooperation of CMC and other smaller municipalities. CMDA continues to be a favored organization for projects funded by international and bilateral aid agencies.

Municipalities are generally regarded as weak organizations, both administratively and financially. Because of their lower status in the government hierarchy, they are unable to attract good professionals. Politicization of municipalities works both ways. While, on the one hand, elected representatives are more sensitive to local needs, on the other, excessive political influences can seriously inhibit efficient functioning of municipal governments. Financially, revenue sharing between municipal, state and central governments, howsoever desirable, might not necessarily lead to any significant incremental resources. Innovative measures will be needed to diversify funding resources to augment municipal revenues. Strengthening of municipalities thus presents a real challenge in most countries in the years to come. This is an issue which merits an urgent in-depth analysis.

Issues

The main issues for consideration, therefore, are the following:

- policy orientations and detailed mechanisms to enable government organizations to perform effective facilitating roles to help communities, NGOs and private sector developers assume greater participation in shelter and infrastructure services for the urban poor;
- ways and means of strengthening municipal governments, administratively and financially; and
- the role of metropolitan planning organizations in metropolitan areas and how to relate their functions to the functions of municipalities.

NON-GOVERNMENTAL ORGANIZATIONS AND THE PRIVATE SECTOR

The informal sector has an important role in the development and operation of basic urban services. As discussed above, people's participation is a necessary prerequisite for the programs for basic

services to succeed. In particular, slum-upgrading and relocation and sites-and-services projects must actively involve communities. Experience has shown that community participation in such programs has been successful mainly where the beneficiaries were induced, through conscious efforts, to organize themselves. Most governments, therefore, have actively encouraged participation of communities and non-governmental voluntary organizations in the basic urban services. Thus in Thailand, Philippines and Republic of Korea communities were organized through government efforts and they played an important part in persuading squatters for land sharing (Bangkok), and contracting with private developers to build low-income units (Manila and Seoul). The National Housing Authority in the Philippines and the Bangkok Municipal Authority, for example, have some trained staff to work with communities. The governments (and international agencies) can help organize and strengthen voluntary organizations by using them as vehicles for development and delivery of services. In Indonesia, local government officials are said to collaborate actively with communities in the Kampung Improvement Program (KIP). In brief, governments can play a significant role in creating/supporting non-governmental voluntary organizations. An important policy issue to consider, therefore, is how best governments can stimulate effective participation of communities and meaningful contributions from non-governmental voluntary organizations.

Community organization involves ethnic, institutional and leadership issues, not to speak of political affiliation and government support. The quality of performance varies considerably among different NGOs. It is important thus to consider the conditions which make it possible for NGOs to contribute effectively to welfare programs. For an NGO or a community to be effective, it is imperative to have the right leadership. Much of a community's success depends on the rapport the leader can develop with various government and non-governmental agencies. In relation to the Nadi Program in Kuala Lumpur, for example, it is observed that "the reality in the Nadi Program is that village leaders, particularly the headmen, can and usually do exercise considerable influence over project details. The headman of a squatter settlement or village is usually also the head or chairman of the local political branch."

In almost all countries of Asia, a large number of NGOs are actively participating in social welfare activities. Some NGOs have

made outstanding contributions in organizing communities and delivery of health and family planning services and in nonformal education programs. However, relatively speaking, their contribution in shelter-related projects has been minimal. One important limitation of NGOs is their funding constraint. For NGOs to take any major initiatives in organizing shelter and related infrastructure, it is important to mobilize the necessary resources. Most NGOs get their resources from donations, supplementing these with funds raised through arranging special events or sales of products, etc. Very few of them are assured of continuity of flow of funds. In appropriate cases, NGOs could have access to concessional credits from financial institutions and this is an area which would merit detailed consideration by development agencies, national and international.

As discussed above, private developers can make significant contributions to shelter and related infrastructure development. Increasingly, governments will be turning to private sector companies to encourage their participation in poverty alleviation programs. However, it is but natural that private developers are assured of reasonable returns on their investments and complete cost recovery in the services provided by them. It should be possible to evolve policies and institutional mechanisms to reconcile the private sector's profit goals with affordability of services for the poor.

Issues

- The main issue involved in effective contributions from the informal sector thus relates to government's role in stimulating and using NGOs' contributions, and helping them to raise resources for viable operations. Ideally, NGOs should develop informal or formal partnership arrangements with government organizations.
- NGOs' successes and failures are, of course, conditioned by their internal strengths and weaknesses and more particularly the quality of their leadership and persons who volunteer to work for them. In organizing communities, these important issues must receive careful consideration. Some degree of training for community organizations can also be quite rewarding.

- Governments must also develop innovative approaches to get the private sector to participate in the programs for the urban poor on a sustained basis.

FINANCING

Almost all developing countries have to reckon with serious budgetary constraints. The municipal governments' capacity to provide urban services is severely constrained. It is thus imperative to consider innovative sources of finance particularly at the local government and community levels. Municipal governments have traditionally relied on property taxes. Revenues from property taxes, on the other hand, have not increased proportionately to increases in property values. Property tax collection systems remain obsolete and it is only lately that governments have started considering reforms with a view to get more revenues as property values/rentals increase. Korea, for example, has introduced a system of annual revaluation of property and computerized records and other arrangements to minimize leakage.

Other taxes levied at the local government level are: *octroi*, license fees for shops and business establishments, entertainment taxes and other miscellaneous taxes which do not yield much revenue.

Considerable gains can be realized through reforming administration of taxes. Municipal taxes as presently levied leave much scope for leakage. In several countries, attempts are being made to improve administrative capacities of municipalities. India has launched institutionalized training for municipal staff. Sri Lanka is using UNDP assistance to reform administration and revenue collection of local authorities.

A revenue source which has not been tapped adequately is land development. Substantial additional resources can be raised through such measures as sale of unused public land, and betterment taxes to take advantage of escalating land values and to recover development costs. The Korea Land Development Corporation's example has been cited above as an organization which has made money through land development. Other countries could likewise introduce appropriate systems to realize the potential of this important resource.

Very few municipalities are authorized to seek credits from financial institutions. Their weak financial position affects their creditworthiness. Some ways could be found at least for the better-off municipalities to get institutional finance for their development programs.

Local taxes with suitable reforms could contribute significantly to municipal revenues. However, the burden of financing urban services must ultimately be borne, in a large measure, by the beneficiaries of services. The theory and practice of user charges have received much attention lately. However, because of the political sensitivity of the issue, not many countries have introduced the desired reforms. In considering user costs policies, there is a tendency to overlook the fact that the poor do pay for services anyway. For example, squatters in some slum areas have to buy water from vendors and water rates levied for public supply might merely rationalize payments rather than increase the financial burden on the poor. In the case of subsidization of services by governments, the poor cannot altogether escape bearing the cost of subsidies insofar as subsidies have to be met through general tax revenues.

Housing finance has been generally neglected by policymakers and planners in most countries. It is only recently that some countries have created specialized financial institutions for housing finance. Not all such institutions, however, are in a position to assist the low-income group. This applies particularly to slum dwellers and squatters who have no assured sources of regular incomes. Their capacities to mobilize household savings are also limited. Sri Lanka provides housing loans in limited amounts to low-income people at subsidized rates of interest but the loan amounts are small and barely adequate for house improvement rather than new construction. In several other countries, provisions are made in slum upgrading projects for small credits for improvement of dwellings. The Community Mortgage Program in the Philippines is understood to have made a success in some communities. Community-based housing financed from credits at differential interest rates affordable to the poor should merit consideration. Credit schemes to be evolved should be such as can be administered with community help.

Issues

The main issues meriting detailed consideration are the following:

- reform of property tax and other municipal taxes to provide a measure of flexibility to municipalities in their budgetary schemes;
- ways and means to improve tax administration;
- land management for resource mobilization particularly in metropolitan cities of Asian countries;
- enabling municipalities, on a selective basis, to avail of institutional finance for some of their developmental activities; and
- institutionalized arrangements for housing finance affordable to the poor.

Financing Mechanisms, Constraints and Future Opportunities

SUMMARY

The problems which the poor in the cities of the developing world face are severe indeed in their struggle to obtain land on which to live and essential public services. There are, alas, no magical solutions to these problems just waiting to be discovered. There are, however, a number of directions in which urban policy should move if the poor are to have a better chance of receiving essential urban services.

More Appropriate Urban Development Policies

First of all, it is essential that governments and municipal authorities recognize the pace of urban growth and the scale of needs for urban services and that they develop policies which match the scale of needs. Traditional approaches have tended to provide relatively high standards of service for a part of the population, while the majority, particularly the poor, were effectively left without services. In most cities, a massive increase in service provision is required. Nor is it enough just to provide additional services for the poor since, if higher-income groups are not served, they are likely to preempt any provision for the poor.

Secondly, the policies adopted should be affordable by the poor. High standards, however desirable, can make access by the poor to essential services more difficult. This is particularly a problem in the case of shelter, where the poor need to be able to assemble their shelter incrementally as resources permit. Great care has to be exercised when seeking to improve services for the poor that this does not add to their costs or increase their vulnerability. This is

particularly an issue in relation to land, where apparent improvements can result in increased rents and greater vulnerability to expulsion.

Thirdly, government policies should seek to "work with the market" wherever possible, harnessing and guiding market forces: in this way, greater resources can be mobilized. Of course, there will always be a need to regulate the private sector, but the aim should be to use the leverage of the public sector to enable and influence the private sector to achieve a more socially desirable outcome. All too often, governments confront the private sector with unenforceable regulations which merely result in corruption.

Redirecting Public Expenditure Towards the Needs of the Poor

For many services, such as land for housing, water supply, sanitation and waste disposal, the first priority is to increase substantially the basic supply. Only if the supply starts to match the scale of demand, have the poor any real hope of gaining access.

Secondly, resources need to be targeted on those services which are a priority for the poor (public standpipes, pit latrines, footpath access, public transport routes, etc.) and on areas where the poor live.

Thirdly, general subsidies should be avoided: they limit the government's ability to expand services and they are likely to be appropriated by the better-off or by those administering the service. In certain areas, specific subsidies targeted on services which benefit exclusively the poor may help. But in most cases, what matters much more than subsidies is access to the services.

Fourthly, proper cost recovery policies should be adopted. For some services, this means full cost recovery (or marginal cost) pricing. For others it means financing out of taxes which are related to the service provided (for example, property taxes, valorization charges and motor vehicle taxes).

Fifthly, governments need to be more responsive to the needs of the poor. Paradoxically, in some countries, particularly in Latin America, municipal governments often seem to move in and service low-income squatter settlements with remarkable rapidity, generally as a result of coalitions of interest between politicians and informal land developers. But what is necessary is that municipal governments become responsive to the needs of the poor on a more systematic basis rather than on an ad hoc, clientelistic basis. This

raises the whole question of democratic accountability of municipal governments.

Improving the Financial Capacity of Municipal Governments

Municipal governments cannot improve the delivery of services to the poor without an adequate financial base. In many countries, there is a need for a reappraisal of the taxing sources available to local governments, with new sources and greater local discretion over tax rates being assigned to them. The choice of local taxes should take more account of issues such as equity, economic neutrality and costs of administration. Above all, local governments need revenues which are elastic with respect to inflation and population growth. In some cases, the best way to provide these is through sharing of national taxes.

Grant systems need to be reformed to ensure that national resources are fairly distributed and that they send the right signals to local governments in terms of efficient use of resources and incentives to local revenue mobilization. Loan finance also needs to be more easily available, subject to limits on local borrowing capacity. This may best be achieved through a municipal development fund.

In most countries, there is considerable scope for improvements in local financial management, in terms of both revenue administration and budgetary systems. Expenditure management needs to be much more concerned with performance achievement, efficiency improvements and the cost-effectiveness of service delivery.

Developing New Forms of Public/Private/Community Cooperation

Conventional distinctions about the appropriate roles of the public sector, the private sector and the community are breaking down. New models of partnership or at least interrelationship are being developed. These include contracting out public services to the private sector; using government resources to stimulate, influence or lever private investment; public investment which complements what the local community is able to provide and enables households to meet their own shelter needs; and sharing responsibility with the local community for the provision and management

of local services. Such arrangements may be more complex than the traditional ones but they can help to mobilize substantially more resources to meet the community's needs for essential services. What matters is that the government or municipality provides a framework which enables the private sector to respond and enables the community and individuals, particularly the poor, to help themselves.

Increasing the Ability of the Poor to Pay

Only if the incomes of the poor are increased will they have the ability to demand and pay for essential services. All too frequently, public policies discriminate (often unintentionally) against the informal sector and other income-earning opportunities for the poor, such as renting out rooms. Such discriminatory policies need to be abandoned. At the same time, access by the poor to credit needs to be improved through the development of accessible savings-and-loan institutions, local credit unions, etc. Subsidized interest rates are not appropriate as these tend to restrict the availability of credit. Once again, what matters is access rather than subsidies.

The Role of International Agencies

The role of international agencies is to encourage these positive trends and policies and to try to ensure that resources are used to improve the position of the urban poor. In the past, donor agencies have had considerable positive influence on developing more appropriate government policies in the urban sector. But they have often also created problems, by insisting on complex financial arrangements and the establishment of a multiplicity of new agencies, resulting in bureaucratic obstacles. Donor agencies have tended to favor capital investment, whereas what is often required is institutional reform, management improvements and resources for operation and maintenance of infrastructure. These are issues which agencies like the ADB seem now to be recognizing (Mathur, 1987). More recently, donors have been instrumental in encouraging the adoption of more appropriate urban management policies (Indonesia's Performance-Oriented Maintenance Management System and Sri Lanka's Municipal Improvement Programme are examples).

Donor agencies often have short-time horizons which do not allow for long-term institutional reform and policy reorientation.

