

# The City Poverty Assessment A Primer

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## 1. The City Poverty Assessment – Yet Another Academic Report of My Overstudied City?

Over the last decades, city managers and activists have faced an urgency to respond to the plight of the urban poor. Cities all over the world have grown tremendously and in many regions the locus of poverty has shifted from rural to urban areas due to migration, urban mortality declines, and high overall fertility rates. While poverty was still predominantly rural at the beginning of the 1970s, the turn of the century witnesses cities as the primary loci of poverty in Latin America and Eastern Europe with East Asia performing this transition in the not distant future. Rapid urbanization itself places enormous pressure on cities to use their limited resources to meet or facilitate the increased demand for water, sanitation, electricity, basic education and health, housing, and transport. With rapid growth in cities also came the typical urban dimension of poverty: health hazards from air pollution and contaminated water; crowding, traffic congestion; poverty-induced violence; inequality; and the like.

Most city managers, as well as the poor themselves, can pinpoint the most pressing problems in their municipalities. City managers know the areas of extreme deprivation in their cities and where help is most needed. In many places, the type of immediate help necessary will be ‘common knowledge’, shared by the poor and policy makers alike – be it in the supply of basic services, nutrition, social assistance programs, or employment creation. Many cities have been subjected to a host of studies, many of which examine in detail deprivation levels or the deficit of service provision in certain locations. And these are only some of the many reports piling in the offices of city officials almost everywhere.

So why another study? Doesn’t much of the important information already exist, like where the poor live and what they need? Isn’t this yet another exercise with little substantial merit? As the reader might guess, this paper argues that the *City Poverty Assessment* is not simply ‘another study’. Rather, it is a tool for urban planning, providing crucial and up-to-date information on what city managers (but also many actors in the private and voluntary sector) need to know when developing

### City Poverty Assessments are:

- ☞ Resources for up-to-date information on current poverty & social development in the city;
- ☞ Management tools for city planning;
- ☞ Monitoring and evaluation devices to assess the effectiveness of city anti-poverty programs and projects.

city policies, programs, and projects against poverty.

Such planning tools provide necessary information to take a look at poverty from a much broader perspective than simply to ask ‘where are the poor and what do they need’. City Poverty Assessments are supposed to provide feedback to city managers on diverse topics such as city finances, city employment and growth, the effectiveness of social programs, infrastructure priorities and so on. For example, could you -- as a city policy maker or activist - - answer the following questions relating to poverty in your city?

- ☞☞Who benefits from city social expenditures? What is the share of total expenditures reaching the poor (e.g., do the poorest 20 percent in the city get 60 percent of social expenditures)? Do subsidies reach the intended? To what degree do the poor depend on public transport on a day-to-day basis?
- ☞☞Who pays local taxes? Is property tax evasion of the rich so big that the poor actually pay a large part of total property taxes?
- ☞☞Are anti-poverty projects in the city successful? Are those people that benefited from such programs better off than others?
- ☞☞What type of city growth is beneficial for the poor? Which sectors of the city economy do the poor rely on most and which ones would help them overcome poverty?
- ☞☞Do city regulations – like property titling, demarcation, or labor market legislation – help or hurt the poor?

The above questions would be integral parts of a comprehensive City Poverty Assessment (CPA). This said, there is no standard form of such assessments – CPAs would include all information relevant in a specific context. For example, some cities might find that they have to find ways and means to reduce violence, especially in the marginalized areas. Other cities might need to look at the distributional impact of specific projects, like an export processing zone which would create jobs for the city.

This paper aims to provide city managers, policymakers and analysts with a general introduction to CPAs. It includes examples, references and descriptions of the different components of the City Poverty Assessment. It deals with poverty indicators and data sources, the poverty profile, municipal finance and incidence analysis, evaluation of anti-poverty programs, and city growth. But before plunging into detail, the next section shortly revisits *why* there is a need to think about the poor in the city context when planning policies and programs.

## 2. Why Care About the Poor?

Obviously, a comprehensive review of the poverty situation in a city has its costs, in terms of time and financial resources. And that’s why it is important to question the very necessity of such exercises. The CPA starts from the implicit judgement that poverty is undesirable. Most people will agree with this normative statement as they view ‘development’ closely linked with guaranteeing minimum standards of living for everybody – like freedom from hunger, a healthy and long life, literacy etc. Further, reducing poverty is also important for urban development in other respects. First, reducing poverty through purposefully designed city policies will also tend to decrease city inequality and thereby social tensions

within the city. Second, helping the poor reach their own potential, e.g. through education and in gainful employment, will help the city reach its growth and prosperity potential.

City policies will impact on different population groups in different ways – establishing these links is the task of the City Poverty Assessment. The ‘poor’, although far from being a homogenous group, will have needs and opportunities distinct from other groups in the city. For example, city investment in education will reach and benefit different groups depending on whether this investment takes place in primary schools or universities. Similarly, increasing local tariff rates for electricity or water can have a very different impact on households depending on whether they have access to such public utilities or not. In many cities, the poor might not feel the impact of such price rises as they have no such access. But if they have access, how hard would it be for the poor to pay such higher prices? Would they potentially forgo other very important expenditures, such as sending their children to school? It is therefore important to analyze the impact of current city policies or proposed changes in city policies on different population groups separately.

### 3. City Poverty Indicators

#### 3.1. Types of Indicators

Poverty has many faces and different cities will find that they need to select indicators appropriate to their individual circumstances. In most cities, household income or consumption of the most marginalized will be a crucial determinant of poverty levels. This can be accompanied by access to a basic set of services – ranging from water, electricity and sanitation to school attendance of children. Many cities all over the world experience increasing levels of violence in the streets; thus, the incidence of violence is a determinant of well-being in the city as well. Below is a description of different types of such indicators which cities might find useful. Data sources are discussed further below. Not all such indicators are strictly linked to poverty but all of them are important for pro-poor city planning. Also, as we will point out in the next section, the combination of many such indicators will give the city policymaker an interesting insight into the nature of deprivation.

First would be the most commonly used poverty measures, those based on the per capita *income* or *consumption* of a household. Such monetary indicators aim to assess whether households can afford to buy a very basic basket of goods at a given point in time. There are many ways to define the value of this ‘basic basket’ but they all have in common that the basket contains a minimum of goods essential for the household: food (often distinguished by their nutritional contributions), housing, water, clothing, transport etc.<sup>1</sup> The value of this basic basket of goods is then called the ‘poverty line’ and a large literature exists on how best to define such a poverty line.<sup>2</sup> This question should not preoccupy us here – rather, of importance for us is that the poverty line will help us distinguish the segment of the

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<sup>1</sup> In most cases, this ‘basic basket of goods’ mirrors the actual consumption pattern of households. In some cases in Latin America, for example Peru, it is also determined by a group of experts. See Ravallion (1994).

<sup>2</sup> For explanations, see Deaton (1997) and Ravallion (1994).

population that has an appropriate income or consumption level from the segment that does not.

A number of standard indicators are derived by applying such poverty lines to data on income and consumption of households. The most common one is the *poverty rate* (also called poverty incidence or headcount rate) which describes the percentage of the city population whose per capita incomes (or expenditures) are below the poverty line, i.e. the population that cannot afford to buy a basic basket of goods. Second, and also commonly used, is the *poverty gap*. The gap measures the deficit of all poor persons, i.e. their income shortfall relative to the poverty line. Or, put differently, it characterizes how many resources are needed to bring all poor to this poverty line. The gap is therefore a much more powerful measure than the pure headcount rate because it takes the distribution of the poor below the poverty line into account. For example, two cities might seem equally worse off if they have the same poverty rate. However, in one city almost all of the poor have a per capita income very close to the poverty line. In the second city, however, the poor are very very poor and have barely any income at all. The poverty gap measure will therefore show that poverty in city number 2 is higher than in city number 1.<sup>3</sup> Third, and also often used, is the *extreme poverty rate*. This measure uses a different poverty line. It compares household (per capita) income against a very austere basket of goods which in most cases only includes food items. The percentage of the city population not able to afford this very austere basket of goods is extremely poor. Lastly, apart from such absolute measures of poverty, it is also important for city policymakers to assess the distribution of income in the city – a relative measure. Most commonly used here is the *Gini-coefficient* of inequality, a measure that varies between 0 (complete equality of incomes) to 1 (complete inequality; one person has all the income, all others have none).<sup>4</sup> To portray the gap between the rich and the poor, analysts also calculate a *quintile dispersion ratio*. the average income

#### Common Income/Consumption Poverty Indicators

- ☞☞ Poverty rate (headcount rate): percentage of the population not able to finance a basic basket of goods
- ☞☞ Extreme poverty rate: percentage of the population not able to finance a food basket of goods with their total income
- ☞☞ Poverty gap: deficit of all poor persons relative to the poverty line
- ☞☞ Income distribution, e.g. the Gini-coefficient
- ☞☞ Quintile dispersion ratio: average per capita income of richest 20 percent of city population divided by average income of poorest 20 percent of city population

#### Health and Education Outcome Indicators

- ☞☞ Under-five malnutrition rate
- ☞☞ Infant Mortality Rate, Under-Five Mortality Rate
- ☞☞ Maternal mortality rate
- ☞☞ Life expectancy of the city population
- ☞☞ Incidence of specific diseases
- ☞☞ Literacy rate of the population
- ☞☞ Years of schooling of different age groups

<sup>3</sup> Another poverty measure closely related to the poverty gap is the poverty severity index. This is a measure of the depth of poverty (like the poverty gap) but gives more weight to those extremely poor people far away from the poverty line. See, e.g., Ravallion (1994).

<sup>4</sup> See discussion in Deaton (1997) and Ravallion (1994).

of the richest twenty percent of the city population is divided by the average income of the poorest twenty percent of the city population.<sup>5</sup>

The second group of indicators may be characterized as *health and education outcome indicators*. They directly measure the degree of well-being the population in the city has attained – to what degree people can lead healthy and long lives, and what level of education they have reached. Several such outcome indicators concentrate on children – the group in society for whom it is of great importance to be well-fed and healthy because their whole life will depend on their first few years. A widely used indicator is the percentage of all children below the age of five that are malnourished, i.e. children not having grown sufficiently for their age (chronic malnutrition), or children that do not weigh enough given the height they have obtained (acute malnutrition).<sup>6</sup> Other outcome measures are the rate of children that die as infants or in their childhood, the maternal mortality rate, or the life expectancy of the city population. With regard to education, to track whether educational goals in the city are achieved, indicators could include the percentage of citizens that can read and write, or education scores of school graduates.