They are also prone to frequent policy shifts as a result of changing fashions. This is unhelpful to recipient governments. Donor agencies need to recognize the importance of training, particularly long-term institutional development through training, and of research, including in-depth field research on the impact of public policies on the urban poor (Devas and Batley, 1988). Such research could have great benefits in informing urban public policy and guiding reform. Finally, there is a need for donor agencies to recognize and build on the capacity of local communities to provide and manage services for themselves and therefore to seek to channel resources to them, e.g., through proven NGOs.

MEETING THE URBAN SERVICE NEEDS OF THE POOR

Why do Existing Mechanisms Fail to Serve the Poor?

It is not surprising to find that the market capitalist system does not satisfactorily meet the needs of the poor. Such a system, left to itself, tends to reinforce existing disparities in incomes and wealth. In the cities of the developing world, private ownership of land, combined with the very rapid rise in land values which accompanies urbanization, presents a particular problem for the poor. While economic growth may enable a few of the poor to benefit through the "trickle down" process, it is universally acknowledged that some form of government intervention is required to ensure that the poor obtain the essentials of life. Yet government interventions so often do not improve the situation of the poor. Programs intended to alleviate poverty may not match the real needs of the poor, or may not reach them, while the benefits may be captured by those for whom they are not intended.

There are a number of reasons why government interventions in the urban sector frequently fail to serve the poor:

- the inadequacy of provision in relation to the huge scale of need;
- the relatively high standards adopted, which means either that the poor cannot afford what is offered, or else a substan-

tial subsidy is required which the government cannot afford;

- in either case, the poor are likely to be squeezed out and the subsidy element is likely to accrue either to higher-income groups, or to the public officials who distribute the program or to rent-seekers;
- failure to address the fundamental obstacles which the poor face in gaining access to land and basic infrastructure;
- inappropriate forms of infrastructure and services, together with inadequate resources for operation and maintenance, which means that services do not effectively reach those who need them; and
- the adoption of policies which discriminate against the poor or impede them from improving their situation, such as the adoption of regulatory standards which are unaffordable by the poor, harassment of the informal sector, etc.

These failures of government intervention may be blamed on incompetence, lack of perception or understanding, corruption or simply vested interests of those in power. Whatever the reason, the situation of the poor in most of the cities of Asia continues to be extremely unsatisfactory.

Not everything is bad, though. There have been some successful examples of interventions by governments and by NGOs, as well as by communities themselves, which have led to improved services for the urban poor. The purpose of this paper is to review the ways in which the needs of the urban poor can more effectively be served and particularly how such services can be financed.

How the Urban Poor Obtain Services

However precarious their existence, the poor do survive in cities. It is therefore useful to start by looking at how they obtain essential services. In doing this, one must acknowledge that generalizations across Asia, let alone the whole of the Third World, are bound to be oversimplified.

In many cities, the only way that the poor can obtain access to shelter is by occupying (usually illegally) land which has little or no market value: inaccessible land, land prone to flood, steep hillsides, land along railway tracks, pavements, land where title is unclear. This immediately raises a question about any program which seeks to regularize land tenure or improve the condition of the land, since this could lead to the commercialization of land values, thereby worsening rather than improving the situation of the poor.

Flood protection and drainage works are complex and beyond the means of the poor, so the poor must accept a high risk of floods (often a regular occurrence in poor neighborhoods), landslides or other disasters which destroy their homes. Access to land occupied by the poor is usually by narrow, unpaved alleys which are prone to inundation. Such access routes are usually constructed by the residents themselves, although improvement of access routes is often a first target of any official upgrading program. Such improved accessibility then makes the area more attractive to higher-income groups, often to the disadvantage of the poor.

In terms of housing itself, incrementalism would seem to be the key issue. The poor can rarely afford to build, buy or rent adequate, permanent housing. But given the right conditions they may be able to assemble materials over a period of time and gradually improve and extend their shelter as their resources permit. This observation has profound implications for government controls over land development and housing construction.

The urban poor often depend on purchasing water from private boreholes or from vendors at inflated prices, or else obtaining it from springs, streams or canals which may be heavily polluted. Where public standpipes exist, there may be long queues, inadequate pressure and frequent breakdowns in the service.

Sanitation in poor communities is often minimal. Unstable ground conditions, small plot sizes and high capital costs make construction of latrines an unrealistic proposition for most of the poor. The only alternative, therefore, is to use public spaces such as open land, canals, rivers and drainage channels. The environmental consequences of this are obvious. Similarly, the absence of a solid waste disposal system in poor communities means that much waste ends up in public areas and drainage channels, posing a further hazard to health and the environment. Some waste may be burned or buried by households, but small plot sizes make this unrealistic

in most cases. However, in many Third World cities, a substantial proportion of waste is recycled, providing an essential source of income for some of the poor.

The most important form of transport for the urban poor is walking, a mode largely ignored by transport engineers and planners. This has major implications for where the poor need to live if they are to have access to employment. In China, bicycles are the main means of transport for most people. Buses and minibuses (or *jitneys*) are important for longer distances in most Asian cities. Such private systems of public transport are remarkably cheap and so serve the poor. Public transport may also, of course, provide an important source of employment for the poor as in rickshaw and *becak*, bus and *jitney* driving or conducting.

It may seem surprising that poor neighborhoods are often relatively well-provided with electricity. But it may well be easier to obtain an electrical connection (whether legally or illegally) than to obtain other services. Also, the availability of electricity may have important implications for income earning (e.g., electric sewing machines and power tools, light to work at night, etc.) and may be cheaper than alternative fuels.

Through organization and political pressure, poor communities can sometimes force the authorities to improve public services to their neighborhoods: such an approach appears to be the standard method of obtaining public services in much of Latin America. However, that still leaves open the question of how such services will be financed, assuming that the authorities are not awash with resources. It is also an uncertain strategy, since richer and more powerful communities are likely to be much better placed than the poor to influence public expenditure allocations.

Improving Conditions for the Poor: What are the Options

Dennis Rondinelli lists six policy options for dealing with urban service deficiencies (Rondinelli, 1988)¹ which provide a useful basis for further discussion:

- expand direct government provision of urban services by building up municipal government capacity;

- use "market surrogates" to increase the organizational efficiency and responsiveness of service-providing public agencies;
- lower the costs of providing services through changes in regulations and methods of delivery;
- actively support self-help and service upgrading by the poor;
- promote public-private cooperation and private sector participation in service delivery; and
- increase effective demand among the poor for services by generating employment and higher incomes.

The traditional assumption has been that urban infrastructure and services are a government responsibility, in practice, the responsibility of the city or municipal government.² The justification for a public sector role is the "public good" nature of many urban services and the failure of the market to supply the services adequately, particularly to the poor. However, governments, particularly local governments, lack resources to meet the necessary scale of infrastructure and service provision (Prakash, 1988). For this reason, international agencies and others have tended to emphasize the need for full recovery of service costs from beneficiaries, either through direct charges or through taxes on the beneficiaries. Such cost recovery is necessary in order to generate the resources required to continue providing and extending the services: the notion of "replicability". However, 100 per cent cost recovery has rarely if ever been achieved (Swan, et al., 1983); and there are services where direct cost recovery is inappropriate and which should therefore, be financed out of general revenues. We will examine how governments and municipalities in particular, might increase their resources for urban services and how they might manage those resources more effectively in order to benefit the poor.

Because of the acknowledged failure of the public sector to satisfy urban service needs, increased emphasis has been placed on the role of the private sector. Such a change in emphasis reflects a worldwide shift in thinking about the respective roles of the state and the market. Increasingly, the role of government is seen to be to

provide a framework which enables the private sector to respond more effectively, rather than the government always providing the services directly itself. However, there are important limitations to the role of the private sector. We will examine the scope for harnessing the potential of the private sector to serve the needs of the poor, as well as the safeguards which may be required.

There is also increasing interest in the potential role of individual and community self-help as the means of providing basic services to the poor. There are good reasons for this interest: individuals and households are obviously better placed to determine what meets their needs and financial capacity than any public sector agency. Community-provided services are more likely to be responsive to local needs and priorities, and substantial additional resources can be mobilized through self-help. But it is clearly inappropriate and unrealistic to expect poor communities to undertake expensive public services, especially when richer communities have them provided free of charge. Nevertheless, there are some interesting examples of community initiatives in urban service provision which we will examine.

Of fundamental importance to any program to improve the urban services available to the poor is the need to increase their incomes and particularly the incomes of women, thereby increasing their effective demand for services. This can be done by such measures as: encouraging the adoption of appropriate technology; using local labor in the building of new infrastructure in housing projects; removing repressive controls on the informal sector; improving access to credit through both formal and informal channels such as credit unions; assisting small-scale enterprises within poor communities; skills training; improving access to health services, including health education, family planning and nutrition programs; developing child care facilities which enable women to work; and improving access to education. There are many examples of successful programs in these areas, frequently funded by international agencies like UNICEF, OXFAM, MISERIOR, etc., although their scale is frequently too small to have a major impact on the vast pool of need.

Finally, it is interesting to note the example of the People's Republic of China. While in much of the world there is a disillusionment with the capacity of the public sector to deal with the problems of urban poverty and a frantic search for private sector and com-

munity-based alternatives, the People's Republic of China presents an interesting contrast. The Government there appears to have succeeded in providing a reasonable standard of urban services and infrastructure for all. While there are undoubtedly some serious problems, not least in terms of political rights and democratic accountability, the performance of the State in providing reasonably well-managed basic public services to all, including the poor, appears impressive.

The Scale of Urban Service Needs for the Poor

It is obvious that the needs for basic urban services for the growing populations of the cities of Asia are huge. The statistics on service shortfalls are well-covered in numerous reports by donor agencies. The costs of meeting these needs are also vast. Prakash suggests that it would be necessary for the governments of developing countries of Asia and the Pacific to spend around \$7 billion each year between 1975 and 2000 (at 1975 prices) in order to meet basic urban services requirements by the end of the century (Prakash, 1988). In the case of Indonesia, it is estimated that, in order to meet the Government's targets in basic urban services by the year 2000, it will be necessary to invest nearly Rp 2 trillion (around \$1,400 million) at 1984 prices each year between 1985 and 2000; this represents roughly one fifth of the central government's entire annual development budget (Devas, 1989).

Such figures may appear quite unattainable. However, there are ways in which additional resources can be generated; what matters is to recognize the scale of needs and to develop strategies, policies and financing mechanisms which are realistic in relation to both needs and available resources.

The other side to these figures is the question of what the poor can afford to pay. Affordability studies have often been carried out as part of the various donor projects in the urban sector, usually with the assumption that the poor can afford to spend around 25 per cent of their income on housing and related services. However, such studies are of dubious validity, not least because of the great difficulty of obtaining accurate data on incomes but also because the resources of the poor are often extremely variable and hard to quantify. The experience in much of Asia has been that the poor can mobilize considerable resources (e.g., from the extended family network) for

investments which have a clear benefit to them, such as housing with secure tenure rights (Rondinelli, 1988). In the case of water, the poor often pay very high prices to purchase water from vendors or well owners, spending considerably more than governments usually assume people can afford to pay when setting tariffs. The implication of this is that it may not be particularly useful to try to make precise estimates of what the poor can afford to pay for services; rather, the aim should be to make public services more cost-effective and to ensure that the poor have access to them. In this way the poor will be able to make their own choice about what they can afford.

STRENGTHENING MUNICIPAL FINANCE

The Role of Municipal Governments

Whatever may be the weaknesses of the public sector in managing urban development and providing urban services, governments still play the key role. Within the government system, it is generally a local government entity which is responsible for urban services, whether the entity is a metropolitan authority, a city or municipal corporation. There are good reasons for making local governments responsible for urban services which are by nature local in character: local governments are likely to be in the best position to assess local needs and priorities; decisions about expenditures can be made accountable to local citizens; and resource allocation can be improved by linking the costs and benefits of local services more closely (World Bank, 1988a). In addition, it is often argued that local governments are better able to mobilize resources for services which benefit the local community. Over the last few years there has been a perceptible trend, worldwide, towards decentralization of decision making: in Latin America, in Eastern Europe, in parts of Africa and in several countries in Asia.

But it is important not to exaggerate the capacity of municipal governments to solve the problems of inadequate public services. Local governments face a number of serious problems:

- they often have inadequate powers to control urban development and provide services because: urban areas may be fragmented between a number of jurisdictions;

powers may be divided between a number of competing agencies; and central governments may exert considerable control over what can or cannot be done;

- local governments generally lack financial resources; they are often heavily dependent on grants from central government and have limited legal powers to levy taxes or set tax rates; the situation is particularly bad in small and medium-scaled cities;
- despite the stated policies of decentralization, the share of total public finance going to municipal governments has tended to decline in many countries; meanwhile, a large proportion of resources for urban services may come directly from central governments through line ministries and agencies, with little regard for local plans and priorities, as has certainly been the case in Indonesia;
- local governments may also lack skilled manpower and the capacity to plan and manage services efficiently. Such problems are often exacerbated because skilled manpower gravitates to central government where the real power is perceived to lie; and
- there may be a lack of democratic accountability at the local level, thereby undermining the case for decentralization of decision making.

Table 1 shows the main revenue sources for some of the cities of Asia. Differing arrangements for classifying revenues makes comparison difficult, but a number of points emerge: (i) the relatively small amount of resources available per capita in most cities (although capital cities are in a considerably better position than others); (ii) the great variety of local revenue sources in different countries, but the importance of property taxes of one sort or another in most of them; and (iii) considerable variations in the degree of dependence on central government for resources – from Seoul and Karachi, which are virtually self-financing, to some of the smaller cities in Indonesia where over 80 per cent of resources come from central government.³

Table 1: Sources of Finance for Local Governments in Asia
(per cent)

Source	Delhi 1982-83	Calcutta 1981-85	Karachi 1984-85	Dhaka 1982-83	Chittagong 1982-83	Nepal 1985-86	Bangkok 1986	Thailand 1985	Indonesia 1983/84	Jakarta 1983/84	Malaysia 1987	Manila 1981	Seoul 1985
Property Taxes (1)	28	34	27	34	24	0	14	1	4	5	64	35	15
Property Transfer Taxes (2)	4	0	1	3	5	0	2	3	0	0	0	0	33
Motor Vehicle Taxes	7	0	0	0	1	4	17	2	7	33	0	0	7
Professional/Business Taxes (3)	0	3	0	1	2	1	32	17	0	0	0	20	0
Electricity Taxes	1	0	0	0	0	0	0	0	0	0	0	0	0
Entertainment Taxes	12	0	1	2	3	0	2	0	1	11	0	0	0
Octroi-type Taxes (4)	22	26	61	0	0	51	0	0	0	0	0	0	0
Fuel Taxes (5)	0	0	0	0	0	0	1	1	0	0	0	9	0
Other Local Taxes	2	0	1	0	0	0	3	13	3	2	0	9	18
Subtotal: Local Taxes	86	63	91	40	35	56	70	64	14	51	64	73	73
Non-Tax Revenues	0	8	6	35	23	18	14	14	7	18	28	18	25
Total Local Own Revenues	86	71	98	75	58	74	84	78	21	69	92	91	98
Subsidies/Grants (6)	14	29	2	25	42	15	16	22	79	31	8	9	2
Total Revenues	100	100	100	100	100	100	100	100	100	100	100	100	100
Local Revenues/ Capita (in US\$)	136	52	228	50	33	64	983	186	4,905	23,888	66	184	89,167
Total Revenues/ Capita (in US\$)	158	73	234	67	56	86	1,169	239	23,706	34,621	72	202	90,729

Notes:

- (1) Includes rates for water, conservancy, etc.
- (2) Betterment Tax in the case of Karachi; Land Development Tax in the case of Bangkok/Thailand.
- (3) For Bangkok and Thailand: surcharge on sales tax.
- (4) Octroi is a shared tax in certain cases (e.g., Calcutta).
- (5) A shared tax in the case of Bangkok, Thailand, Manila.
- (6) For Manila, includes Internal Revenue Allotment.

Definitions and data sources:

Delhi (Delhi Municipal Corporation): Jha, 1988 (Tables 5.10 and 5.11).

Calcutta (all Urban Local Bodies in Calcutta Metropolitan Area): Bannerjee, 1989 (Table 2); Sivaramakrishnan and Green, 1986 (Table 10.4).

Karachi (includes KMC, KDA, KWSB, Military Lands, Cantonments): Bengali, 1989 (Table 2).

Dhaka and Chittagong: World Bank, 1985; 21 and 24.

Nepal (figures for 29 town *panchayats*): Legislation Study Team.

Indonesia (all local governments provinces plus Dati II): Devas, 1989.

Bangkok (Business, Entertainment and Fuel Taxes are surcharges on national taxes; Vehicle Tax is shared tax): Dhiratayakinat, 1989 (Table 3).

Thailand (all local authorities): Poshyananda, 1987.

Malaysia (Sample of 38 local governments.) (Majlis) from Ministry of Housing 1988; 103.

Manila (cities, municipalities and MMC): Sivaramakrishnan and Green, 1986 (Table 15.1).

Seoul (General Account only): Kim, 1989 (Tables 7 and 8).

Criteria for Evaluating Local Revenue Sources

When selecting possible sources of revenue to finance local services, we need some criteria on which to base our judgment. The standard considerations for any government revenue source are: that it should generate a substantial yield; that the yield should be elastic, that is, increasing automatically in line with inflation, population growth and rising real incomes; that the costs of levying the tax or charge should be economically neutral, that is, it should not unduly distort relative prices or create undesirable incentives or disincentives; and that the burden should be equitably distributed in terms of the payer's ability to pay. In addition, it is essential that any revenue source is feasible to administer, given the limits of personnel and skills, and that it is politically acceptable. The last point usually turns on the visibility of the levy and the extent to which it can be disguised in the price of goods or deducted at source.

Many of the best revenue sources in terms of the above criteria are also those which are best administered centrally, such as income tax and sales tax. For a tax to be suitable as a local revenue source, there are a number of additional considerations. Firstly, whether it is easy to assign the revenue to the correct local government: a property tax is obviously easier to assign correctly than a sales tax collected through the head office of a company. Secondly, whether the tax object is widely distributed or whether the tax will benefit only or mainly a few regions, thereby reinforcing interregional inequality; thus, entertainment taxes tend to benefit mainly the large cities, while royalties on particular natural resources benefit only those regions producing them. Thirdly, whether there is both the political will and the administrative capacity at the local level to levy, administer and enforce the tax effectively. If local discretion over tax rates is considered to be important within the system of local government, a further consideration will be whether, for a particular tax, differential tax rates are administratively feasible and economically non-distorting: differential local rates for fuel tax would obviously encourage motorists to drive across boundaries, while differential rates of local income tax would place a great burden on companies paying the tax on behalf of employees living in different local authorities.

No tax is perfect and there are clear conflicts between some of the criteria discussed above: between economic neutrality and equi-

ty, between equity and administrative simplicity, etc. But the aim of local fiscal policy must be to design a set of local revenues which minimizes the infringement of these criteria.

Local Taxation

The following are some of the main options for local taxation:

(a) **Property taxation** is the most common form of local tax. Its advantages are well-known: a tax object which is difficult to conceal, an obvious relationship of property values to the urban services which it is to finance and the ease of assigning revenue to the correct local government. Also well-known are the problems, particularly the high visibility of the tax, and difficulties of assessing property values, of keeping assessments up-to-date and of enforcing payment against defaulters. For these reasons, property tax revenues have often failed to keep pace with inflation and the share of property tax revenue in total revenues has declined in most countries (Davey, 1983; Mathur, 1987). In addition to the regular property tax, a number of countries (e.g., Republic of Korea) levy taxes on property transactions and registrations.

To improve the performance of the property tax, certain reforms may be required:

- the use of aerial photography, field inspection and other sources of information (e.g., building permits) to ensure that property records are up-to-date; ideally a proper land information system should be established covering all real property;⁴
- regular revaluation of properties; since frequent resurvey of all properties is not realistic, some system of indexing values in line with inflation would avoid the political visibility of irregular major revaluations; however, there also needs to be a continuous process of revaluation to ensure that relative values between properties and areas are maintained;
- a system of property assessment which does not require negotiation between taxpayer and assessor, as this can lead to collusion; rather, aerial photography and street inspec-

tion should be used where possible; publication of valuation rolls can also help to reduce collusion;

- exemptions should be minimized and governments should pay the tax (or a grant in lieu of the tax) on their properties;
- appeals against revaluation of property should not be allowed to undermine the processes, as happens in India and Bangladesh, rather, payments should be required before any appeal;
- in countries where property tax rates are very low, more realistic tax rates (e.g., 0.5-2 per cent of capital values) should be adopted; central governments should not fix ceilings on tax rates which unduly restrict the potential of the tax;
- enforcement action should be taken against defaulters, through the logical conclusion of seizure of property in certain, well-publicized cases, in order to create a climate of opinion which recognizes that defaulting will not be tolerated.

According to Binder, Republic of Korea has a model property tax system, with annual revaluation of property, computerized tax records and effective liaison with building permit and registration agencies. In addition, there are discounts for prompt payment and heavy fines for late payment (Binder, 1987). Several countries in the region, such as Indonesia, Malaysia and Philippines are attempting to improve their property tax administration.

It is commonly suggested that property taxation should shift from rental values to market capital values (Rama Rao, 1983; Mathur, 1987) and such a policy has been adopted in Indonesia. This may be useful where rental value data is not easily available, or where it is distorted by rent controls, as in India (Venugopal, 1983). However, data on market capital values may also not be readily available, while the skills required for accurate capital value assessment may be lacking. There is much merit in a relatively simple "index" system which is constructed on the basis of accurate assessment of a few sample properties and which can then be applied by relatively un-

skilled staff to appraise all other properties. Such a method is crude but can be refined over time as more skilled resources become available.

The fact that property taxation is based on the value of the building occupied means that the tax burden is at least crudely related to ability to pay. There may, however, be serious inequities, particularly where valuations are out of date, or where the poor spend a larger proportion of their income on housing than do the rich. One solution is to exempt low-value residential buildings (but not land), as has been done in Indonesia (Kelly, 1989).

(b) **Motor vehicle and fuel taxes** are potentially an important revenue source for urban services, because of their substantial base and their obvious connection with the provision of services such as road construction and maintenance. From an equity point of view, the burden of such taxes falls mainly on the rich. However, in many countries the revenue from such taxes belongs to central rather than local government. There would seem to be a strong case for assigning motor vehicle taxes to local governments which are usually responsible for road maintenance and for giving local governments the right to tax motor fuel (or to receive a share of fuel taxes). These taxes are relatively cheap and easy to administer (in the case of fuel tax, they can be collected directly from the oil company, based on the sales within the local government's jurisdiction), and there is little difficulty in assigning the revenues involved to the correct local government. In Indonesia, vehicle taxes (both the annual tax and the change of ownership tax) are assigned to provincial governments, while in both Japan and the Philippines, local governments benefit from a nationally collected fuel tax. A study on Indonesia concluded that allowing local governments to levy a 5 per cent tax on fuel (gasoline only) would mobilize nearly twice the amount raised by all existing local taxes (Devas, 1989).

(c) **Taxes on utilities** such as electricity and, to a lesser extent, telephone and gas, are now quite widely used as a local revenue source (Colombia: Gillis, 1971; Turkey: Davey, 1988; Delhi: Jha, 1988; Indonesia: Devas, 1989). Such a tax, which is collected as a surcharge on the bills issued by the utility company, has the great advantage of being very simple and cheap to collect. It also has quite a large base, is elastic (if levied according to the value) and burdens mainly the higher-income groups. There are few difficulties in assigning the revenues to the right local government, although such a tax will

benefit mainly those regions where electricity (or telephones or gas) are widely available. The main weakness is the non-neutrality of the tax in increasing the price of utilities. If the surcharge is substantial, this could seriously undermine the pricing and investment policy of the utility concerned. However, a modest surcharge of up to say 5 per cent should have only a marginal effect but could generate substantial revenue for local governments.

(d) **Entertainment taxes** on cinemas, theaters and hotels are a traditional way for local governments to raise revenues, and such taxes can be extended to cover sporting events, amusement arcades, gambling and other forms of entertainment; in Indonesia, the Entertainment Tax is the largest local tax source (Devas, 1989). Such taxes can have quite a large base in the urban centers and are generally equitable and elastic. They are relatively easy to administer, especially using preprinted tickets, although the scope for abuse may increase as the base of the tax is extended.

(e) **Business taxes and licenses** are a source which local governments are often keen to be able to tap. However, this raises some problems: there may be a conflict with national taxes on businesses; it may be difficult to identify a suitable basis for assessment which the local government is capable of implementing; and it may introduce non-neutralities between taxed and untaxed sectors. It is quite common for local governments to levy a tax on trades and professions (e.g., in South Asia), or some form of license based on some crude indicator of business size, for example, in the Philippines (Bahl and Miller, 1983), and the *patente* in Francophone Africa (You and Mazurelle, 1987).

(f) **Octroi**, which is effectively a local customs duty on goods entering a local government's jurisdiction, is a very important revenue source in South Asia. Indeed, for many municipal governments, it is still by far the largest revenue source; *octroi* provided 84 per cent of Karachi Municipal Corporation's tax revenue in 1982 (Mathur, 1987). However, this tax is widely criticized for its effects in disrupting trade and creating non-neutralities, its inequitable burden, and its problems of administration. It remains important in South Asia because its yield is both substantial and elastic and governments there, while recognizing its defects, have not been able to identify a replacement.

(g) **Local income and sales taxes** are used in a number of developed countries; such taxes have a huge base and are highly

elastic. The main problems lie in the difficulty of assigning revenue to the correct local government and the huge disparity in revenue potential between regions, especially where such taxes are collected through the head offices of companies. Thus, for developing countries at least, it is usually argued that such taxes should remain with central government, but there is a strong case for giving local government some share in the revenue from them, as is done in the Philippines (Bahl and Miller, 1983).

(h) **Other local taxes:** there are numerous other objects which local governments tax in various countries: advertisements, bicycles and other non-motorized vehicles, radios, alcohol, slaughterhouses, various types of local produce and the extraction of natural resources. Some of these are useful additions to local revenues. However, many of them have disproportionately high collection costs; in the case of some local taxes in Indonesia, collection costs can even exceed yield (Devas, 1989). In addition, the tax burden of such levies often falls on the poor, while non-neutralities involved in such taxes may impede economic growth.⁵

Charging for Services

In most countries, local governments raise a substantial proportion of their revenues from charges for services. It is normally considered that when the benefits of a service are private, a charge should be levied (assuming that exclusion from the service of non-payers is possible) and that this charge should reflect the full cost of providing the service to the particular consumer. This is the principle of "marginal cost pricing". Such a system of charging is normally considered to be "economically efficient" both in terms of rationing demand and avoiding waste and also in providing the resources to finance (and increase) the supply. In practice, it may be difficult to apply such a principle for a number of reasons. One is that many services comprise both public benefits (positive externalities) as well as private benefits, so that some subsidy from the taxpayer may be required to ensure a socially desirable level of consumption. Another problem is that costs may not be known accurately enough to be able to apply marginal cost pricing precisely. A third problem is that of long-term capacity constraints which may mean that the price has to be raised above the short-run mar-

ginal cost in order to ration demand and to raise the resources required to increase capacity.