Third, we can think of *access indicators*. Quite different from outcome indicators, such indicators measure access to a set of basic infrastructure and social services. Hence, we should think of such indicators as ‘inputs’ since they do not necessarily tell us whether they achieve the desired impact. For example, all city residents might have access to a primary health care clinic. This in itself, however, would not necessarily imply that infant mortality rates are very low. Or similarly, while food distribution programs might reach a large portion of children in the city, malnutrition levels might still be high if contaminated water causes widespread diarrhea for infants. Nevertheless, such access indicators are very important since they determine the degree to which city programs are available to different population groups – maybe not a sufficient, but often a necessary condition for improving the lives of the poor. Especially in Latin America such access indicators are very popular since they form the components of the *Unsatisfied Basic Needs Indicator* (Necesidades Basicas Insatisfechas) which is used by many national statistical institutes and also the United Nations Commission for Latin America (CEPAL). With variations, the Unsatisfied Basic Needs Indicator includes access of the population to basic services such as water, electricity, and sanitation, and educational attainment. But access indicators important for CPAs also use social programs such as nutritional aid, social assistance programs, etc. As

Access Indicators
City population without access to:
☒☒ Water and sanitation;
☒☒ Electricity;
☒☒ Garbage collection;
☒☒ Schooling;
☒☒ Health centers and hospitals
☒☒ Public or private transport etc.
☒☒ Social programs (e.g., nutrition, social assistance, childcare

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<sup>5</sup> This inequality indicator can also be calculated using other income brackets – the decile dispersion indicator, e.g., uses the ratio between average incomes of the richest 10 percent of the population to the average income of the poorest 10 percent.

<sup>6</sup> The World Health Organization maintains a ‘Global Database on Child Growth and Malnutrition’ ([www.who.org](http://www.who.org)) which contains comparative information, data sources, and analytical information.

we will see later, such access information is very important to understand the actual distribution of beneficiaries of city programs.

However, access says little about satisfaction and the quality of services. Many urban dwellers might have access to certain services but the quality of the service might not be good at all. Having a public water connection in the dwelling will not help much if water is not running. Power cuts in electricity, infrequent garbage collection, schoolrooms without teachers, or primary health care centers without medicine will all decrease the benefit the population has from such services. That's why it can be very insightful to go beyond access and explore the satisfaction with services in the city context.

Lastly, there are a host of indicators very closely linked with poverty that we could term *non-income deprivation indicators*. While some of these might be applicable in many cities, others would be very much linked to individual city circumstances. Many will be closely associated to income measures of poverty but not necessarily so. For example, unemployment might not throw people in the city into poverty if a good unemployment insurance exists or if the unemployed can count

#### Non-Income Deprivation Indicator

- ☒☒ Unemployment;
- ☒☒ Violence rate in the city (different forms of violence);
- ☒☒ Child labor;
- ☒☒ Discrimination in workplace or public life (access to city institutions like the justice system, police treatment);  
exclusion indicators; risk indicators

on some other form of support. But even if not directly linked to income-poverty, unemployment is undesirable in itself due to its impact on household income, self-esteem, and even health. Other such non-income deprivation indicators could be violence rates (robbery, homicide, domestic violence etc.), child labor, or discrimination in the city. If, for example, a certain group (either by ethnic background or gender) is discriminated against in the workplace (lower wages) or in public life (such as access to city institutions like the justice system; police treatment), this is a deprivation in itself. Several of these indicators will be more difficult to grasp than the income, outcome, or access indicators listed above.

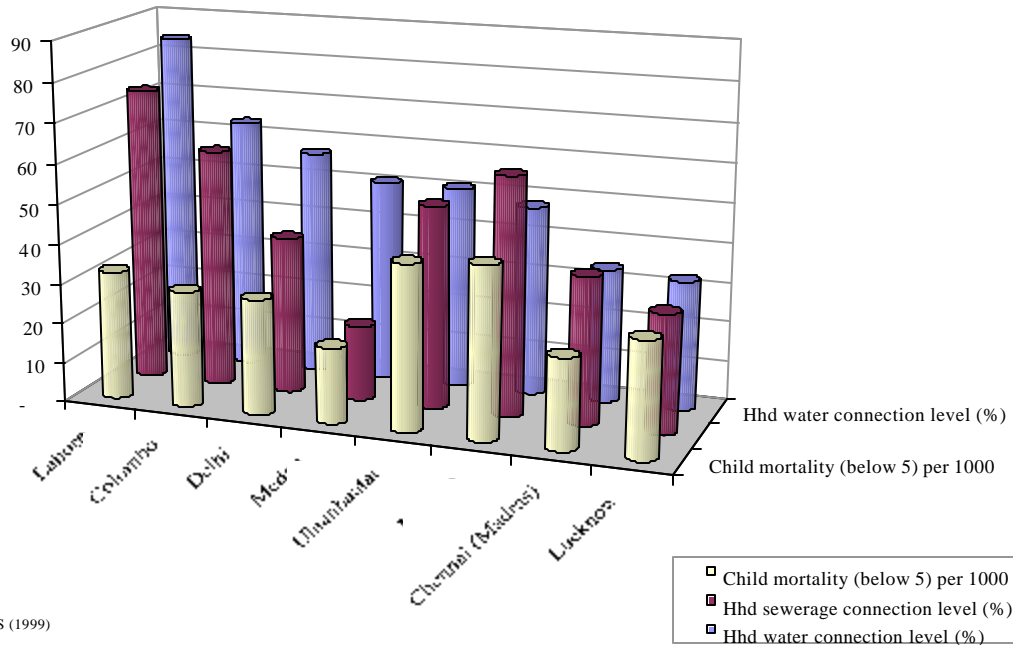
While it will be most important for city policy makers to examine individual or combinations of above indicators within a given city, a comparison between cities can reveal interesting patterns. Graphs 1 and 2 show some of the above mentioned indicators for a number of cities in East Asia. Graph 1 plots household access to water and sewerage services (i.e., input indicators) and child mortality rates. From the left to the right side of the panel, infrastructure access tends to decline (at least for water), while child mortality outcomes show an irregular pattern. Although studies have shown that (private) water and sanitation access do improve health outcomes<sup>7</sup> (like the malnutrition rate and also likely the child mortality rate), the simple comparison in Graph 1 does not reveal this. However, the observed pattern could still be consistent with empirical results, if other determinants of child mortality, e.g. education levels or income poverty rates, differ significantly between the cities. In Graph 2 we show a measure of income inequality (the quintile dispersion ratio) and a violence indicator – the murder rate per 100,000 citizens. Contrary to Graph 1, a clear pattern emerges with lower inequality cities showing lower murder rates. However, although consistent with recent

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<sup>7</sup> See Huges and Dunleavy (2000).

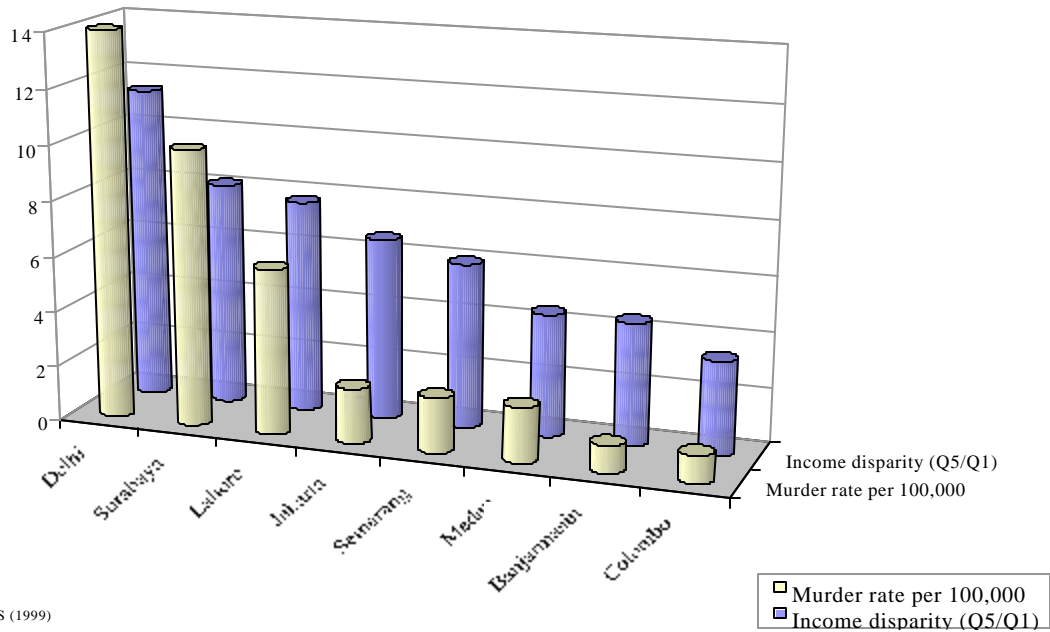
research<sup>8</sup>, we can also not infer from this graph that there is a causality between the two indicators. Many other factors might be responsible for the murder rate in a city and what we pick up could be simply a 'spurious' and hence accidental correlation.

Graph 1: East and South Asian Cities: Infrastructure and Health



Source: UNCHS (1999)

Graph 2: East and South Asian Cities: Inequality and Crime



Source: UNCHS (1999)

<sup>8</sup> Fajnzylber et al.

### 3.2. Data Sources

The above mentioned indicators of poverty and social development stem from a variety of different data sources. Some are quite standardized and available in every country and city. Others are less readily available. The section first briefly describes the different data sources and then relates the above described indicators to these data sources.