While there are problems in application, marginal cost pricing does represent a useful starting point for setting the price of publicly provided services. The basic principle can be adjusted (and made more sophisticated) to meet the needs of particular situations. In practice, however, pricing policies for urban public services are often not properly designed. In particular, prices are often set too low, with the consequence that there is both excess demand for the service concerned and inadequate resources to maintain and expand the service. In that situation, it is usually the poor who suffer, since the rich are better able to negotiate or bribe their way to obtaining the limited available supply.

There are a number of reasons why prices tend to be wrongly set in practice:

- service providers do not have an accurate knowledge of their costs, and so cannot calculate unit costs, let alone marginal costs;
- many costs are disguised, through subsidies or payments by other parties (e.g., government grants which cover staff costs, subsidized loans, transfers of capital, etc.);
- the effect of inflation on costs, combined with a reluctance to increase prices because of the fear of public reaction;
- difficulties of measuring consumption levels in order to determine the charge (e.g., metering of water consumption); and
- the desire to protect low-income groups from the effects of high charges.

This last point may well be a sensitive political issue and is often dealt with by a subsidy – either explicitly or implicitly. However, any subsidy has to come out of general tax revenues and since such resources are limited, any subsidy should be clearly targeted on the poor. This usually requires some form of product discrimination to ensure that only the poor benefit; for example, higher charges

for house connections could be used to subsidize public standpipes, since the rich are unlikely to want to use standpipes. But a general policy of setting the price of water below costs will not help the poor: it will benefit those who already have house connections (who are usually not the poor), while reducing the resources to expand the system to serve those who do not yet have access to it (usually the poor).

What is required in most cases is the development of improved accounting and financial information systems. These need not be complex but they do need to provide a complete picture of the costs – particularly the unit costs of providing the service. The price of the service should then be based (in most cases) on the recovery of all costs, charging each customer according to consumption (e.g., water charged by volume consumed, public transport by distance carried and perhaps differentiated by peak and off-peak, plots of land priced according to size, location, etc.). Any subsidies to the poor should either be explicit subsidies for a particular product-differentiated service (e.g., public standpipes, very small house plots) or else cross-subsidies within the pricing structure for the service. Even so, there is a limit to the extent to which cross-subsidization is possible without distorting the pattern of demand (e.g., by creating a huge demand for the subsidized part of the service while deriving among the high-income groups whose contribution is essential for the cross-subsidy to work).

Improving Local Revenue Administration

In most developing countries there is considerable scope for improving the administration of existing local revenues. Space does not permit a thorough review of revenue administration issues, but some likely reforms would include:

- simplification of tax structures and rates in order to increase taxpayer awareness and reduce the scope for abuse;
- a regular (e.g., annual) system of tariff review; where tariffs are fixed in money terms, they should be increased in line with inflation each year;

- the development of proper registers for all local taxes, permitting cross-referencing of taxpayers for different taxes;
- greater use of field inspection and other sources of information (e.g., permits given by government agencies, records of land transactions, etc.) to update registers;
- the separation of assessment and collection functions and minimizing the area for discretion on the part of the assessor, in order to reduce opportunities for collusion;
- making it easier for people to pay, e.g., through agencies such as post offices, banks and community organizations, rather than just at the municipal government headquarters;
- better systems of recording and accounting for revenues, thereby permitting cross-checking;
- systems of random checking by senior officers on the records of their subordinates, with disciplinary action in cases of fraud;
- penalties for arrears which are a realistic deterrent: fines which are set at or below the rate of inflation are no incentive to prompt payment;
- improved enforcement procedures against defaulters which are carried through to a conclusion e.g., seizure of property in selected cases;
- performance targets for revenue collection based on a realistic assessment of the revenue potential, rather than on past performance, which may have been well below potential;
- systems of reporting on and monitoring collection performance during the year, with action being taken to correct shortfalls; and
- improved staff productivity in order to reduce administrative costs.

Revenue administration is likely to be more effective and efficient where the processes of assessment and collection are automatic (e.g., surcharges to utility bills, standard entry charges) than where amounts to be paid have to be individually assessed or collected door-to-door. Computerization, even at a modest level which is realistic in most countries in Asia, offers great benefits in terms of increased productivity, facilities for cross-checking, automatic production of accounts and reports for monitoring performance, etc. However, care must be taken to avoid computer fraud.

Improving revenue performance is not easy, but it is possible: in New Delhi, for example, the municipal government was able to double the revenue from property taxation in one year as a result of improved revenue administration procedures and tougher enforcement (You and Sudra, 1988).

One particular aspect of revenue administration highlighted by the World Bank in its World Development Report 1988, is the great increase in inter-agency arrears: that is, the failure of one branch or agency of government to settle its accounts with another branch (World Bank, 1988a). In the case of Bangladesh, it appears that public corporations are often the largest defaulters on the property tax (World Bank, 1985). Such arrears, which can be very substantial, can undermine financial discipline and result in a serious misallocation of resources.

Revenues from Land Development

The potential of revenue from land development is often neglected by local governments. Possibilities include:

- sales of publicly owned land where the state has large holdings of unused land (e.g., Pakistan);
- full cost recovery of infrastructure development costs from real estate and other private developers, e.g., through development charges, development permits; systems of "planning gain"; or "land readjustment" schemes;
- some form of betterment taxation or valorization charges to recover the costs of new infrastructure, as used quite widely in Latin America: in Colombia, for example, costs are shared

between the owners of adjacent properties in proportion to the projected increases in property values (Macon and Manon, 1977); in Taipei, China, there is a more comprehensive system of betterment taxation (Lee, 1980), although the complexity of such taxation makes it unsuitable for most developing countries;

- the use of "excess condemnation" to acquire land adjacent to new infrastructure (particularly new roads) and to resell it after construction at a price which finances the works; and
- high rates of taxation on vacant land held speculatively.

All such mechanisms involve a degree of complexity and require careful design and fair execution. As such, some of them may not be considered realistic in the cities of the developing world. In particular, it is important that tax burdens fall on those who can afford to pay, such as landowners who benefit from the increased values of their land, rather than on low-income groups who might be forced off their land by such actions. Nevertheless, the potential resources from such mechanisms are considerable and could provide a mechanism for financing essential urban infrastructure.

Revenues from Local Public Enterprises

In many countries, local governments are encouraged to set up local public enterprises as a means of generating additional funds.⁶ In other cases, such as Indonesia, local governments took over formerly foreign-owned enterprises after Independence. There are examples of successful local public enterprises which generate revenues for the local government: probably the best examples are joint ventures in property development, where the mixture of local government's land development powers and the private sector's management skills and capital can produce a profitable enterprise. Sadly, however, many local public enterprises are not revenue generators but drains on the budget, particularly once any hidden costs or disguised subsidies are accounted for. While this situation may be justified on the grounds of the services provided or the employment created (although these are rarely adequate justifications), such enterprises cannot be regarded as a means of revenue generation.

Transfers from Central Government

Local governments in most parts of the world receive a large part of their resources from central government, since central governments control the principle sources of revenue. Also, since local governments are assigned important functions, it is in the national interest to ensure that they have the resources to carry them out. However, in most countries there is considerable scope for improving the ways in which central government resources are provided to local government. The following are some considerations:

- While recognizing that resources as a whole are limited, local governments, particularly at the lowest tier, often receive less than their fair share. The distribution of resources between levels of government should reflect the relative costs of carrying out the functions which are assigned to each tier, and resources should increase in line with inflation.
- The allocation of resources between units of local government should be based on a proper assessment both of differences in expenditure needs, due to differences in the size of client groups and in local conditions, and of differences in local resource capacity, based on the revenue sources assigned to local governments.
- Transfer systems should be designed to encourage rather than discourage local revenue mobilization and to encourage local governments to utilize resources in productive ways; matching grants and grants related to service performance (rather than to input costs) can assist here.
- A balance is needed between using the grant system to achieve national objectives and allowing local governments discretion in the use of resources to match local needs and priorities; this may require a mixture of specific grants and general-purpose (block) grants.

- Sharing of national taxes (or the right to surcharge on them) offers certain advantages over grant systems, in giving local governments access to elastic revenue sources, rather than having to rely on annual budgetary allocations and in creating a sense of partnership between central and local governments, in which the latter may be able to contribute to the task of revenue mobilization.
- Allocations of resources should be determined well in advance of the budget year in order to facilitate proper planning by local governments and should be paid on time.

Loan Finance

Policies about borrowing by local governments vary considerably between countries. There are good reasons for allowing local governments to borrow, providing that such borrowing is kept within prudent limits. However, in many developing countries, the only source of loan finance is central government (or donor agencies via central government), so that the availability of such loan finance is totally dependent on the priorities and resources of the center (or of donors). It is widely agreed that local governments should have access to a more generally available source of loan finance, for example through some form of revolving municipal loans fund (World Bank, 1988; Mathur, 1987; Davey, 1988). Such funds have been or are being established in a number of countries such as Jordan, Turkey, Mexico, Philippines, Indonesia, Sri Lanka and Nepal.

Loans from such a fund would be available to local governments subject to appraisal of the project by the fund and subject to some limit on the borrowing authority's repayment capacity (e.g., a debt-service ratio ceiling). Loans should be relatively long-term and related to the life of the asset. Interest rates should not normally be subsidized, since this would encourage higher levels of borrowing than is desirable, leading to a misallocation of resources. It would also limit the amount of loan finance available and would tend to benefit the largest borrowers. Rather, the aim should be to mobilize investable funds from savers by offering a competitive rate of interest, although the rate offered to borrowing authorities might still be lower than could be obtained from commercial lenders, because of

economies of scale and the relatively low risks involved. There might be a case for subsidized loans for certain projects which were clearly targeted on the poor and conditional on the achievement of certain performance levels in relation to the target group.

It is important that the borrowing local government should be held responsible for servicing its debt, since waiving repayment obligations encourages irresponsible borrowing. At the same time, lenders should not be given too easy an option, for example, by giving them a lien over central government grant payments to the local government, since this invites the financial institutions to increase their lending with impunity (Davey, 1988).

An alternative is for local authorities to be allowed to borrow from the private market, or even to issue their own bonds. However, these options will only be possible where the capital market is well-developed, and there will be need for careful regulation by government of such borrowing.

Improving Local Government Expenditure Management

There is much that municipal governments can do to improve the performance of their expenditures and thereby make better use of their resources. The following are some commonly recommended strategies:

- reducing public sector employment and increasing staff productivity through better personnel management, performance-related payment, and greater pay differentials and incentives within the public service; such measures should also help to reduce corruption (World Bank Report, 1988a);
- a greater concern with cost-effectiveness of public services, including reviewing alternative ways of providing services;
- the adoption of improved budgeting systems: while systems such as PPBS are generally inappropriate in developing countries, adopting the essential principles of performance budgeting (identifying objectives, output targets and input requirements for each service or activity, rather than the traditional, line-item, input-based, incremental budget)

offers considerable advantages in terms of making clearer the alternative uses for limited resources and facilitating performance measurement;

- greater use of decentralized financial management to operational units within local government and use of market surrogates, performance targets and competition between units to improve performance (Lamb, 1982);
- avoiding open-ended and untargeted subsidies on public goods and services; rather, where possible, services should be properly costed and priced, while subsidies should be clearly targeted where needs are greatest (e.g., the poorest) and where the greater benefits can be achieved;
- a redirection of resources from new capital expenditure to the operation and maintenance of existing infrastructure; while new capital investment may have a greater political cachet, public benefits are likely to be increased by using the limited resources to maintain existing infrastructure which would otherwise deteriorate to the point where total reconstruction was required (World Bank, 1988a);
- greater "strategic use" of budgetary resources to lever private sector resources, or to concentrate on those elements which the private sector is unable to supply satisfactorily; for example, developing bulk infrastructure which enables urban land to be opened up for individual or private housing construction, rather than using public resources to build housing directly;
- improved systems of financial control, accounting, checking, reporting and auditing, which can reduce the scope of corruption and the leakage of public funds, as well as increasing the accountability of municipal government to its citizens; and
- reducing bureaucratic controls by central government on local budgets; such controls often create frustration and

delay without improving the performance of local expenditure.

NON-GOVERNMENTAL OPTIONS

The Role of the Private Sector

The private sector is a major provider of services to the poor – in some cases it may be the major provider: providing land on which at least some of the poor construct their homes, building rental accommodation, operating public transport, selling water, recycling waste, etc. The failure of the public sector to deliver satisfactory services means that the private sector often fills the gap. Indeed, it is frequently argued that the private sector is able to provide many services better, more cheaply and more flexibly than the public sector, in particular because the private sector is more responsive to the revealed preferences of consumers. It has become something of a fashion among donor agencies to believe that the solution to development needs, even of the poor, lies with the private sector.

However, it is important to recognize the limitations and failures of the private sector which necessitated government intervention in the first place. Monopoly situations, non-excludability and externalities all mean that there will be certain services which will not be satisfactorily provided by the private sector. In particular, the private sector is unlikely to find it profitable to provide services to the poor on the scale required. In such circumstances, governments can either provide the services directly themselves or they can use their resources and powers to influence or control the way in which the private sector provides them (Roth, 1987).

In determining their strategy, governments need to start by examining the ways in which the private sector provides services. This will avoid government reproducing what may be done more efficiently by the private sector. It will also indicate ways in which strategic intervention, in the form of regulations, subsidies, taxes, complementary investment, etc., might be used to bring about a better outcome from the activities of the private sector. Such intervention may well be much more cost-effective than the direct provision of all services by the government. It might be termed "working with the market", in contrast with much government inter-

vention which seems to work against the market. Such models of "public-private cooperation" (or "public-private inter-relationship") usually stress the "enabling" role of the state. The following are a number of possible approaches.

- (i) **Facilitating private investment:** So often government regulations and bureaucratically controlled access inhibit private investment, particularly by the poor. Examples include repressive policies towards the informal sector, zoning controls which outlaw small businesses in residential areas, subdivision regulations which prevent the poor from obtaining affordable plots on which to build, bureaucratically controlled access to credit, etc. Such restrictions need to be lifted, unless there is a clear public interest involved, so that the private sector and the informal sector are enabled to respond and resources of self-help are mobilized (Montgomery, 1988).
- (ii) **Influencing private investment through complementary public investment:** The pattern of private investment may be considerably influenced by related public investment. Probably the best example is for land development: given the difficulty of regulating land development in most developing countries, a more effective means of achieving the desired pattern of land development may be through public infrastructure investment (notably roads) which influences the investment decisions of developers (Shoup, 1978; Rivkin, 1978). This approach provides the basis for the Guided Land Development proposals in the Greater Jakarta Metropolitan Planning Study, discussed later in more detail.
- (iii) **Concentrating public resources on activities which the private sector cannot provide:** As Turner (1972) has pointed out, governments often provide those things which the private sector, individuals or communities, can provide for themselves, like house construction, but neglect those aspects which others cannot easily provide, such as bulk infrastructure and a proper legal basis for secure tenure. The shelter sector is an obvious example of where public

expenditure needs to be reoriented to enable individuals and communities to provide for themselves: careful targeting of such public resources can unlock substantial individual and community resources, especially in the case of the poor.

- (iv) **Regulation of private suppliers:** Regulation is the most common method of influencing the behavior of the private sector and there are many situations where regulation may still be necessary in the public interest. For example, while private operators may be able to provide a cheap and efficient public transport service, there is still a need for some regulation to protect the travelling public, particularly in terms of vehicle safety. However, in many developing countries, there has been an excess of regulation, much of which is either unenforceable, or else becomes a mechanism whereby the enforcing agents enrich themselves. Experience of government-induced inefficiencies in many countries has led to moves towards deregulation, with the removal of many non-essential or unenforceable controls. Nevertheless, a balance is still required between deregulating the private sector to respond to market demand and protecting the public from unscrupulous operators.
- (v) **Increasing competition:** Private sector (and public sector) service performance can often be improved by opening up the market to greater competition. Once again, public transport offers the main examples of improvements in service quality and reductions in price as a result of increased competition (e.g., Calcutta: World Bank, 1988).
- (vi) **Use of subsidies:** In some cases it may be possible to induce the private sector to modify the service in the public interest through the use of specific subsidies. For example, a subsidy might be used to induce the owner of a private borewell to provide a public standpipe, to induce a bus operator to provide a service on an unprofitable route, or to enable a land developer to provide sites for low-income groups. However, there needs to be a system of monitoring

to ensure that the subsidized service is actually being provided.

- (vii) **Contracting out services:** Where the government is committed to providing a service, it may not be necessary for it to provide that service directly. Contracting out the provision of services such as refuse collection, street cleaning or maintenance of public buildings to the private sector is an alternative which has been extensively used in developed countries. The experience suggests that there may be considerable benefits, particularly where competition leads to greater efficiency and reduced costs. Contracting out also obliges the contracting agency to specify precise service standards and performance requirements, and to monitor contract compliance. There are, of course, risks: the reduced costs may in fact reflect reduced service standards; or they may be achieved by reducing wage rates or cutting the numbers employed, thereby worsening the position of the poor; and in the long-term, competition among private sector suppliers may be reduced, so that when contracts come up for renewal, the current contractor may be in a very strong position.

There are a number of developing country examples of services such as refuse collection which can be contracted out, e.g., in Malaysia. Perhaps the best known example is SITAF, a private company (and the subsidiary of a French contracting company) which provides cleansing services in Cote d'Ivoire. But this case also illustrates the potential problem in many developing countries – that there is no effective competition, and without competition the gains of contracting out are unlikely to be realized.

A somewhat different model is one where both the service and its revenue source are contracted out. Thus, in Jakarta, private operators bid for the right to collect car parking charges. In Merida, Mexico, refuse collection is contracted out to cooperative crew groups made up of former employees of the service; these crews are then entitled to retain the revenue from the charge for the service which they collect from the households.⁷

The Role of the Community

There are many examples of low-income communities participating in the improvement of their basic services.⁸ Indeed, it may be argued that, given the inadequacy of public services, the community is obliged to provide its own services. However, that does not always work out in practice. Lack of resources, lack of organizational skills, institutional obstacles and a host of other factors may prevent poor communities from organizing themselves to improve their situation. The examples which may be cited of community-based improvements are often the result of external intervention, e.g., by an NGO, usually with some external financial resources. In some countries, there are officially promoted community organizations: the *kelurahan* and RW/RT in Indonesia, the *barangay* in the Philippines and the *saemol undong* in Korea. Such organizations may be a means of promoting community involvement and often build on traditional concepts of mutual self-help such as *gotong royong* in Indonesia and Malaysia and *sarvodaya* in Sri Lanka (Yeung, 1990). But the official status of such organizations may inhibit real grass-roots participation.

Experiences of community participation in urban service provision vary widely, from token consultation of local communities by government agencies, to situations where communities have been "empowered" to bring about significant improvements in their own situation. The following are a few examples of projects where communities have been able to improve their local infrastructure and service:

Korea: community self-help improvements in housing and basic infrastructure through the *saemol undong*, government-sponsored community organizations; costs of improving water supply and access routes are shared between members of the community, who also contribute labor (Yeung and McGee, 1986).

Indonesia: the W. R. Supratman program in Surabaya, in which the municipality provides around half of the costs of community-initiated *kampung* upgrading, while residents contribute labor, materials and cash (Devas, 1980; Silas, 1983).

Indonesia: in the city of Semarang, poor migrants have, through the help of Yayasan Social Soegiyapranata, been provided with access to land and loan finance to enable them to construct housing through cooperative enterprise.

Sri Lanka: as part of the Million Houses Programme, Community Councils have been established by the Government with assistance from UNICEF, to facilitate the provision of improved sanitation and water supplies to poor communities in Colombo. They have also mobilized the community to improve refuse collection and neighborhood cleaning (Cassim, et al., 1982; Sheng (undated); Fernando, 1987). In another project, the community in one of the squatter settlements has been assisted by SAVE to improve housing conditions (Fernando, 1987).

Pakistan: in the Orangi Pilot Project in Karachi, the community, with the assistance of NGOs, has carried out a variety of improvements to the settlement, both through direct self-help actions and through lobbying the State for provision (Hasan, 1990; Turner, 1988). Another example is the development of latrines by the women of the community in Baldia, Karachi, with UNICEF assistance (Turner, 1988).

Philippines: ZOTO, an organization of residents in Tondo, Manila, has organized self-help projects to improve conditions (Murphy, 1990).

Philippines: the Community Mortgage Program was established, so that squatter communities can borrow money to enable them to purchase the land on which they are squatting, to upgrade the infrastructure and to improve their houses. The mortgages are communal rather than individual and the amount is limited to that which low-income groups can afford to repay (Nuqui, 1991).

Thailand: with the help of the NGO Foundation for Human Settlement, one low-income community (Senapattana) which was facing eviction from land near the center of Bangkok was able to negotiate some compensation from the landowner with

which to acquire some marginal land on which to relocate; they then constructed access ways and other infrastructure as well as built their own houses.

Other examples are described by Turner (1988), Yeung (1990), Hollnsteiner (1982) and in *Environment and Urbanization*, Vol. 2, No. 1, 1990.

Community participation offers a number of advantages: it may reduce costs by mobilizing additional community resources (labor as well as cash), and it may help to ensure subsequent maintenance and cost recovery. More importantly, though, it is more likely to ensure that what is provided matches the community's real needs and priorities and can also be an educational and empowering process for the community. However, the advantages should not be exaggerated. All too often, governments see community participation either as an exercise in persuading recipients to accept that which has already been decided, or as a way of economizing on the costs of providing essential public services. Poor communities, by definition, lack resources, so it is both unrealistic and inequitable if they are expected to provide basic services for themselves while other, richer communities receive municipal provision. Conflicts of interest within communities, including gender differences (Moser, 1987) and perceived inequities of burdens and benefits, can easily prevent an organized response by the community. Meanwhile, the technical complexity of much infrastructure makes it difficult for communities to contribute usefully through self-help. Often the experience is that the resulting work is unsatisfactory (Hasan, 1990), and may actually prove to be more costly than if done through employing labor (Shah, 1979; Peattie, 1987).

Much has been written about the nature of community participation (e.g., Gilbert, 1987; Moser, 1989), while Rondinelli cites some useful managerial principles for organizers of community-based programs (Rondinelli, 1988). There generally seem to be two critical issues: the quality of the community leadership and access to financial resources. In terms of the latter, special, non-conventional mechanisms may need to be devised to channel resources to local communities, on terms which match their situation: the Community Mortgage Program in the Philippines would appear to be a good example. Intervention by an external agency such as an NGO also seems to be necessary in most cases, to act both as a catalyst and as

a channel for the initial finance. There is, however, a risk that the resources which an external agency can mobilize externally may overwhelm the local community and undermine the very participation which it seeks to promote: the suggestion is that this may have happened latterly with the Hyderabad Urban Community Development Project (Thomson, 1989).

Clearly there is no one model of community participation in urban service provision, just as there is no one model of government or private sector provision. Rather, there are numerous different arrangements found in different countries and particular cities, involving varying mixtures of public, private and community provision. In general, though, it seems appropriate for government agencies to concentrate on the provision of infrastructure, since this is both technically complex and costly in terms of capital. Meanwhile, the community's energies are most appropriately devoted to house construction, income generation and a variety of health and welfare activities for which direct community involvement is essential. That does, however, presuppose that government agencies become more responsive to the needs of poor communities in ensuring access to basic infrastructural services. It also suggests the need for local communities to have a greater say in the planning and management of local public services in their area.

FINANCING SPECIFIC SERVICES

In this section, we will look at those policy options and financing mechanisms for particular urban services which can best ensure that the needs of the urban poor are met.

Water Supply

In most Third World cities, the poor are unable to gain access to adequate supply of clean water for a number of reasons:

- the inadequate bulk capacity of the water supply and treatment system, including, in many cases, a shortage of raw water;
- an inadequate distribution network, especially to low-income neighborhoods;

- high leakage rates up to 30-40 per cent of capacity in some cities which further reduce the capacity of the system;
- because of the above, inadequate pressure and irregular services in many parts of the city, particularly poor areas; and
- the lack of public standpipes or other means by which the poor can gain access to the distribution network.

To deal with these problems, the first policy must be to devise a pricing system which raises sufficient resources to permit the water supply system to be expanded.⁹ Such a pricing system should cover all costs and generate a surplus for investment (essentially the principle of marginal cost pricing). While general subsidies are undesirable, since they will benefit those who are already served, there may be scope for some modest cross-subsidy from high-income residential or non-residential users to low-income consumers within the tariff structure. However, this will depend on being able to identify reasonably accurately where different income groups live. Another possibility is a "basic needs tariff" – a subsidized tariff for very low levels of consumption (e.g., less than 100 liters per capita per day), which would benefit those households using water only for essential purposes; such an arrangement is in use in Indonesia. Since initial connection charges can often be prohibitive for low-income groups, these could be spread over a five or ten-year period, or simply incorporated with the consumption tariff.¹⁰

The most common approach to providing water for the poor is through public standpipes (or tankers where there is no distribution network). This can be a good system where standpipes are plentiful and accessible, but often the distances involved, the low water pressure and irregular supply mean that the poor (and particularly the women) have to waste a great deal of time collecting water (Moser, 1987; Cousins and Goyder, 1978).

Public standpipes may be provided free of charge, as in India, on the assumptions that only the poor will use them and that consumption tends to be self-limiting. There is, however, a problem with maintenance and non-self-cancelling (or broken) taps can result in a great deal of waste. If large numbers of people are using the taps, the cost to the water utility of free water may be considerable.

In Indonesia, standpipes are operated by a concessionaire who is responsible for paying for the water used. This ensures better maintenance and less wastage, but can lead to exploitation by concessionaires where standpipes are few and far between. Only if competition is increased will prices be forced down. An alternative is for the community to be given responsibility for paying for the water from standpipes, through a bulk metering arrangement. However, this requires a proper community organization and problems can still occur where supply is inadequate.

Where private water vendors exist, their role as informal sector service providers needs to be acknowledged. However, the cost of water from vendors is generally extremely high, due to the long distances water has to be transported and the absence of alternatives. The same applies to private boreholes. Only an increase in the availability of supplies will reduce the costs of water. There are various ways in which this can be done:

- by permitting those who have connections to sell water to others; this already occurs in a number of places, e.g., Philippines (Ramos and Roman, 1986); providing that a reasonable number of people are connected, competition should prevent excessive prices;
- by making available loan finance and technical advice to enable low-income communities to sink boreholes or to build small-scale water treatment plants, where this can be done cost-effectively (Rondinelli);
- similarly, facilitating installation of private and community water storage systems to collect rainwater and to overcome problems of inadequate pressure and erratic service from the public system (Hasan).

In most of these cases, though, the fundamental need is for the municipal authorities to expand bulk water supply capacity and extend distribution networks to low-income areas.

Sanitation

It is not hard to see that waterborne sewerage systems are beyond the means of the poor unless there is a very large subsidy

element. Even with a subsidy, the recovery of sewerage costs through a surcharge on water is likely to discourage the poor from connecting to the system. The alternative, widely used in South Asia, of financing sewerage out of property taxation may help to redistribute the burden towards the better-off but is unlikely to generate sufficient resources to extend the system to all who need it.