*Population census.* A population census contains basic information on all citizens of a country. The census is carried out for all households to obtain basic information on the population, its demographic structure and location. Since the population census is carried out across millions of households, the information they gather is generally quite limited. Nevertheless, housing and basic service access, education levels, and employment (by sector) are included which allows city policy makers to gather important information at a very small, disaggregate level within the city: descriptive statistics of the housing stock; access of the population to basic services such as water, electricity, and sanitation; and employment patterns in different sub-sections in the city. In most countries, the population census is carried out by the national statistics institute which can then provide municipalities with the data tailored to local information needs. Since the census covers the whole population in a country, it is very costly and most countries conduct a census only once every decade. Therefore, the census can provide cities with important data for planning in the years directly following its implementation but its utility thereafter diminishes.

*Household surveys.* Household surveys are a very important resource for City Poverty Assessments. While the census covers the whole population in the city, surveys only interview a subset, generally quite a small fraction, of all city households. This subset (the sample) of households is carefully chosen so that the results of the survey nevertheless describe living conditions in the city accurately. Sampling should be based on mapping of actual settlements, including newly-formed informal ones. The sample size (the number of households interviewed) will vary with a number of factors, among them (a) the indicator that is to be measured. For example, it is much more difficult – and therefore the sample size has to be larger -- to estimate average income of households than it is to estimate the percentage of households with water connection; (b) the level at which the city policy maker needs the information. Intuitively, a city-wide average electricity connection rate will require fewer households to be interviewed than averages in each of 20 sub-districts in the city; and (c) the population of the city. As a rule of thumb, cities that have carried out household surveys have had a minimum sample size of 1,500 to 2,000 households. Since household surveys are much smaller in size than a population census – and therefore also less costly -- they are important data sources for CPAs and city planning in general.

Many different types of household surveys exist at the national level. Although implemented nationally, such surveys often achieve representability at the city level. First, most countries use *Employment Surveys* to gather information on employment and unemployment patterns and fluctuations. These employment surveys also include questions about household income, housing features and demographic information about the household (household size, age of members etc.) and are therefore good sources for income-based poverty indicators and access indicators. Second, national level *Demographic and Health Surveys* are special household surveys geared to explore the incidence of diseases and use of health facilities. They often also collect anthropometric data (height, weight and age of children which can be used to

calculate malnutrition rates) and basic data about housing conditions and educational attainments. However, they do not collect income information. A third important national level survey is the *Living Standard Measurement Study Survey*. It is specifically geared towards the measurement and analysis of poverty. This instrument, piloted in Peru and Cote d'Ivoire in 1985, collects information on household expenditures and income, health, education, employment, agriculture, the ownership of assets such as housing or land, access to services and social programs etc.

Different from such national level surveys are city level surveys. Important here are *Service Satisfaction and Needs Survey*. These surveys are geared to go beyond the typical access assessments of 'normal' household surveys and ask city residents in-depth questions about the quality of the services they receive and their needs. Such questions can include: (a) whether households receive the service continuously or with interruptions; (b) whether the service is provided on time and in good quality; (c) whether households think that the service improved over the last year; or (d) which type of service the city should expand or reduce. The latter type of questions is geared to assess the needs of the population. Often, such needs assessments can be very important planning tools for city policy makers, especially if they show that conflicting priorities exist for different parts of the population. For example, with financial support from the World Bank, a number of small Colombian municipalities conducted such inquiries in 1995.<sup>9</sup> Similarly, several cities in India, among them Bangalore (Paul 1998) have instituted a report card on which citizens can assess the quality of services but also rate the implementing municipal agencies.<sup>10</sup> Closely associated with service satisfaction data, household surveys can also capture perception data of the city population. For example, Jacobi (1994) employs a survey to understand environmental problems at the household and neighborhood level and the respondent's perceptions with regard to the nature and cause of these problems and best means for their resolution in Sao Paolo.<sup>11</sup>

Importantly for local survey are *Multi-Topic City Surveys*. They attempt to combine many of the features and advantages of the different types of surveys mentioned above.<sup>12</sup> They are tailor-made to city needs and collect both quantitative and qualitative data. Quantitative data primarily include household welfare (such as incomes and assets) but also service access, education levels, health service utilization, public transport use etc. The collection of

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<sup>9</sup> See Fiszbein (1997) for the list of municipalities. Closely linked to such Service Satisfaction Surveys are Beneficiary Assessments which collect information from the participants and beneficiaries in specific programs. For an introduction see Salmen (1995).

<sup>10</sup> See also the Core Welfare Indicator Questionnaire of the World Bank (1997). Such surveys are monitoring surveys and normally fielded at the national level but they are often designed in a way that they are representative at the city level.

<sup>11</sup> Other examples include Mensah and Whitney (1991) capture perceptions associated with public and domestic refuse and its disposal and their relationships with gender, educational level, and ethnicity in Techiman, Ghana. Similarly, Egunjobi (1989) queries households' perceived environmental problems in Ibadan, Nigeria.

<sup>12</sup> Many municipalities and researchers have also used single-topic city surveys to answer specific question of importance. Just to give some examples, Alam et al (1998) look at energy user patterns in Hyderabad, India; Ruan (1993) conducts a social networking survey in Tianjin, China; Gupta and Baghel (1999) quantify the levels and differentials of infant mortality in Calcutta and Raipur City, India, or INEI (1998) report on a violence survey conducted in Lima, Peru.

qualitative data builds on the service satisfaction and perception surveys and queries citizens about their assessments of the quality of city services and programs. Recently, one such survey was conducted in Cali, Colombia. Box 1 describes the survey and gives some technical data since many examples in the remainder of this paper will draw on it.

*Participatory Assessments.* Participatory assessments are indispensable tools for many aspects of the CPAs, not only relating to poverty indicators. Participatory assessments involve the city population to a higher degree than household surveys. They can take many different forms: in town-hall meetings certain groups or representatives can discuss city poverty problems and policies, communities can rank what they consider the causes of poverty, individual interviews can investigate the problems women or children in households, or citizens can ‘map out’ new streets or infrastructure in actual planning exercises. With respect to city poverty indicators, participatory assessment can help policy makers determine the type of indicator important for the poor, be it a housing, employment, or income dimension. And, importantly, such assessments can get to a certain type of information which other sources normally cannot capture, for example the incidence and effect of domestic violence.

*Administrative Data.* Administrative data from the municipality and other organizations is crucial for the City Poverty Assessment. Such data includes information on establishments such as schools or hospitals, costs and expenditures by function, tax income by source, staffing statistics etc. As such, administrative data is crucial for an understanding how the city uses its resources for (or against) the poor. Especially in combination with the indicators discussed above, administrative data is an indispensable data source for City Poverty Assessments.

Table 1 summarizes the different data sources which can help assess (and also monitor) city poverty indicators. As can be seen from the table, several indicators can be assessed with a variety of sources, others depend on unique ones.

#### **Box 1: A City Survey for Cali**

With financial support from the Bank-Netherlands Partnership program, the *Encuesta De Acceso y Percepcion de los Servicios Ofrecidos por el Municipio de Cali (EPSOC)* was conducted in Cali in September 1999. The survey built on a city module being piloted in Kampala, Uganda, and was adopted to the situation in Cali with the help of the local public university. Data collection and tabulation was carried out by an experienced Colombian survey firm, the Centro Nacional de Consultoria.

The survey covers 1,912 households in the city, being representative for five different areas and by socio-economic strata as defined by the Colombian statistical institute DANE. The value added of the survey (compared to existing data sets) is that it is tailor-made to the city (hence includes very specific questions about Cali) and that it combines quantitative information (like household income) with qualitative information on the satisfaction with programs and priorities of the population. The survey had modules on housing, access and satisfaction with basic services, access and satisfaction to education and health, the labor market, food security, participation in city affairs, and priorities of the population.

Data collection and processing was fast (a period of three months) since results were needed by the municipal government for a City Development Strategy which was developed with technical assistance from many local organizations and the World Bank. Total costs were relatively modest at less than \$US40,000 which should allow the municipality, if it desires, to field such surveys regularly in the future.

**Table 1: Indicators and Data Sources**

Indicator	Data Source
Income poverty indicators - Poverty rate (incidence), poverty gap, poverty severity; extreme poverty rate (incidence); income inequality measures	- National level household surveys (Living Standard Measurement Surveys, Employment Surveys) if representative at city level; Multi-topic city surveys
Health and Education Outcome Indicators - under-five mortality rate, infant mortality rate, maternal mortality rate, life expectancy - malnutrition rate of children - literacy rate, years of schooling	- Specialized national household surveys such as DHS, or LSMS (if representative at city level) - National level s(DHS, LSMS ), Nutrition surveys, Height census - most surveys and most censuses
Access Indicators - Water, electricity, sanitation, garbage collection - School and health facility - Social programs (nutrition, social assistance) - Service satisfaction	- various household surveys, population census, administrative data - various household surveys, some population census, administrative data - specialized household surveys (LSMS, Multi-topic surveys, administrative data - specialized city surveys (Service Satisfaction and Needs Survey, Multi-Topic City Survey)
Non-Income Deprivation Indicators - Unemployment - Violence - child labor - discrimination	- National Employment surveys, LSMS, Multi-Topic City Surveys - Violence surveys (only certain types of violence can be measured), Multi-Topic City Surveys participatory appraisals - National surveys, Living Standard Measurement Surveys, Multi-Topic City Survey - participatory assessments, household surveys (not directly but through application of models)

### 3.3. City Poverty Information Strategy

The above discussion derives the need for an information strategy for cities to assess and monitor the changes in the kind of poverty indicators they choose. While some cities may have such a strategy, others may only have very rudimentary and sketchy data on social conditions which will not allow the development of proper poverty-reduction programs. Obviously, not all cities will have the resources to field specialized household surveys or conduct in-depth service satisfaction assessments. The above does not try to suggest that all such indicators are necessary. Costs of data gathering, however, need not be necessarily high:

#### Preparation of City Poverty Information Strategy Involves:

- ☞ Selection of most important poverty indicators and poverty information for the city;
- ☞ Planning of intervals in which indicators need to be monitored;
- ☞ Review of all available data sources and their data collection agencies;
- ☞ Assessment of city's capacity to monitor and gather information on its own (or degree to which it should be developed);
- ☞ Selection of partnerships (e.g., national statistical institute, NGOs) that can conduct data collection and possibly analysis for city;

☞ *Using Existing Household Surveys and Other Data Sources.* Many countries field large employment or Living Standard Measurement Study surveys which very often are

representative (i.e. give reliable estimates) at the city level. Similarly, many other data sources may exist which – if pieced together – can give a good account of the poverty situation in the city. The population census mentioned above is one but the many in-depth case studies and beneficiary information which non-governmental organizations, public programs and other organizations might possess, are others.

☞ *Linking a City Module to a National Household Survey.* Even in cases where representability is achieved at the city level, more detailed information (such as by geographical breakdown within the city) is often desirable. But rather than conducting a completely new survey from scratch, the city could negotiate with the national statistical institute to apply a specific city-module when conducting the national household survey. This will save considerable cost and ensure that the collected data can be linked to some of the other variables routinely collected by the statistical institute (such as income or expenditure data);

☞ *Conducting Multi-Topic City Surveys, Service Satisfaction Surveys and Participatory Assessments.* Tailor made multi-topic city surveys, service satisfaction surveys and participatory assessments can be moderate in costs if designed with a clear purpose and time frame. Multi-Topic City Surveys are probably the richest analyses tools informing the City Poverty Assessment. Service Satisfaction and Needs Surveys generally do not contain income or expenditure information which reduces costs of fielding the survey significantly but it limits the analysis of welfare and its correlates. Participatory assessments can use very effective group methodology which collects opinions quickly and at low cost.

☞ *Using Partnerships with Other Organizations to Gather Important Information.* Finally, a large number of organizations are active at the city level in poverty reduction programs. Several of these may be able to collect data for policy-makers through their ongoing operations. For example, housing NGOs will often have detailed information on the quality of the housing stock in specific areas of the city.

## **4. The City Poverty Profile -- A Basic Snapshot**

The most important first step in the analysis of poverty is to construct a poverty profile. Such profiles have many dimensions. These include who is poor, where they are in the city, how they earn their living, their access to and use of government services, their living standards with regards to health, education, nutrition, and so forth.

*Dimension and Geographic Location in the City.* Using some of the indicators mentioned in the previous section, the dimension of poverty in the city can be assessed. And since poverty has indeed many faces, it is crucial to get to these different dimensions by describing welfare in the city with, for example, income poverty indicators but also the incidence of diseases, violence or malnutrition.

The poverty profile can help compare one city to another within a country. Otherwise, a single number, without any reference in time or to other cities, can be quite meaningless. The City Poverty Assessment for Cali in Colombia, for example, started by looking at extreme poverty, poverty, inequality and service provision levels in the city compared to other Colombian towns. Table 2 shows that from this perspective, Cali does not seem to be an outlier among the largest Colombian cities.

**Table 2: Income Poverty and Inequality of Colombian cities, 1998**

	<b>Poverty Rate</b>	<b>Extreme Rate</b>	<b>Inequality (Gini)</b>	<b>Sewage (percent)</b>
Bogota	35.7	5.3	0.537	98.6
Medellin	36.5	5.9	0.514	99.6
Cali	36.6	6.4	0.542	99.5
Barranquilla	49.5	17.2	0.567	79.9
Bucaramanga	30.4	4.7	0.487	99.7
Total	32.2	6.6	0.553	96.3

Source: Santamaria (1999)

Secondly, like countries, cities themselves are composed of very different areas; some affluent and some poor. The CPA can help identify areas in which a high number of poor and extremely poor people are concentrated. Table 3 below shows the distribution of income poverty in Karachi, Pakistan. As can be seen, the poverty rate varies highly between the different parts of the city, being highest in the Rural Fringe and lowest in the geographical areas characterized as affluent by the authors. However, the table also shows one more important dimension of poverty we are interested in here: while the poverty rate (i.e., the percentage of the population in a specific area that is poor) is important, the other dimension of the geographical location is *how many of the total poor* live in a certain location. This is shown in column 2 which could also be labeled ‘contribution to the total poor’. As observed, the Rural Fringe, the area with the highest incidence of poverty, is not the area with the highest share of the total poor as relatively few people live there.

**Table 3: Poverty Clusters in Karachi, Pakistan, 1990**

Clusters	Poverty Rate	poor hh/ total poor hhs	popul. share
Old City	61	18	12
Old Settlements	56	10	7
Korangi	49	12	10
Site	59	27	18
Service Areas	54	11	8
Rural Fringe	67	7	4
Total Affluent	15	16	41

Source: Altaf et al (1993).

Information on the spatial distribution of poverty within the city can then be used to construct city *poverty maps*. Such maps can be of considerable value to governments, non-governmental organizations and multilateral institutions interested in strengthening the poverty alleviation impact of their spending. For example, they can be used to guide the division of resources among local administrative units within the city as a first step in reaching the poor. Many countries, especially in Latin America, have constructed such poverty maps, most often using an Unsatisfied Basic Needs Indicator as the underlying welfare measure. Recently, some countries have started to construct spatially disaggregated income maps as well which can then be combined with service deficiency information.<sup>13</sup> Multi-topic city surveys can produce such maps if they are designed to achieve sufficient precision at a local level.<sup>14</sup> For example, the EPSOC survey in Cali (refer to Box 1) lent itself to deriving such a map which we reproduce in Graph 2. As can be seen, poverty rates differ significantly in Cali, being highest in the western part of the city (an newly settled area called Aguablanca) and at the eastern side, a steeply sloped populated area (called Ladera).

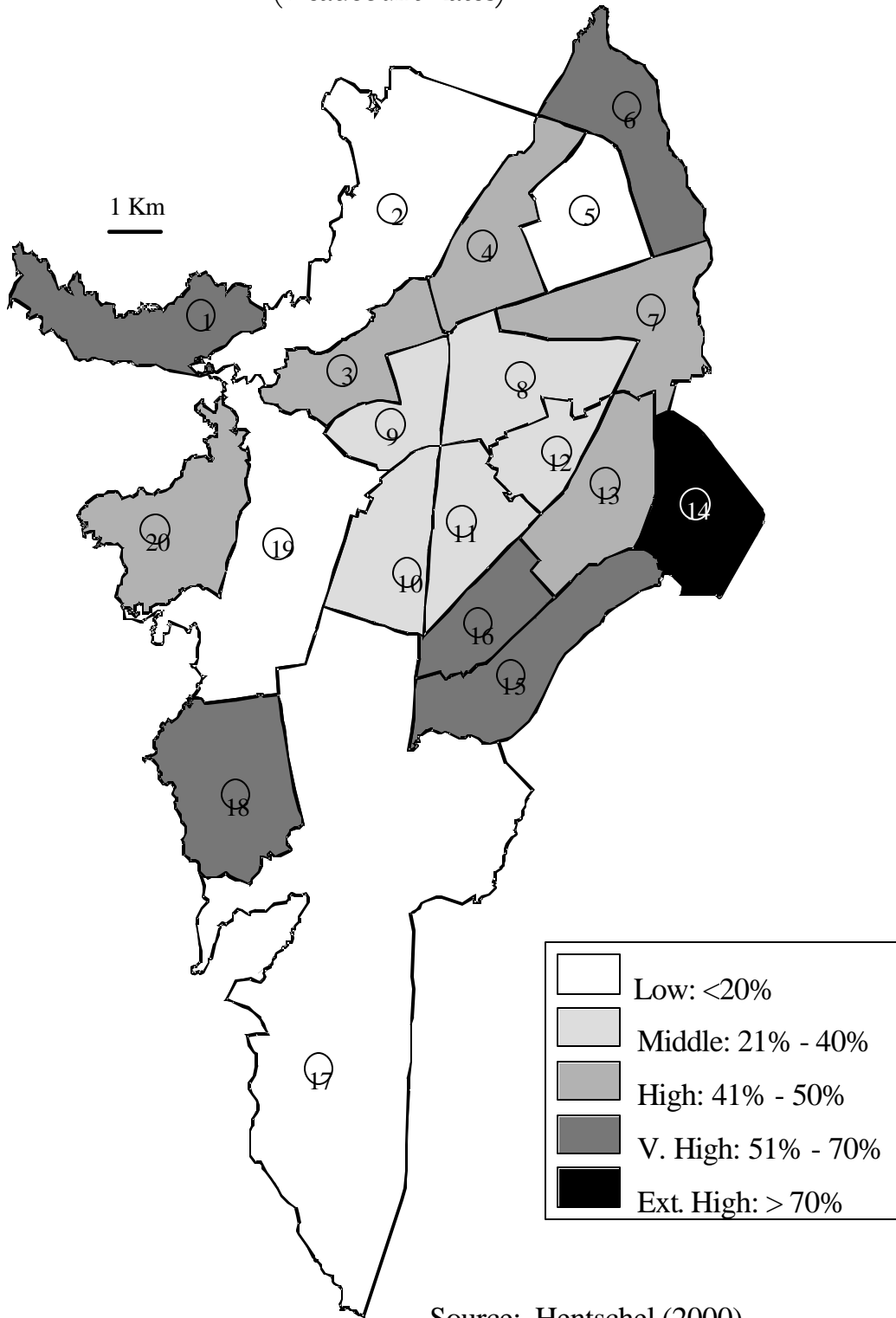
*Characteristics of Poor Households.* Another major task of the poverty profile is to describe the living circumstances of the poor in the city. This comparison can show how characteristics of poor households can vary within the city – for example, the income poor in one area might not have access to basic services while those in other parts of the city do. Again, we use an example from Karachi in Table 4. While household size, number of children per household, housing structure and employment characteristics do not vary much between the extremely poor groups in the *Old City* and the *Old Settlements*, education variables do show variation. Hence, this could give city planners already a first indication of an educational deficiency in the *Old City*.

<sup>13</sup> For information on poverty maps and how they are constructed, see the web site of the United Nations Environment Program at Arendal [ [www.grida.no](http://www.grida.no) ], of the World Resources Institute [ [www.wri.org](http://www.wri.org) ], and of the poverty web site of the World Bank [ [www.worldbank.org/poverty](http://www.worldbank.org/poverty) ]. See Hentschel et al (2000) for a description of a method to link survey and census data to obtain spatially disaggregate estimates of income poverty.