But is direct cost recovery appropriate for sanitation? There are major public health benefits from a proper sanitation system which justify a contribution out of general taxation. But the limited level of public resources, and the high cost of conventional sewerage systems, mean that alternatives have to be considered. The most obvious alternatives, where ground conditions and plot sizes permit, are the pit latrine (e.g., ventilated improved pit) and the pour-flush latrine connected to a septic tank. Construction costs for these can be financed from loans (possibly at a subsidized rate of interest), as has been done under the Million Houses Programme in Sri Lanka. In India, a private company, Sulabh Shauchalaya, is installing and servicing low-cost twin-pit latrines for low-income groups (Pathak, 1990), although it is not clear how satisfactory the arrangements are for emptying these latrines.

Communal latrines are another possibility. The same Indian company, Sulabh Shauchalaya, also operates public latrines for which they levy a user charge. Public/communal latrines and washing places have also been provided as part of upgrading projects (e.g., KIP in Indonesia). Such facilities often present problems of social acceptability, maintenance and cleanliness, although these problems appear to have been overcome in Shanghai, China through clear assignment of responsibilities for maintenance and cleaning. There may be a strong case for subsidizing such a service, since a charge which covers the full cost may discourage use. On the other hand, the experience of Sulabh Shauchalaya's public latrines is that, since the users are paying a charge, they demand that facilities are kept clean (Cousins, 1991).

In cities where the bulk of human waste still ends up in the public waterways, devising ways to increase the flow of water along canals and water-courses in order to "flush" them out, may be a necessary first step to improving the city's hygiene: this has been proposed for Jakarta (Jabotabek Metropolitan Development Planning, 1981). The costs of such arrangements would obviously have to be met out of taxation.

Solid Waste

It is estimated that only about one-third of all solid waste in the poor urban communities of Philippines is disposed of through the government collection system (Ramos and Roman); the situation is probably similar elsewhere. Because of the serious environmental and health effects of improper waste disposal, there is a strong case for the costs to be subsidized out of taxation. Attempting to recover costs through charging raises the problem of enforcement, since the only sanction is withdrawal of the service, which is self-defeating.

Given the limited resources of municipal governments, the priority would seem to be to encourage community responsibility for neighborhood refuse collection and cleaning, while concentrating municipal resources on establishing properly organized collection points in each community and the transfer of waste to properly managed disposal sites. Municipal governments must also take responsibility for the cleaning of main streets and public places. These functions should be financed out of taxation, notably property tax, although direct charges could be levied for collection and disposal of waste from commercial and industrial premises, so long as this does not lead to unofficial dumping.

Community-based refuse collection and local street cleaning systems can work well where the community is well-organized and the leadership is respected. One example quoted is the Community Councils in Colombo (Cassim, et al.). The costs of such services can be met from a small charge on residents and community pressure can be used to get most people to pay. The problem arises where such community organizations do not exist or do not function properly.

The role of the informal sector in waste recycling is also important, not only in terms of reducing the volume of waste, but also on the grounds of income-generation for the poor (since it is generally the poor who are involved) as well as for environmental reasons. Every effort should be made to facilitate this recycling process, while avoiding undue health risks.

Housing

Housing has traditionally been one of the first areas in which governments have sought to intervene and yet it is probably the area in which government direct provision is least appropriate. Subsidized public housing rarely benefits the poorest: typically, it

benefits the middle-income groups, particularly civil servants (ADB, 1986). Even "minimal" forms of public housing (low-cost housing, core houses, sites-and-services) have generally proved to be unaffordable by the poor without massive public subsidy and schemes intended for the poor have frequently been taken over by the better-off. This is not only because of the subsidy element, but because such schemes are often the only way for middle-income groups to obtain land. For example, it is well-known that in Indonesia, houses built for low-income groups and sold through the state mortgage bank (BTN) have often been demolished immediately by their purchasers and rebuilt to much higher specifications.

Attempts to subsidize housing for the poor can be extremely expensive: even the Chinese government, which has been committed to providing cheap rental housing for all, has embarked on a policy of introducing more realistic rents and selling off housing in order to stem the hemorrhage of resources (Kirby, 1990). In Thailand, the Government has sought to extricate itself from direct provision of public housing (Mathur, 1987). Nor is the answer to cross-subsidize low-income housing from high-income housing, or from commercial development (as in the case of Delhi Development Authority (Mitra, 1987), since such subsidies rarely make formally constructed housing affordable by the poor and are usually captured by the better-off. Insisting that real estate developers build low-income housing as part of a scheme for the better-off (as is sometimes required in Indonesia) may also be unrealistic for the same reasons, or simply because the developer does not comply with the requirement. On the other hand, there are examples of private developers providing for low-income groups: one such example in Agra, India is described by Garg (1990); in Bangkok, private developers are apparently now serving much lower-income groups than was the case in the past (Sheng, 1989); while in the Philippines, private developers were enlisted to develop a sites-and-services scheme for low-income groups as part of a World Bank project (World Bank, 1989). However, none of these schemes is likely to serve the poorest.

Rather than direct provision of housing, the role of the government should be to ensure access to land and the provision of basic infrastructure. This enables households to provide their own shelter incrementally, as and when they have the resources. As Baross has pointed out, the sequence of priorities for poor households starts with occupation, followed by building, whereas the sequence of

official schemes starts at the other end with planning and servicing (Baross, 1990). Thus, governments need to adjust their building codes and minimum plot size regulations in order to facilitate affordable and incremental construction. Such controls should focus on the key areas of public safety, such as fire prevention and structural safety of multi-storey buildings.

In most developing countries there is a serious shortage of loan finance for housing, a situation which is made worse in many cases by controls on interest rates and restrictions on financial institutions. As a result, formal sector mortgage finance rarely reaches the poor. In the Philippines, for example, it is estimated that only 14 per cent of housing is financed through the formal sector (Boleat, 1987). The evidence suggests that properly managed savings and loan institutions can mobilize substantial resources for housing (van Huyck, 1987). Governments need to encourage the development of such institutions by providing enabling legislation, an appropriate regulatory environment and removal of controls on interest rates. Where governments establish such institutions themselves, they should not subsidize interest rates, since that means that credit has to be rationed and benefits those who borrow most. Rather, such institutions should seek to make their credit available to low-income groups through easily accessible offices, simple procedures and realistic requirements regarding security, collateral and initial down payments. It is clear from the evidence that the poor can repay loans if the financial institutions are well-managed: the Grameen Bank in Bangladesh, which lends to the poor in rural areas, has achieved a very high repayment rate (UNCHS, 1989). The Housing Development Finance Corporation in India also seems to have achieved good results (van Huyck, 1987); other countries which have established such institutions include Indonesia, Philippines and Thailand (Mathur, 1987) although in the first two cases, interest rates are still set well below market rates.

The other alternative is to build on existing, informal sector financing mechanisms, whether in the private sector or within the community. Private money lenders often charge extortionate rates of interest, but the only realistic solution is to increase availability of credit by deregulation and increasing competition from alternative sources, thereby driving down interest rates in the informal sector. There are a wide variety of community-based savings and credit systems, such as credit unions, cooperatives, *arisan* (in In-

onesia/Malaysia) and *tontine* (in Africa). In India, it is estimated that there are 115,000 credit unions with over 70 million members (United Nations, undated). The amounts of money involved are generally quite small but may be crucial in enabling a poor household to get started on house construction. It may be possible for governments to encourage such community-based credit systems, for example by removing restrictive controls and providing access to wholesale credit, particularly longer-term credit. Social pressures within communities can help to ensure low default rates, although there is a risk that communities can be torn apart by the burden of securing loan repayments from members. This has been a particular problem with the single-mortgage cooperative model, since once the project is completed, members may feel free to default (Devas, 1989b).

There are other obstacles which the poor face in constructing housing. In some cases, lengthy delays in issuing tenure documents and building permits can prevent the poor from gaining access to sites or obtaining loans: this has been a serious problem with some sites-and-services projects in the Philippines (World Bank, 1989). Another problem is the unavailability of suitable building materials near poor settlements. In larger sites-and-services schemes it may be possible to store building materials locally (or even to produce them locally), and to make these available through a system of credit. Technical advice with building work, including provision of standard building plans, can also greatly assist, providing that standards are sufficiently low to be affordable and that plans permit incremental construction. There is obviously considerable scope for community involvement in and management of such support services, as well as for mutual self-help in house construction.

Finally, we should not forget the role of rental housing. In many cities, the private rental sector is the primary source of housing for the poor (Gilbert and Varley, 1990; Amis, 1990). This is despite the fact that this sector is often discouraged through rent controls, planning laws and regulations governing sites-and-service schemes. Rental housing also provides a means for low-income groups to pay off debts incurred in house construction. Evidence suggests that rent controls, although largely unenforceable, tend to reduce the stock of housing available for the poor (Renaud, 1987; Tipple and Willis, 1989). While most people would regard renting as being second best to owner-occupation, for the poor there may be little choice. There-

fore government policies (such as tax incentives, interest rate subsidies, etc.) should not discriminate in favor of, or against, any particular form of tenure.

Land Development

Access to land is probably the most important constraint on meeting the shelter needs of the poor. In the past, the poor have often been able to occupy land where the title was unclear, squat on publicly owned land or obtain an unofficially subdivided plot of unserviced land. But the steady process of commercialization of land has closed off many of these options (Baross and van der Linden, 1990). Ironically, government attempts to upgrade squatter settlements and to regularize tenure have often tended to reinforce that process of commercialization, to the disadvantage of the poor.¹¹ Meanwhile, the conventional, public sector solution of sites-and-services has generally been far too small in scale, too expensive (for example, Metroville in Karachi) and often located far from sources of employment

By contrast, in a number of countries (Mexico, Peru, Pakistan, Philippines), the private sector has often been able to open large tracts of land, usually illegally, on which the poor have been able to settle. Such "pirate subdivisions" are usually carefully planned in advance, to permit the subsequent provision of infrastructure, which is then negotiated with local politicians (Ward, 1990). However, the position of occupiers of such schemes may often be little better than a client-tenant of a powerful and exploitative land developer (Hasan, 1990). In Hyderabad, Pakistan in the "Huda-ki-Basti" project the municipal government itself adopted the "pirate subdivision" or "land-grabber" model to subdivide a huge area of public land for low-income groups; in order to discourage high-income groups from settling there, they required would-be residents to construct a temporary shelter and live on the site before granting tenure rights (Siddiqui and Khan, 1990).

In other countries, such as Thailand and Indonesia, the process has been more one of informal subdivision of smaller parcels of land (Thadaniti and Pornchokchai, 1988; Silas, 1983). This process is usually illegal in the sense that it contravenes planning and subdivision regulations and it often creates serious problems for subsequent provision of services. One solution is a formal system of land readjustment, in which the municipality cooperates with land-

owners to ensure an orderly development of land and provision of services, the cost of which is met through the sale of some of the land (Doebele, 1982; Archer, 1987). However, the experience from Korea is that such schemes do not usually serve low-income groups; as a result, it seems that land readjustment is no longer being pursued there as vigorously as before.

Another method of harnessing the continuing process of private subdivision is through Guided Land Development (GLD). GLD is an attempt to guide the process of private land development by providing basic infrastructure over large areas of land which are suitable for development. Infrastructure costs are recovered through a valorization charge on the landowners. The land is not acquired by government: rather, the intention is that private owners will subdivide and sell; indeed by imposing an immediate charge on landowners, the aim is to stimulate the process of subdivision and sale. By keeping infrastructure standards low and plot sizes small, the objective is to make serviced land accessible to low-income groups as well as the better-off. By carrying out the program on a large scale, thereby greatly increasing the supply of serviced land, the premium price of serviced land should come down. Such an approach was put forward as part of the Jabotabek Metropolitan Development Plan (JMDP, 1981; Devas, 1983), but has yet to be put into effect. There are certainly complexities of implementation, particularly in relation to the cost-recovery mechanism and there are question marks about the extent to which the poor would really benefit. But it does represent an attempt to harness existing private sector processes to provide serviced land on a scale which matches the needs: as such, it should be of benefit to all.

Given the central importance for the poor of access to land, it may be necessary for governments to go beyond mechanisms which increase the supply of serviced land to devising ways in which the poor can be sure of gaining access to it. In this, official sites-and-services schemes may continue to have a place, but more attention should be given to community-based and non-governmental initiatives. There are a number of examples where low-income communities, usually supported by external agencies, have been able to acquire land for resettlement: some of those examples have been described. Governments and donor agencies may be able to facilitate such moves by making available publicly owned land, by

channelling loan finance to them for land purchase and development, and by relaxing building and subdivision regulations.

Finally, there is the issue of land speculation. Speculative holding of vacant land is a major impediment to improving access to land for the poor (Rondinelli). However, legal controls on landholdings have proved to be remarkably ineffective: the Indian Land Ceilings Act has done almost nothing to release surplus land for the poor (Raj, 1990); the nationalization of urban land in Nigeria has been similarly ineffective (Okpala, 1979). Improved systems of property taxation, with heavy taxation of vacant land, would make speculative land holding more expensive, although it may be difficult to define precisely what is meant by vacant land. Where squatting on vacant land is a common practice, a readiness to grant tenure rights to squatters may be a deterrent to speculation, although such a policy could result in more violent confrontations over land. In many cases, the underlying causes of land speculation are high inflation and the low returns on alternative assets (e.g., low interest rates on money holdings). Governments wishing to deal with land speculation must, therefore, address these economic issues.

Drainage and Flood Protection

In many cities in Asia, land is low-lying and prone to flooding. Draining and flood protection works are costly but could render large amounts of land usable. Such improvements would greatly increase the value of the land in question, so that where this land is privately owned, it is right that the costs of drainage and flood protection works should be recovered, in whole or in part, from the owners of the land. This can best be done through some form of betterment tax or valorization charge which simply divides the cost between benefitting landowners. It is vital that such cost recovery is agreed with landowners before the works are started and ideally at least part of the payment should be made in advance. Cost recovery after the works are completed is likely to be impossible because the land is usually sold.