<sup>14</sup> Sample surveys are designed so that they achieve a specific precision of a target variable, such as income, at a certain geographical level or by socio-economic group (see, e.g., Grosh and Munoz 1996). Since samples do not cover the whole population, all statistics derived from them should be accompanied by computations of the standard errors associated with them (see, e.g., Ravallion 1994).

# Graph 2: Poverty in Cali, 1999

(Headcount Rates)



Source: Hentschel (2000).

**Table 4: Characteristics of Very Poor Households Across Poverty Clusters in Karachi, Pakistan**

	Old city	old settlement
Household size	10.2	9.7
No. of children	4.5	4.9
Housing structure		
- permanent	33	23
- semi-permanent	62	74
- impermanent	5	3
access to services		
- piped water	45	63
- electricity	91	88
- gas	52	49
employment sector		
- industry	16	25
- services	73	69
education		
- adult males literate	47	56
- adult females literate	22	40
- adult males high school	14	27
- adult females high school	6	16

Source: Altaf et al (1993)

*Characteristics of Poor Households Compared to Non-Poor Households.* The same type of characteristics of living circumstances can now also be used to compare the poor to non-poor groups. Such a comparison will show where the living characteristics of the poor (e.g., the income poor) are similar and where they differ from better off groups – for example, the fact that a large part of the poor do not have access to water might not be a distinguishing factor if the whole city population lacks such access. Table 5, building on the EPSOC survey in Cali, distinguishes five different income quintiles in the city population: 1 represents the poorest 20 percent of the population, 5 the richest twenty percent. Such a distinction goes beyond the ‘poor’ – ‘non-poor’ divide imposed by a poverty line and is able to provide a much more complete picture of living standards.

**Table 5: Characteristics of Income Poverty, Cali, 1999**

	Income Quintile					Total
	1	2	3	4	5	
<hr/>						
Labor market						
unemployment rate	35.9	22.4	18.4	11.8	5.8	17.1
education						
yrs of household head <sup>1</sup>	6.4	6.6	7.3	8.4	10.3	8.0
food security						
Family member w/hunger <sup>2</sup>	34.2	22.8	16.9	11.7	5.1	18.1
Access to nutrition programs	4.4	3.7	3.1	1.9	0.5	2.7
housing						
Rented	37.9	41.0	38.2	36.0	35.5	37.7
Titled	77.5	79.2	89.2	92.8	93.0	86.9
access to basic services						
Electricity connection	99.5	100	100	100	100	99.9
Hygiene facility	93.9	98.8	98.6	99.6	100	98.2
- in house	73.3	81.1	84.3	89.6	95.1	84.7
Public water	99.7	99.2	99.8	99.8	100	99.7
- single use	69.7	77.9	81.7	86.0	94.9	82.1
- shared use	30.3	22.0	18.3	13.8	5.1	17.9
school attendance						
6-11 years	91.1	93.8	95.3	97.9	100	94.8
- private	32.6	31.9	39.7	62.3	72.2	100.0
- public	67.7	69.0	58.5	36.3	25.0	55.7
- male	86.9	95.1	92.8	100.0	100.0	93.9
- female	95.4	93.6	97.0	96.7	100.0	96.1
12-18 years	58.4	68.9	69.9	73.1	85.0	70.1
- private	43.1	50.1	54.8	56.6	74.9	100.0
- public	56.4	50.9	44.1	42.0	22.3	43.2
- male	60.5	72.8	67.1	69.1	87.9	71.0
- female	57.0	65.6	72.7	76.0	82.1	69.3
Reason for not attending						
- costs	59.5	57.1	43.7	36.7	13.4	48.8
- work	2.1	7.2	9.9	18.8	17.2	8.6
health						
Sick in last 4 months	28.9	24.3	26.6	21.3	19.3	24.1
when used medical facility						
- Public health post	37.6	29.1	27.7	13.6	7.5	22.7
- Public hospital	21.1	16.1	16.9	8.8	8.9	14.2
Health insurance						
- affiliated	54.0	58.8	60.8	73.1	82.4	65.8
violence						
Family member been victim of						
assault, robbery, or violent acts	20.2	23.8	19.7	20.6	25.4	21.9

1 Mean education years for the whole population 18 years and older.

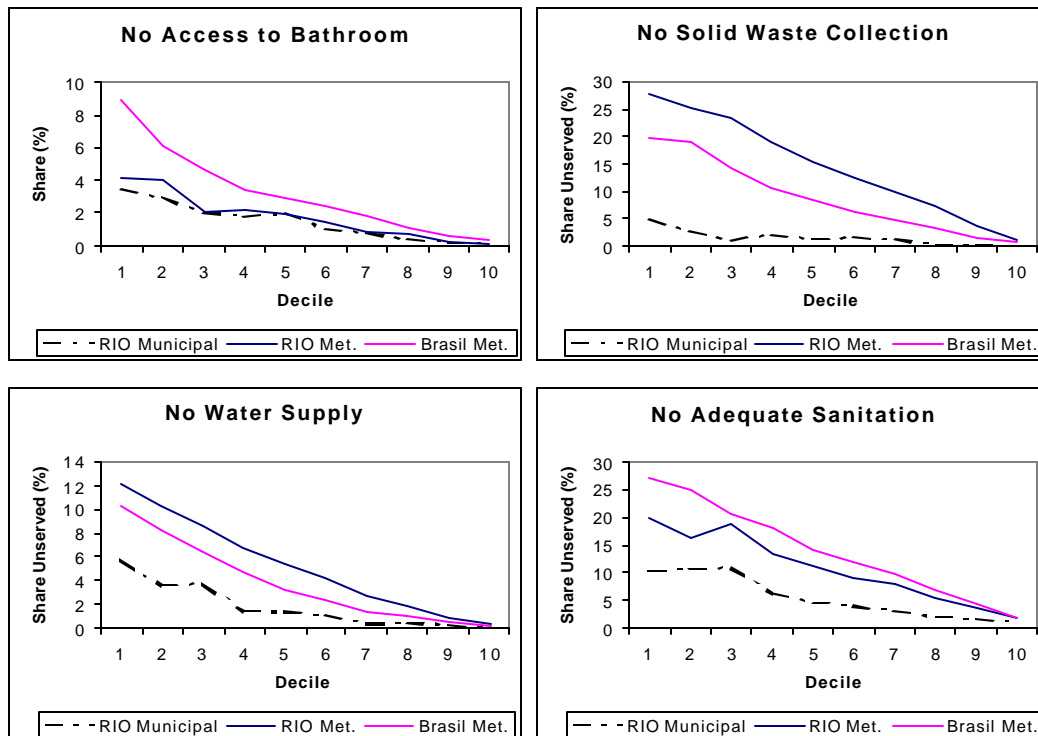
2 in the past year.

Source: Hentschel (2000).

As can be observed in Table 5, several characteristics of households do not vary at all by income class while others do. The incidence of unemployment, incidence of hunger, or the access to social programs (such as health insurance) are strongly correlated with per capita income of the household. Similarly, secondary school attendance increases with the income quintile. Primary school attendance, however, or access to services such as electricity, sewerage or water vary little by income quintile. It needs to be noted, though, that even if such access to services is universal in Cali, differences remain. These pertain to where hygiene facilities are located (in the house or outside) or whether public water is used by a household alone or shared with neighbors. Often, the population in the slums of Cali shares one public standpipe among dozens of households. Hence, the poor in these areas are very vulnerable to water supply stoppages of these few stand pipes.

Graphs are an easy way to show how different city indicators are intertwined. Similar to Table 5, Graph 3 shows how access to basic services varies with income in Rio de Janeiro. Each chart in the Graph distinguishes three different areas: the municipality of Rio, the metropolitan area and all urban areas in Brazil which allows for the comparison of Rio's basic service access to larger areas. On the horizontal access, ten income deciles are portrayed with 1 being the poorest and 10 the richest. In general, poorer residents have much less access to any of the services looked at here than the rich – this is in stark contrast to the Cali example looked at above. Further, the graphs also show that the poor in metropolitan Rio (in deciles 1 and 2) are *comparatively* better off than the poor in other urban areas because their access to services is higher.

**Graph 3: Access to Services, Rio de Janeiro, 1997**



Source: World Bank (1998).

*Satisfaction Levels of City Programs.* If data is available, part of the poverty profile also pertains to satisfaction levels of the city population (and different groups therein) with programs and services offered by the city. Such information can be collected by separate inquiries (e.g., Paul 1998) or be part of a multi-topic city survey. The EPSOC survey in Cali included such a module in which citizens rated municipal services. Results are presented in Table 6.

**Table 6: Dissatisfaction with Basic Social and Infrastructure Services  
Cali, 1999**

	1	2	3	4	5	average
dissatisfaction with						
- education (students)	9.1	9.2	7.0	9.5	8.2	8.6
- electricity service	8.2	11.6	9.3	5.4	6.2	8.1
- water service	8.7	8.6	7.2	12.3	7.2	8.8
- garbage collection	9.2	7.7	10.1	12.8	11.2	10.2
- health (those using them)	24.7	16.2	17.9	16.0	17.5	18.4
- sewerage	33.8	23.1	21.9	26.0	20.1	25.0
- environmental cleanliness	61.2	66.8	60.5	64.3	60.9	62.7

Source: Hentschel (2000)

It is interesting to observe that satisfaction levels vary significantly across services but very little across income groups. Education, electricity, water and garbage collection is viewed as satisfactory by a large majority of the population. Health dissatisfaction – again especially of public services – is considerably higher with about one quarter of the population not content with the service being offered. The cities’ sewerage service obtains similarly low ratings. And two-thirds of the population view environmental cleanliness as especially negative. But for all these areas, differences between income quintiles is low. This is an important information for the city since it means that policy changes, e.g. giving more emphasis to environmental cleanliness, would be welcomed by a large majority of citizens, independent of their economic status.

*Important dimensions of city life.* The two angles portrayed above – characteristics of the life of the poor in different parts of the city and characteristics across different income classes – can be used to examine a broad variety of subjects which will have to be tailor-made to individual city circumstances. Some of these could include:

*Environmental and health conditions of different population groups.* Many assessments of inner-city health conditions suggest that death and disease rates for infants and children are between two and ten times higher in deprived than in non-deprived areas of cities. This is closely connected to the poor being much more often affected by the results of environmental pollution than the better off in the cities (Box 2). Describing these often hazardous living conditions is key to understanding the problems of the poor.