In many cases flood-prone land is occupied by low-income groups from whom no direct cost recovery is appropriate, although there could be a system of deferred betterment tax which is collected if and when the property is sold. It will be important to ensure that low-income residents in such areas have adequate tenure rights

before the works are carried out so that they are not subsequently expelled by landowners.

Roads, Footpaths and Traffic Management

Perhaps more than any other form of public investment, the construction of roads opens up land for development and hence increases land values. It is therefore right that, where undeveloped land is privately owned, part or all of the costs of the new road should be recovered from landowners through some form of betterment tax or valorization charge. Jakarta's Special Tax is an example of a fairly simple mechanism which allocates a proportion of the costs of new road construction between adjoining landowners. However, it has to be said that this mechanism has not been much used in recent years. The Land Readjustment model used in Korea and elsewhere is another way of recovering the road costs from existing owners. It may also be possible to use betterment taxation/valorization charges to recover costs of road improvement in existing commercial/industrial and high-income residential areas, but it should not be used in established low-income areas, since this would force out those who cannot afford to pay the tax. However, once provided with infrastructure such low-income neighborhoods should be incorporated into the property tax registers, so that they make a fair contribution towards the services they are receiving. Where improvements in access roads are carried out as part of the upgrading of a slum or squatter area, it may be reasonable to require the community to contribute the land for the road, e.g., by cutting back properties, as in the Kampung Improvement Program in Indonesia.

The conventional preoccupation with roads as the means of travel tends to obscure the primary need of the poor for improved accessibility by foot. This is not to say that vehicular access is not important, but in many upgrading schemes the priority is for improved pedestrian and bicycle access. This requires much less land and lower construction costs than vehicular roads. Similarly, priorities for the poor are better pavements, so that they are not forced to walk in the roads and improved arrangements for crossing busy roads. Main traffic routes without adequate pedestrian priority crossing facilities become a major barrier to movement for the poor.

Direct cost recovery from existing urban roads, e.g., by using tolls, is difficult, because of the problems of exclusion. But the

experience of the area pricing system in Singapore seems to be very positive and worth consideration as a cost-effective means of reducing traffic congestion. Finally, parking charges provide a way of rationing road space and generating revenue at low cost.

Public Transport

It seems clear that, in most Asian cities, privately operated public transport, for example in the form of jitneys, offers a service which is cheap, frequent, flexible and accessible. By contrast, publicly operated bus companies are often highly inefficient [although there are exceptions, e.g., Bombay and Coimbatore in India (World Bank, 1988a)]. Thus, the right strategy would seem to be to open the public transport system to greater competition. Regulatory control should be limited to matters of clear public safety (vehicle condition, driving test), to designation of routes and to ensuring competition. Such regulations should then be properly enforced. Fare levels are probably best left to the market, providing there is adequate competition.

There is no case for general subsidies on public transport, since such subsidies are unlikely to benefit the poorest very much and may simply underwrite inefficiency in municipal bus companies. In exceptional situations, there may be a case for subsidizing particular routes, such as those to distantly located low-income housing areas (e.g., site-and-service schemes which were located where land was cheap). It may be possible to achieve cross-subsidization of routes by allocating (or auctioning) to private operators packages of routes including both profitable and less popular routes. In general, transport policy should favor public transport on both environmental and cost-effectiveness grounds. However, rather than fare subsidies, resources should be concentrated on traffic management systems which facilitate public transport, such as bus priority routes.

While rapid-transit systems have often proved to be very expensive and less cost-effective than buses, they should not be ruled out. The huge size and rapid growth of many Asian cities means that investment in some form of separate track public transport is bound to be necessary at some point, as the only cost-effective and environmentally acceptable means of moving the huge volume of passengers involved. Reservation of routes for such a system at an early stage would seem to be essential. Initial investment costs can be

reduced by using existing rail corridors, where these are suitably located and constructing mainly at ground level.

Transport policies should not discriminate against informal sector modes of transport which provide both incomes for and services to low-income groups: the policy of phasing out the *becak* in Jakarta must be seen as a retrograde step.

Streetlighting

The public good character of street lighting means that there are good reasons for financing it out of general taxation. Where streetlighting is to be installed in a residential area, some contribution from residents could be required towards the capital costs, although this is probably not appropriate in low-income communities.

Electricity

Electricity is normally provided through semi-autonomous public utilities which are supposed to cover all their costs. There is no case for a general subsidy, since the benefits of the service are private; as a general principle prices should be related to margin costs. The availability of electricity offers considerable benefits to the poor: opening up income opportunities, reducing costs and reducing fire hazards compared to alternative fuels. It also may offer benefits to the environment by reducing use of wood. There may, therefore, be a case for a modest cross-subsidy from high-income consumers to consumers of very small amounts of electricity.

In some countries, illegal connections are quite common. A better solution would seem to be to legalize secondary connections via a neighbor's meter; given the wide availability of electricity in most Asian cities (70 per cent of households in surveyed poor neighborhoods in Manila were found to have official electricity connections - Ramos and Roman), this represents a realistic option in many cases, and competition between those with connections should discourage overcharging. In the surveyed poor neighborhoods in Manila, 23 per cent of households received electricity in this way.

Fire and Police Services

Fire protection and police services are clearly public goods and so should be met from taxation: direct cost recovery is inappropriate. However, there are examples (e.g., Turkey: Davey, 1988)

where some of the costs of the municipal fire service are met from a tax on fire insurance companies.

In many Asian countries, neighborhood organizations provide an element of local security, often rather more effectively than the official police service. This is generally financed out of small charges on local residents, related crudely to the assumed income of the residents or the size of property. This would be true of the *kelurahan/RW/RT* system in Indonesia and the *barangay* system in the Philippines. Such neighborhood organizations can provide the first line of defense in the event of fire. Training and supervision of community organizations should be provided by municipal fire brigades and police forces.

NOTES

1. Rondinelli actually identifies seven alternatives, but the last, redistributing population to small and medium-sized cities where infrastructure costs may be lower, is really beyond the scope of this paper. For a discussion of this issue, see Rondinelli, 1983 and Hardoy and Satterthwaite, 1988.

2. The terms "city" or "municipal government" are used here to refer to the various sub-national government agencies responsible for urban development. In some cases that may be a unitary municipal or city government. In other cases there may be more than one level of local government (e.g., province and district), while in other cases there may be a variety of agencies (development authorities, improvement trusts, public corporations, etc.) responsible for different aspects of urban development and service provision.

3. Such figures may, of course, underestimate the dependence on central government, since some funding for urban infrastructure and services may come directly from the budgets of sectoral ministries rather than through municipal budgets.

4. The World Bank's Third Urban Development Project in the Philippines included a component for property tax mapping: it is estimated that this component paid for itself in less than a year as result of increased tax revenue (World Bank, 1989).

5. In 1984, the Indonesia Government abolished a number of taxes on local produce because of their negative effect on export potential.

6. In addition, there are public enterprises which are set up to operate public services such as water supply, because such an arrangement permits greater management autonomy and financial accountability, thereby ensur-

ing greater efficiency. Since such enterprises are not intended to be revenue-generating as such, they are not the subject of discussion here. Also not under discussion here is the situation in China and other communist countries where most or all enterprises are publicly owned and surpluses from such enterprises (or taxes on those surpluses) provide the main source of local (and national) government revenue.

7. This model is, in fact, quite similar to the way in which the city bus company in Jakarta operates, in that the crews hire the buses for the day for a fixed fee and seek to maximize their revenue from their assigned routes. However, this system does not work well, largely because the contracting framework (terms for hire of vehicle, supervision of routes, maintenance of vehicles, etc.) is unsatisfactory.

8. By this, I mean some organized response by the community, as opposed to individual responses of residents, or market responses of the private or informal sectors.

9. The system of financing water supplies through property taxation, which applies in much of South Asia, is unsatisfactory, as there is no pricing mechanism to ration demand. While such a system avoids the problems of measuring consumption, resources are limited by the inelasticity of the property tax.

10. Illegal connections are common in many countries (usually accounting for the very high leakage rates) and are often condoned on the basis that this is a way for the poor to obtain water. However, it is unlikely to be the poorest who have access to such connections, while the water utility loses substantial revenue. In addition, there are serious risks of water wastage and contamination.

11. Although, as de Wit points out in the case of Madras, if the poor have been provided with transferable tenure, they can at least benefit from cashing that in and moving elsewhere (de Wit, 1985).

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Main Policy Issues

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Main Policy Issues

INTRODUCTION

This paper attempts to present the main policy issues in meeting the basic infrastructure needs of the urban poor, as a starting point for the deliberations of the Working Groups. The paper draws upon the resource papers, case studies and country papers prepared for the Seminar. The author had the benefit of discussions with government officials and representatives of non-governmental organizations in India, Republic of Korea, Philippines and Thailand and the impressions gathered during these discussions are reflected in the paper. The purpose of the paper is limited: just to present the main issues highlighting some of the problem areas in the light of the countries' experiences. No attempt is made to discuss any of the problems in detail. It need hardly be said that these are inter-related issues, although for purposes of presentation, they are listed under four different heads. Some repetition in presentation is thus unavoidable.

PAST APPROACHES

No matter how urban poverty is defined, whether based on income levels, caloric (food) intakes or other manifestations of poverty such as lack of access to basic services, i.e. shelter, water, sanitation, health or education, the absolute number of the urban poor in most developing countries of Asia remains large and has, in fact, increased in recent years. The urban poor are generally taken to be those living in squatter settlements and slums with unstable employment and low incomes. Slums and squatter areas in large cities have lacked basic services; e.g. safe water, sanitation and other

services. There are serious inequities in the provision of these services within cities and the service levels to the poor living in slums in most cities remain unacceptably low.

Almost all developing countries have undertaken development programs to improve the living conditions of the poor in urban communities. In the 1960s, many countries adopted the approach of clearing slums and relocating slum dwellers in new settlements. Over the last two decades, however, governments have shifted their approaches from slum clearance and relocation to sites-and-services and slum upgrading, and more recently, to promotion of self-help and private sector cooperation in basic services. Experiences in some countries, notably, India, Republic of Korea and Philippines have demonstrated that slum clearance and relocation projects benefited mainly the middle and higher-income groups. Because of higher construction costs of public housing and higher rentals and lack of job opportunities close to the new settlements, poor people could not benefit from such projects. The general perception of these projects, therefore, is that they aimed primarily at clearing the slums rather than helping the poor. Since these policies did not succeed, governments shifted to slum upgrading and sites-and-services projects. Thus in the 1970s, many countries adopted strategies of improving slum areas and squatter colonies. The improvement of slums have resulted in some basic amenities for the slum dwellers, e.g., street pavements, water supply, community toilets, lighting, etc. In some cases, these projects also involved conferment of land titles which provided incentives to the poor to improve their dwellings. Improvement of slums is considered a good interim solution even if the slum dwellers are to be relocated in the long run. The Tondo Foreshore Development in Manila, the Nadi Program in Kuala Lumpur, the Sites-and-Services Schemes in Madras, the Kampung Improvement Programme in Indonesia and the King Petch Project in Bangkok are some of the success stories of slum upgrading. These projects provided for upgrading of services on site through the cooperative efforts and self-help activities of the slum dwellers. The outputs of these projects, however, were somewhat mixed. Not all the beneficiaries were low-income groups. However, the results were most rewarding in cases where active participation of the beneficiaries could be secured in assessment of needs and planning of facilities as well as in implementation and maintenance of the services provided.

In several countries, access to water, electricity and transport is not a major problem of the slum dwellers who manage to secure these services, although invariably at high costs. Housing security, on the other hand, continues to be the most pressing problem calling for urgent actions. The approaches adopted in the past have led only to incremental improvements in housing for the poor. Self-construction of housing turned out to be limited. On the other hand, in many cases, there was considerable turnover of the plots for sale or renting to outsiders from higher-income groups. These projects thus have not been replicated in a big way, not, at any rate, in the measure required to make a significant dent on the total slum population in the developing countries of Asia.

Lately, because of the growing realization that government agencies have serious limitations in providing shelter for the urban poor, increased attention has been given to the possibility of involving the private sector in shelter projects in conjunction with upgrading of slums. In the past, the private sector's contribution in housing has been mainly for the higher and middle-income groups. In recent years, Thailand, Korea and the Philippines have succeeded in evincing active interest of private developers to build houses for low-income groups. In Thailand, developers are producing houses which are said to be affordable to 80 per cent of all households. In Korea, a joint renewal program involving private construction companies and owners of squatter residences was initiated in 1983. The program is designed to benefit poor squatters as well as private companies. This involves squatters getting priority rights to buy apartments in multistoreyed structures raised in or close to slums and private companies selling the remaining units to others at market prices. Likewise, in the Philippines, the National Housing Authority has organized joint ventures with private developers to build low-income apartments which squatters have priority rights to buy on a hire/purchase basis or with credit facilities provided by financial institutions, e.g., GSIS, SSS and the Development Bank of the Philippines. As in Korea, private developers will dispose of the remaining apartments at market prices. However, the Korean experience demonstrates the limitations of this approach; only 20 per cent of the units built under the projects are occupied by the former squatters with 80 per cent sold to middle-income families. The Korean Government now plans to build a large number of low-in-

come group units for renting to the poor. Whether and to what extent this program will benefit the poor remains to be seen.