## Box 2: Urban Living Conditions

### **Bombay, India:**

People living in slums and the homeless are often the worst victims of industrial pollution in the cities. They are the worst affected by the insufficiency and poor quality of water, by inadequacies of drainage, sanitation, and household waste removal facilities and, in general, by unhealthy living and working environments. Slums are located typically in areas that are not meant for human habitation, for instance, in low-lying areas, on hillsides, on marshy land, near garbage dumps and under high-tension wires. The area is flooded in in the high tide and, when the tide recedes, it leaves behind all kinds of toxic waste, including carcasses of cattle and pigs in the swamp that surrounds the new tenements. Use of slum shelters as workplaces adds to health risks. In the Dharavi slum of central Bombay, there are about 400 leather-processing units which are a major source of air and water pollution. Water is a primary medium for the transmission of diseases, the most important of which are typhoid, cholera, hepatitis, polio-myelitis, dysentery, amoebiasis, and infection by intestinal protozoa. Slums lack systems for disposing of excreta, sewage, sillage (water from washing and bathing) and solid wastes.

Source: Swaminathan (1995)

### **Rio de Janeiro:**

By choice of location and by political process directing efforts to clean the environment toward richer areas, the poor are more affected by adverse environmental conditions. More of the poor live in the northern part of the municipality of Rio, which is affected by serious, and health threatening, air pollution. They live closer to heavily polluted water bodies, such as Guanabara Bay, which leads to health risks, for example, for bathing children. Many poor neighborhoods, especially favelas, are located on lands exposed to natural hazards (landslides, flooding, etc). The health costs of pollution particularly affect low-income households which typically live in more polluted areas and lack the resources for protective expenditures and investments. Environmental improvements will, therefore, often more than proportionately benefit the low-income population. Measures that improve environmental conditions and generate benefits primarily for the poor, such as the extension of basic sanitation, are an obvious top priority. On the other hand, it would be misguided to try to address income inequalities through environmental improvements that would not otherwise be a priority. For example, investments in secondary and tertiary sewage treatment would in many locations not likely be a priority for the poor who might instead prefer faster expansion of sewage collection or better health care and education.

Source: World Bank (1998)

☞ *The income and expenditure patterns of different population groups.* Different population groups derive their income from varying sources – and also spend it on different items. Exploring these differences is necessary to assess how changes in prices of goods will impact on the well-being of the most marginalized groups. For example, if it is found that the poor spend almost 10 percent of their income on public transport while the richer groups in the city do not depend on public transport at all, a strong price increase in public transport can cause substantial problems for the poor. The reverse, however, might be true as well: the richer parts of the city might be the exclusive users of the public transport services while the poor use informal transportation means or simply walk. In this circumstance, the price hike will be borne by the well-off in the city and will not impact much on the poor. Similar analyses can be carried out for other public services but also for food or clothing price increases.

☞ *Relative poverty risks of different groups within the city.* Different population groups within the city might be at different risks of being poor. Therefore, a poverty profile should also analyze the degree to which poverty and deprivation is linked to certain personal characteristics of its citizens like gender, age, or ethnicity. To make comparisons easier,

analysts sometimes use the *relative poverty risk* which sets the likelihood of somebody being poor in relation to all other groups in society that do not have this characteristic (or alternatively, the average poverty rate, see Box 4). In Peru, for example, a recent poverty analysis showed that a person with an indigenous background was fifty percent more likely to be poor than a person with a non-indigenous background.<sup>15</sup>

**Box 4: Poverty Risk in Rio de Janeiro, 1998**

A breakdown of the poor in Rio .... shows that certain characteristics of the household head are associated with a higher probability of being poor. In particular, the percentage of poor (compared to the overall poverty rate) is higher for particularly vulnerable groups, including female-headed households (29% higher poverty rate); young households, headed by under 25 year olds (105% higher); uneducated households, heads without formal schooling (85% higher); blacks (55% higher) and unemployed (230% higher) and informal sector workers (26% higher).

Source: World Bank (1998)

## 5. More than a Snapshot – Changes Over Time

For most city policy makers, even more important than the ‘snapshot’ of poverty is how city living conditions change over time. This is for two reasons. First, changes over time give feedback on whether the city is moving in the right direction. While poverty in the city might be extremely low, an increase in poverty has to concern policy makers. Similarly, even though high poverty levels are a very big concern, a reduction in poverty shows at least that improvements are possible. Second, changes over time can also provide insights to the factors that help people grow out of poverty or fall into it. Such factors can be good ‘hooks’ for the development of city anti-poverty programs.

*Poverty Changes over Time.* Measuring the quantitative changes of poverty over time requires, first of all, a ‘rock-solid’ definition of the poverty indicators employed. This might seem easier than it actually is in some circumstances. While the measurement of access variables is generally quite straight forward, the most commonly used poverty indicator – an income-based poverty rate or poverty gap – is much more difficult to define exactly in the same way in different years. Household surveys which measure the monetary welfare measure (income or consumption) have to follow the same sampling procedures in different years; they need to ask exactly the same

**Table 7: Changes in Income Poverty and Inequality of Colombian cities, 1994-1998**

	Change in Ext. Poverty Rate	Change in Inequality (Gini coefficient)
Bogota	-2.5	-0.02
Medellin	+3.8	-0.06
Cali	+0.8	+0.04
Barranquilla	-7.8	-0.19
Bucaramanga	+2.2	+0.01

Source: Santamaria (1999)

<sup>15</sup> World Bank (1999).

questions; and record the same prices which are then used for adjusting nominal incomes. Often such comparability is not easily achieved.

But if the consistency of indicators is given, comparisons over time can offer many additional insights. Take the example we used for Cali earlier on (Table 2). There, we had seen that poverty, extreme poverty and inequality levels in the city were clearly not the worst in Colombia and in line with those of Bogota and Medellin. Table 6 reports these same indicators; however, it records their changes from 1994 to 1998. As can be seen, Colombian cities had very different experiences in these four years: only Bogota and Baranquilla reduced both extreme poverty and inequality while both extreme poverty and inequality increased in Cali and Bucaramanga. Tracking the different development in Colombian cities was only possible since the Colombian Statistical Institute DANE applied its *Encuesta de Hogares* nationwide at different times, using the same income definition, and ensuring representability for various cities.

Qualitative assessments or subjective evaluations of changes of welfare do not require such a strict comparability of statistics and can be illuminating as well. A city survey in Haiphong, Vietnam, captured how the city population assesses their living standards to have changed over the past two years before the survey was conducted (Luan et al, 1999). Results are reproduced in Table 8. A diverse picture emerges with over thirty percent of households feeling that they are worse off while slightly less state that they are better off than two years ago. Especially in the poorest quintile of the Haiphong population the impression that living standards declined is prominent. This could imply that mobility in the city in periods of rapid economic change have been high – both upward as well as downward. The City Poverty Assessment can then further analyze what the specific characteristics of different groups of households are, especially within given income quintiles. Such information can be very important to understand the dynamics of welfare changes.

*Factors Associated with Poverty.* Time comparisons can also help policy makers to better understand the dynamics of poverty. We had discussed above that the poverty profile can provide a ‘snapshot’ of the factors associated with poverty.

If such data are now available over time, we can examine if these same factors also change – that is, if they remain strongly associated with poverty or if they lose or increase their importance. For instance, the World Bank (1999) reports that in Peru an indigenous person was 40 percent more likely to be poor than a non-indigenous person in 1994 but almost 50 percent more likely to be poor in 1997. Hence, the indigenous population fell further behind the non-indigenous population. Landless rural households were, as one could expect, more likely to be poor in 1994 than rural households with land. However, in 1997, such rural landless households were about 5 percent *less* likely to be poor – here we have a case where time comparisons can tell us that a certain factor does not appear to be systematically linked to

**Table 8: Subjective Assessment of Changes in Living Standards in Haiphong, Vietnam,**

	Income Quintile					Total
	1	2	3	4	5	
Much better	0.0	0.0	0.5	0.5	2.5	0.7
Better	11.4	20.2	25.5	31.3	44.1	26.5
Same as before	39.3	43.4	41.5	47.0	34.7	41.1
Worse	46.3	35.9	32.0	20.7	18.8	30.7
Much worse	3.0	0.5	0.5	0.5	0	0.9

Source: Luan et al (1999)

welfare changes. A special case is given if consecutive household surveys interview *identical* households time and a panel is included in the household survey. Then, more sophisticated methods can be used to link what factors help households grow out of poverty.<sup>16</sup>

*Other indicators.* If cities do not command representative household surveys that contain income information at different points in time, welfare developments can be tracked using other indicators. For example, as one such indicator, Wong (1997) used the share of households that possess certain durable consumer goods (refrigerators, washer, color TV) to show welfare developments in Shanghai from 1985 to 1995 (Table 9).

**Table 9: Possession of Durable Consumer Goods in Shanghai, 1985 to 1995**  
(percentage of households in possession of good)

	1985	1988	1990	1993	1995
Refrigerator	20	73	88	92	98
Washer	26	62	72	76	78
Color TV	22	54	77	94	100

Source: Wong (1997)

## 6. Beyond Indicators and the Profile – Understanding the Meaning of Poverty and Policy Impacts

While the measurement and description of poverty conditions are important components of the City Poverty Assessment, a variety of other tools can help (and are often necessary) to understand better the meaning and dynamics of poverty. Household surveys can only capture certain types of information and cannot replace more fundamental inquiries into the nature of poverty through in-depth case studies, consultations with poor communities and community-based organizations, and participatory assessments. For example, areas in many cities are known as ‘poor’ and stigmatism accompanies their residents wherever they go – if they use city facilities or public transport, if they try to send their children to school, or search for work. Residents of *favelas* in Rio experience such locational discrimination: “the prevalent view among non-favela residents is that they represent a ‘break’ in the cityscape and that this fact reflects the characteristics of the social groups living in them. When one refers to a *favela*, one implies that such a place is ‘irregular’, ‘poor’, ‘disorganized’, ‘dangerous’, i.e. full of problems”.<sup>17</sup>

Among others, participatory and qualitative tools can be used to

Assess how poor communities understand and experience poverty;

<sup>16</sup> See Deaton (1997) for an explanation of household panels. Examples of panel analysis can be found in Glewwe and Hall (1995) and World Bank (1999).

<sup>17</sup> Pamuk and Cavalieri (1998).

- ☞ Explore whether different groups in the community (or individuals in households) face a different set of problems in overcoming poverty than others;
- ☞ Identify vulnerable groups in times of hardship;
- ☞ Prioritize poverty indicators among the many that could be employed;
- ☞ Learn what poor communities view as the main bottleneck in reducing poverty;
- ☞ Understand the living circumstances of the poor and the dynamics and causes of poverty.

Apart from such participatory and qualitative assessments, the City Poverty Assessment would ideally also include a detailed assessment of the current (and future) regulatory framework in the city, including institutional assessment of the access of different population groups to the legal system, the transparency of budget and expenditure decisions, and the accountability of decision makers to the public. Policy assessment would include, for example, the impact of zoning regulations through their impact on housing prices on different population groups in the city. Or similarly, existing registration procedures of squatter settlements would be analyzed and linkages made to the ability of the illegal poor to obtain important service provisions.

In some cases, such in-depth reviews might lead to the adoption of different indicators for poverty monitoring than usually proposed, such as the percentage of households without a plot of land or proper title to their house. In other cases, such ‘contextualization’ of poverty can call for a combination of different indicators (Box 4).

**Box 4: Income-Poverty and Living Conditions in Bombay**

A longitudinal case study in Bombay (i.e. a study that records and observes a community over a period of time), shows that income changes and changes in living conditions need not go hand in hand. Observing the same families in 1987 and 1992, found income variations to be extremely large in both directions, upward and downward. Such high income mobility went hand in hand with very little change in overall living conditions of households, like the health risks they faced from environmental pollution or access to basic services. Hence, the study concludes that poverty can be neither understood nor tackled through a simple focus on income. A more comprehensive approach, which includes housing and living conditions in addition to the income measure, is necessary.

Source: Swaminathan (1995).

## 7. City Finances and the Poor

One of the central parts of City Poverty Assessments is the analysis of city finances. Different from municipal finance studies, which look at the appropriateness and level of taxes and expenditures, the emphasis of CPAs is on the distribution and equity aspects.

*Responsibility of the City and Central Government.* The first step in the analysis of municipal finance from a poverty perspective is to distinguish which functions are performed by the different levels of government; i.e. the city, the provincial government, and the central

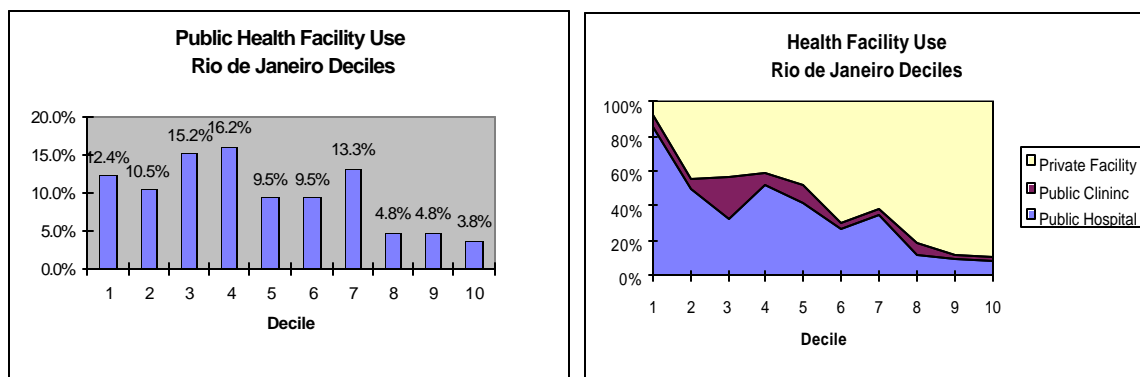
government. Programs might work very distinctly from each other in the type of services they fund and how they try to reach beneficiaries. Similarly, taxes might be shared between different levels of government or cities might have the freedom to levy certain taxes without much central control. This is important background information for understanding how the city can obtain or use its resources in a more pro-poor way.

*Incidence Analysis.* Incidence analysis is the main tool to assess the distributional impact of city expenditures and taxes. It aims to quantify the share of total revenues and expenditures a certain population segment (for example ‘the poorest decile’ or ‘population in district 1’) pays or receives.

There are two dimensions to incidence analysis in the city context: type of household and geographical location. Incidence analysis by type of household requires the availability of a household survey representative at the city level. Using the total expenditure or tax per activity, specific questions of the household survey are then used to distribute total funds (e.g., to the poorest decile of the population). Incidence by geographical location requires good data from the city planning or budget office on where actual expenditures in the city went and where taxes were raised. The geographic assessment is generally carried out at the level of administrative sub-units.

*Incidence of City Expenditures.* The incidence of city expenditures generally starts with establishing user patterns of public services and programs, employing the household survey as the main data source.<sup>18</sup> User patterns of services provide information on who in the city obtains what share of services. The example in Graph 4 is of Rio De Janeiro and shows the total use of public health services (left-hand chart) by population deciles in the city. The most frequent users of health services are deciles three and four who – although their share in the population is each only ten percent – use 15 or 16 percent of total health services provided in the city. The more wealthy groups in the city tend to use private instead of public health services, which explains their lower share in total service use.

**Graph 4: Public Health Facility Use in Rio de Janeiro, 1997**



<sup>18</sup> See World Bank (1992) for a discussion of incidence analysis.

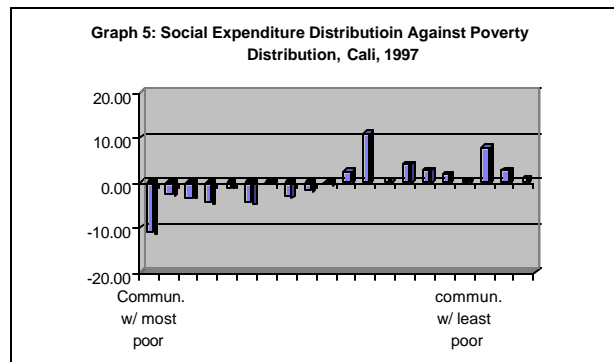
The second step of calculating the incidence is to distribute actual expenditures according to the user profile. Most often, household surveys will not record the actual benefit received from social programs so that assumptions about such benefits have to be made. The most common assumption made is that benefits for all users, *on average*, are the same. That is, the actual benefit derived from a health visit is independent of the income status of the user. Applying such a rationale to the above picture of public health service use in Rio results in the incidence of expenditures shown in Table 10 (for ease of presentation we report the incidence by population quintiles). Due to the user pattern established above, we can state that overall public health expenditures in Rio are progressively distributed; i.e. they benefit the poor more than the well-off households. If total expenditures in the health sector are known, such shares translate into actual monetary figures which can be aggregated across different social programs as long as the household survey can be used to establish user (or even better) benefit patterns.

Data requirements to assess the geographical incidence of program expenditures are more moderate. Detailed city expenditures accounts, which allow for an identification of recurrent and capital expenditures by different sub-units in the city, are generally sufficient and many cities have good information systems in this regard. The geographical pattern of expenditures can then be compared to the geographical distribution of poverty to establish whether funds flow into the most deprived areas. Graph 5 gives an example from Cali.

**Table 10: Incidence of Public Health Expenditure in Rio, by population quintile**

Population quintile	share of expenditure received
1	22.9
2	31.4
3	19.0
4	18.1
5	8.6

Source: World Bank (1998)



Source: Hentschel (2000)

Here, communities are ranked by the share of total poor living in them from left (communities with largest share of total poor) to right (lowest share). Similarly, the share of social expenditures going to each community can be calculated from administrative data. The graph then shows the difference between the share of the total poor per community and the share of social expenditures coming from the municipal treasury. If these expenditures were distributed according to the amount of poor per community, all bars in the graph would be at the zero line. However, we see that bars towards the left tend to be negative (i.e., the communities obtained less expenditures than they had poor people) while they tend to be positive on the right. On a geographical basis, the distribution of social expenditures in Cali was anti-poor in 1997.

*Incidence of City Taxes.* The other side of expenditure incidence is an assessment of how such expenditures are paid for. While everybody in the city can be asked to contribute to local revenues, it is not desirable to have the less fortunate in the city pay the brunt of total revenues.

By the nature of the subject, information on tax payments in most cities is rather scarce which complicates tax incidence analysis. In some cases, household surveys do contain important information – for example, if a share of VAT goes directly into the account of the municipality, household surveys will provide good estimates of the distribution of these VAT taxes by using information on consumption patterns. But other local taxes, especially on the property tax, will not be contained accurately in household surveys (partly because respondents are skeptical what the information they provide is going to be used for). Hence, tax registries at the local level will be the major source of information in most circumstances which should provide an accurate geographical tax incidence by type of tax. Many inferences can be made from such a geographical distribution of taxes. For example, if income from property taxes is highest in the poorest areas of town, it is likely that the more wealthy evade such taxes and, consequently, property tax incidence is likely to be regressive.

*Budget Priorities.* Apart from an incidence analysis of city expenditures and taxes, the City Poverty Assessment might also consider capturing the priorities of the city population for the municipal budget. If appropriately designed, multi-topic city surveys can collect such information. The EPSOC survey in Cali, for example, asked each respondent to answer two questions: (a) if the city were to be able to increase funding for one city program, which one should be financed?; and (b) if the city had to cut expenditures on a program, which program should it be? Asking both of these questions allowed to see whether a consistency between the answers was present. Table 11 and 12 show the results for both questions.