Issues

These experiences bring up the following important policy issues:

- The effectiveness of programs for sites and services, slum improvement and upgrading depends heavily on how actively the communities/people participate in the programs. This applies equally to the joint venture projects with the private sector. People's perception of projects for slum upgrading and sites and services may not always be very helpful. The question is how best people's participation can be organized.
- Private sector companies will not invest in low-income housing unless they can get a reasonable return on investments. The question, therefore, remains how the approach of joint ventures with the private sector can be reconciled with the idea of making the outputs of such ventures easily affordable to the poor.
- How to provide easy access for squatters to income-generating opportunities is another important issue to be tackled as an integral part of the efforts for their resettlement. Small business loans have been tried in India, Republic of Korea, Thailand and some other countries but have not made any significant impact. The Thai Government's approach to impart skill development and to upgrade income levels of squatters in their respective jobs through the active cooperation of their employers is commendable. However, this is a time-consuming effort and is not attractive particularly to the politicians looking for quick results, although in the process, positive attitudes can be developed for self-betterment of the poor. Whether this can be done on a scale and within a time perspective to make an impact on the living conditions of the urban poor would merit serious consideration. The Nehru Rozgar Yojna introduced on a countrywide

scale in India in 1989 provides not just credits for microenterprises but also wage employment of the poor in public construction works including shelter upgrading works. The Janasaviya Assistance Scheme in Sri Lanka, although less comprehensive in scope, also aims at creating employment opportunities for the poor. These schemes appear to be promising but more time is to be allowed to see their impact on the urban poor.

- Another related issue is that of supplying serviced land. Public land development agencies could make an effective contribution in this regard. The Korea Land Development Corporation, for example, has not just developed land but raised considerable resources and, in the process, provided land for housing at somewhat lower costs. Land-sharing schemes have been tried in Thailand with varying degrees of success. An important prerequisite for land sharing is the willingness of the landowners to cooperate. The community housing project at Lard Kralong, for example, was made possible because the Government needed to expropriate the land to be used for the expressway project in Bangkok. The issues relating to land management would merit a detailed discussion in the light of experiences of different countries in the region.

GOVERNMENTS' ROLES

Governments in most countries have important roles in providing the basic infrastructure facilities and services for the urban poor. This is because the infrastructure programs in cities involve large investments and economies of scale and externalities. The public sector's role in land development has been of special importance. However, with massive increases in infrastructure requirements over the last few decades, public sector organizations have lacked capacity to meet the needs of the rapidly growing urban communities. In the case of a number of services, operations and maintenance are contracted out to private firms. As stated above, governments in some countries are promoting public-private sector partnerships in providing low-income housing and related in-

frastructure. In general, most governments now see their role more as facilitators rather than providers of services. Governments thus can facilitate NGOs, communities and private developers to take on important components of shelter and infrastructure services with appropriate incentives given to them. The detailed mechanisms to bring about an effective facilitating role of government agencies at various levels would merit serious consideration. In particular, it is important to review and reorient the prevailing regulatory practices governing land use to facilitate greater participation of communities and private developers in providing low-cost housing.

An important policy issue relates to the division of responsibility between governments at different levels, i.e., central, provincial and local. In many countries, there has been a tendency lately to shift administrative and financial responsibilities for city services to municipal (local) governments. Traditionally, municipalities in many countries have handled only limited functions such as building regulations, garbage disposal and street lighting. In the case of large cities, in particular, specialized bodies were created to provide water supply and sanitation, housing or area developments. International aid agencies like the World Bank encouraged the creation of such specialized agencies. In recent years, however, there has been a distinct change in the thinking of governments and international agencies about the role of municipalities. Several countries are taking steps to assign developmental functions to municipalities and make them more responsive to socioeconomic needs of the people. For example, Republic of Korea will be implementing a local autonomy system with elected legislators and administrators. Under this system, a considerable part of tax revenues will be transferred to local governments. Likewise, the Philippines has under active consideration a Local Government Code to give more responsibility to local government units in planning, programming and implementing processes for development of city services. The Code will also provide for increased taxation powers to municipal governments and sharing of national tax revenues with them. In India, the Central Government has already taken initiatives to give constitutional recognition to both rural and urban local bodies, to assign them developmental functions and, at the same time, to ensure regular elections to make them responsive to public needs. Provisions are also made to set up statutory financial commissions to determine revenue sharing between states and local bodies. The

draft legislation also includes a provision for the creation of special planning organizations at the metropolitan level with the participation of the Central and State Governments and local authorities.

Delineation of functions between metropolitan planning bodies and municipalities is of critical importance. A metropolitan or regional planning authority has a special role in metropolitan areas with more than one city or town. The authority has to have powers to plan, and to monitor and evaluate implementation of the plan for the metropolitan area with the actual implementation functions entrusted to the local and municipal bodies. This distinction between the functions of metropolitan planning authorities and municipalities may get blurred at times, leading to overlapping functions and unhealthy frictions in their day-to-day operations. The Calcutta case study brings out the complementary roles of the planning body at the metropolitan level, namely the Calcutta Metropolitan Development Authority (CMDA) and the municipal body, namely, the Calcutta Municipal Corporation (CMC). The CMDA, created in 1970, was supposed to coordinate, finance and supervise existing agencies in implementing an infrastructural investment plan for the Calcutta Metropolitan Area. The plan provided for capital-intensive projects like laying trunk infrastructure, water and sewerage plants, flyovers and bridges. CMDA was to be a technical organization, staffed by engineers and planners and free of the political influence that had crippled CMC. However, CMDA took on the execution of several big projects and became an unwieldy and bureaucratic organization. Later, as most capital projects were brought to completion, CMDA took over distributory services like health delivery and disbursement of small business loans. CMDA, being a centralized organization, was not quite suited for such functions which involved close interaction with beneficiaries. The State Government enacted legislation in 1980 to restructure municipalities and CMC was transformed into an elected body with an elected Mayor to administer municipal affairs. The Mayor with political mandate has succeeded, to some extent, in raising municipal revenues and has been able to handle certain sensitive issues relating to public land. However, CMDA continues to administer health care and metropolitan development program with the necessary cooperation of CMC and other smaller municipalities. CMDA continues to be a favored organization for projects funded by international and bilateral aid agencies.

Municipalities are generally regarded as weak organizations, both administratively and financially. Because of their lower status in the government hierarchy, they are unable to attract good professionals. Politicization of municipalities works both ways. While, on the one hand, elected representatives are more sensitive to local needs, on the other, excessive political influences can seriously inhibit efficient functioning of municipal governments. Financially, revenue sharing between municipal, state and central governments, howsoever desirable, might not necessarily lead to any significant incremental resources. Innovative measures will be needed to diversify funding resources to augment municipal revenues. Strengthening of municipalities thus presents a real challenge in most countries in the years to come. This is an issue which merits an urgent in-depth analysis.

Issues

The main issues for consideration, therefore, are the following:

- policy orientations and detailed mechanisms to enable government organizations to perform effective facilitating roles to help communities, NGOs and private sector developers assume greater participation in shelter and infrastructure services for the urban poor;
- ways and means of strengthening municipal governments, administratively and financially; and
- the role of metropolitan planning organizations in metropolitan areas and how to relate their functions to the functions of municipalities.

NON-GOVERNMENTAL ORGANIZATIONS AND THE PRIVATE SECTOR

The informal sector has an important role in the development and operation of basic urban services. As discussed above, people's participation is a necessary prerequisite for the programs for basic

services to succeed. In particular, slum-upgrading and relocation and sites-and-services projects must actively involve communities. Experience has shown that community participation in such programs has been successful mainly where the beneficiaries were induced, through conscious efforts, to organize themselves. Most governments, therefore, have actively encouraged participation of communities and non-governmental voluntary organizations in the basic urban services. Thus in Thailand, Philippines and Republic of Korea communities were organized through government efforts and they played an important part in persuading squatters for land sharing (Bangkok), and contracting with private developers to build low-income units (Manila and Seoul). The National Housing Authority in the Philippines and the Bangkok Municipal Authority, for example, have some trained staff to work with communities. The governments (and international agencies) can help organize and strengthen voluntary organizations by using them as vehicles for development and delivery of services. In Indonesia, local government officials are said to collaborate actively with communities in the Kampung Improvement Program (KIP). In brief, governments can play a significant role in creating/supporting non-governmental voluntary organizations. An important policy issue to consider, therefore, is how best governments can stimulate effective participation of communities and meaningful contributions from non-governmental voluntary organizations.

Community organization involves ethnic, institutional and leadership issues, not to speak of political affiliation and government support. The quality of performance varies considerably among different NGOs. It is important thus to consider the conditions which make it possible for NGOs to contribute effectively to welfare programs. For an NGO or a community to be effective, it is imperative to have the right leadership. Much of a community's success depends on the rapport the leader can develop with various government and non-governmental agencies. In relation to the Nadi Program in Kuala Lumpur, for example, it is observed that "the reality in the Nadi Program is that village leaders, particularly the headmen, can and usually do exercise considerable influence over project details. The headman of a squatter settlement or village is usually also the head or chairman of the local political branch."

In almost all countries of Asia, a large number of NGOs are actively participating in social welfare activities. Some NGOs have

made outstanding contributions in organizing communities and delivery of health and family planning services and in nonformal education programs. However, relatively speaking, their contribution in shelter-related projects has been minimal. One important limitation of NGOs is their funding constraint. For NGOs to take any major initiatives in organizing shelter and related infrastructure, it is important to mobilize the necessary resources. Most NGOs get their resources from donations, supplementing these with funds raised through arranging special events or sales of products, etc. Very few of them are assured of continuity of flow of funds. In appropriate cases, NGOs could have access to concessional credits from financial institutions and this is an area which would merit detailed consideration by development agencies, national and international.

As discussed above, private developers can make significant contributions to shelter and related infrastructure development. Increasingly, governments will be turning to private sector companies to encourage their participation in poverty alleviation programs. However, it is but natural that private developers are assured of reasonable returns on their investments and complete cost recovery in the services provided by them. It should be possible to evolve policies and institutional mechanisms to reconcile the private sector's profit goals with affordability of services for the poor.

Issues

- The main issue involved in effective contributions from the informal sector thus relates to government's role in stimulating and using NGOs' contributions, and helping them to raise resources for viable operations. Ideally, NGOs should develop informal or formal partnership arrangements with government organizations.
- NGOs' successes and failures are, of course, conditioned by their internal strengths and weaknesses and more particularly the quality of their leadership and persons who volunteer to work for them. In organizing communities, these important issues must receive careful consideration. Some degree of training for community organizations can also be quite rewarding.

- Governments must also develop innovative approaches to get the private sector to participate in the programs for the urban poor on a sustained basis.

FINANCING

Almost all developing countries have to reckon with serious budgetary constraints. The municipal governments' capacity to provide urban services is severely constrained. It is thus imperative to consider innovative sources of finance particularly at the local government and community levels. Municipal governments have traditionally relied on property taxes. Revenues from property taxes, on the other hand, have not increased proportionately to increases in property values. Property tax collection systems remain obsolete and it is only lately that governments have started considering reforms with a view to get more revenues as property values/rentals increase. Korea, for example, has introduced a system of annual revaluation of property and computerized records and other arrangements to minimize leakage.

Other taxes levied at the local government level are: *octroi*, license fees for shops and business establishments, entertainment taxes and other miscellaneous taxes which do not yield much revenue.

Considerable gains can be realized through reforming administration of taxes. Municipal taxes as presently levied leave much scope for leakage. In several countries, attempts are being made to improve administrative capacities of municipalities. India has launched institutionalized training for municipal staff. Sri Lanka is using UNDP assistance to reform administration and revenue collection of local authorities.

A revenue source which has not been tapped adequately is land development. Substantial additional resources can be raised through such measures as sale of unused public land, and betterment taxes to take advantage of escalating land values and to recover development costs. The Korea Land Development Corporation's example has been cited above as an organization which has made money through land development. Other countries could likewise introduce appropriate systems to realize the potential of this important resource.

Very few municipalities are authorized to seek credits from financial institutions. Their weak financial position affects their creditworthiness. Some ways could be found at least for the better-off municipalities to get institutional finance for their development programs.

Local taxes with suitable reforms could contribute significantly to municipal revenues. However, the burden of financing urban services must ultimately be borne, in a large measure, by the beneficiaries of services. The theory and practice of user charges have received much attention lately. However, because of the political sensitivity of the issue, not many countries have introduced the desired reforms. In considering user costs policies, there is a tendency to overlook the fact that the poor do pay for services anyway. For example, squatters in some slum areas have to buy water from vendors and water rates levied for public supply might merely rationalize payments rather than increase the financial burden on the poor. In the case of subsidization of services by governments, the poor cannot altogether escape bearing the cost of subsidies insofar as subsidies have to be met through general tax revenues.

Housing finance has been generally neglected by policymakers and planners in most countries. It is only recently that some countries have created specialized financial institutions for housing finance. Not all such institutions, however, are in a position to assist the low-income group. This applies particularly to slum dwellers and squatters who have no assured sources of regular incomes. Their capacities to mobilize household savings are also limited. Sri Lanka provides housing loans in limited amounts to low-income people at subsidized rates of interest but the loan amounts are small and barely adequate for house improvement rather than new construction. In several other countries, provisions are made in slum upgrading projects for small credits for improvement of dwellings. The Community Mortgage Program in the Philippines is understood to have made a success in some communities. Community-based housing financed from credits at differential interest rates affordable to the poor should merit consideration. Credit schemes to be evolved should be such as can be administered with community help.

Issues

The main issues meriting detailed consideration are the following:

- reform of property tax and other municipal taxes to provide a measure of flexibility to municipalities in their budgetary schemes;
- ways and means to improve tax administration;
- land management for resource mobilization particularly in metropolitan cities of Asian countries;
- enabling municipalities, on a selective basis, to avail of institutional finance for some of their developmental activities; and
- institutionalized arrangements for housing finance affordable to the poor.