**Table 11: Municipal Programs: Priorities for Expansion of Programs  
Cali, September 1999**

	1	2	3	4	5	average
education	31.3	30.9	29.2	32.3	34.8	<b>31.7</b>
health	19.5	19.9	30.2	23.6	23.9	<b>23.4</b>
employment & income prog.	18.9	22.2	18.6	18.7	19.8	<b>19.7</b>
nutrition programs	8.8	4.4	5.6	5.6	1.2	<b>5.1</b>
social housing	10.4	11.7	8.4	5.9	5.5	<b>4.8</b>
police	3.2	3.1	2.6	7.2	7.8	<b>4.5</b>
water	2.1	1.5	1.5	1.9	1.4	<b>1.7</b>
electric lighting	1.8	1.8	0.8	0.5	1.5	<b>1.3</b>
communal households (ICBF)	1.0	2.6	0.6	1.5	0.6	<b>1.2</b>
public transport and roads	1.4	0.8	0.9	0.8	2.0	<b>1.2</b>
sports arenas	1.3	0.9	1.3	0.7	0.8	<b>1.0</b>
sewerage	0.5	0.1	0.2	0.8	0.2	<b>0.4</b>
garbage collection	0.0	0.0	0.1	0.7	0.5	<b>0.3</b>

Source: Hentschel (2000)

**Table 12: Municipal Programs: Priorities for Cut-Back of Programs  
Cali, September 1999**

	1	2	3	4	5	average
health	0.9	0.2	0.4	0.8	0.5	0.6
education	0.8	0.6	1.1	0.7	1.1	0.9
water	2.8	1.0	1.1	0.7	0.3	1.2
nutrition programs	0.9	2.5	0.8	3.3	1.8	1.9
employment & income programs	0.5	1.7	3.1	1.9	3.6	2.2
garbage collection	0.7	3.8	1.9	1.6	2.6	2.2
sewerage	1.1	3.3	4.2	3.2	2.1	2.8
social housing	3.3	1.1	5.5	5.5	3.7	3.8
communal households (ICBF)	10.5	9.5	5.5	5.9	8.0	7.9
electric lighting	7.6	14.1	12.5	10.1	9.4	10.8
public transport .	18.2	12.9	12.9	17.5	18.0	15.9
police	18.6	17.2	16.6	15.1	12.9	16.1
sports arenas	33.9	32.1	34.3	33.6	35.9	33.9

Source: Hentschel (2000)

A clear pattern as to the priorities of the population in Cali emerges. If resources were available, education, health, employment generation and nutrition programs should be the beneficiary programs. In the reverse case (Table 12) these are exactly the programs which are to be protected from cuts. Instead, the population suggests expenditures for sports arenas, the police, public transport and lighting to be cut – all of these four areas have also fared at the bottom of the list when an expansion of programs was probed.

## 8. City Anti-Poverty Programs

In addition to the assessment of expenditure and tax incidence, City Poverty Assessments take an in-depth look at the functioning and effectiveness of existing anti-poverty programs.

*Institutional Map.* A good starting point for such an assessment is the preparation of an institutional map. Such a map records detailed information about the total supply of social programs and services in the city (see Table 13 for an example from Rio). Often, the maps start with a sectoral assessment of the service or infrastructure supply (see Table 14 with an example of the education sector in Haiphong, Vietnam). They look beyond the public sector (city and central) and also include private, community-based, and voluntary organizations. The purpose of such maps is to draw a picture of the total supply of social and productive programs in the city: who does what and where, with how many resources. The outputs of such maps can be physical, computerized or both, and they are important information tools for all actors in the city. The preparation

### Institutional Maps

- ☞ Who are the main actors (public, private, voluntary) in the provision of social and productive services in the city?
- ☞ What functions do the actors perform?
- ☞ Where do they operate?
- ☞ How much do they spend?
- ☞ How many people do they reach?
- ☞ How do they identify their beneficiaries?

of an institutional map can go hand in hand with an in-depth review of the functions of the local government and its potential role in poverty reduction (Box 5).

**Table 13: Inputs for Institutional Maps: Information of Public Sector Programs in Rio**

Program	Potential Target Population	Households Reached (1997)	Approximate Cost
Kindergarten program for 0-6 year old children (Creches)	Households with young children and under R\$360 monthly household income (about 100,000 households)	26,055	R\$9 m
School Maintenance Program for 7-14 year old	About 100,000 poor households with children 7-14 years	2,648	R\$0.8 m
Youth Training Program for 15-18 year old	About 65,000 poor households with children 15-19 years	1,702	R\$0.3 m
Street Children Program		1,422	R\$1.5 m
Disabled Support Program	Up to 10% of the population (530,000) are likely to be affected by some disability	1,702	N/A
Elderly Support Program	About 35,000 poor elderly that do not receive pensions (women above 60 and men above 65 years)	2,494	N/A
Food Basket Distribution		20,000	R\$3.5 m

Source: Municipal Secretariat of Social Action. Target numbers from special tabulations of the 1996 PNAD by Sônia Rocha.

**Box 5: Poverty Reduction and Municipal Functions in Rio**

Municipal policies toward poverty are complicated, on the one hand, by the dependency on policies of other Government levels (for example, public security and water and sanitation under the responsibility of the State, and growth policy, minimum wage and unemployment policy under the Federal Government), and on the other hand, leakage of municipal services to residents of other, typically poorer, municipalities of the Rio metro area. Traditionally, the role of the municipalities, including its policy toward the poor, has been focused on the provision of urban services, and more recently the provision of basic health and education services. However, there is an increasing recognition of the potential role of a major municipality, such as the municipality of Rio, in fostering local growth and employment, and in establishing an effective system of social protection to complement the basic functions of a municipality.

Source: World Bank (1998)

Table 14: School and Student Inventory in Haiphong, Vietnam, 1998

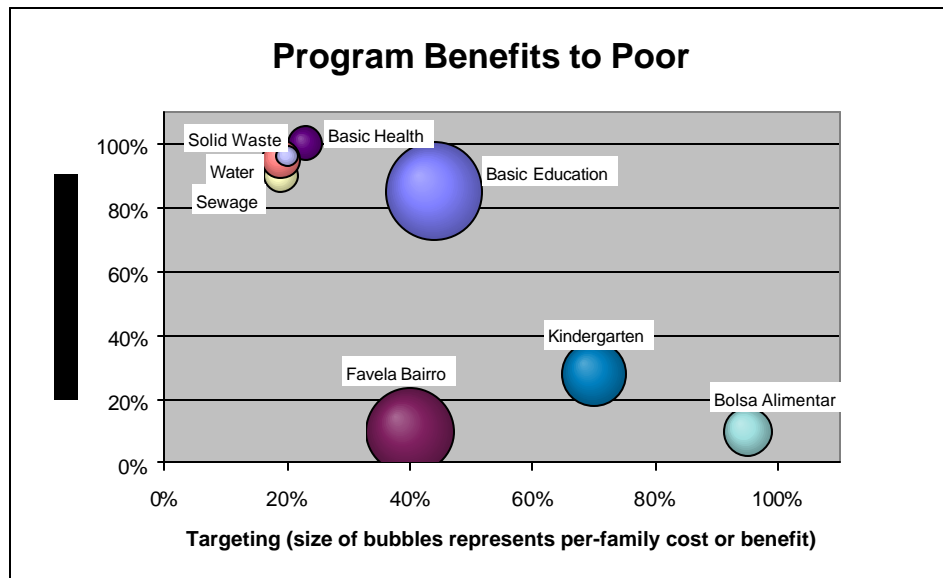
	Ngo Quyen Precinct			Le Chan Precinct			Hong Bang Precinct			Kien An Precinct
	May Chai	Cau Tre	Cat Bi	Du Han g	Han g Ken h	Nie m Ngh ia	Ha Ly	Thuo ng Ly	Trai Chuoi	Van Dau
<b>Number of schools in the ward</b>										
Primary	1	2	1	1	1	2	1	1	1	2
Lower secondary	1	0	1	0	2	1	1	1	1	1
Upper secondary	0	1	1	0	0	0	1	0	0	0
Kindergarden	3	2	2	1	1	1	2	2	1	2
Other schools		0	3	0	0	0	0	0	0	1
<b>Number of students</b>										
Primary	1343	2411	1638	572	933	2990	1024	1415	749	n.a.
Lower secondary	1721	0	1348	0	2267	1909	932	1823	558	n.a.
Upper secondary	0	2438	1948	0	0	0	1282	0	0	n.a.
Kindergarden	588	394	357	359	230	320	126	297	335	n.a.
<b>Number of classrooms and type of building</b>										
<b>Primary</b>	21	21	24	12	13	37	13	16	21	25
Permanent	17	8	0	0	4	33	13	0	0	20
Semi-permanent	4	13	24	12	9	4	0	12	21	5
Temporary	0	0	0	0	0	0	0	4	0	0
<b>Lower secondary</b>	22	0	21	0	26	18	11	16	13	13
Permanent	14		12		12	14	11	16	0	13
Semi-permanent	8		9		14	4	0	0	13	0
<b>Upper secondary</b>	0	28	35	0	0	0	14	0	0	0
Permanent	0	25	10				14			
Semi-permanent	0	3	25				0			2
<b>Kindergarden</b>	18	11	12	10	7	8	6	7	15	0
Permanent	6	11	7	4	0	0	6	0	0	2
Semi-permanent	12	0	5	6	7	8	0	7	15	9

Source: Luan et al. (1999)

Institutional maps are key inputs into planning and re-orienting city anti-poverty programs. They identify gaps and overlaps in program provisions between different actors and by geographical area. Combining such maps with detailed information on the location of poverty (poverty maps, see section 4 above) and the output of Service Satisfaction and Needs Assessments (see section 3 above), allows for the combination of supply and demand information and can as such be an important planning tool.

*Targeting, Coverage and Benefit Transfer of Social Programs.* Using information from the institutional mapping exercise but also the incidence analysis (section 7), the analyst can derive targeting, coverage and benefit information for social programs. ‘Targeting’ refers to the percentage of total expenditures which go to the poor. ‘Coverage’ describes how many of the poor are reached. These are two distinct dimensions of program performance. For example, a program might be well targeted; that is, almost all of its expenditures may go to the very poor. However, its coverage rate might be low as well if only very few of the poor are reached. The graph below brings these two dimensions together: the horizontal axis maps the coverage, i.e. how many of the poor are reached. The vertical axis maps the targeting efficiency, i.e. what percentage of total program expenditures goes to the poor. Programs with large coverage and good targeting would therefore be in the upper right hand corner of the graph. Most programs in Rio do not show such characteristics but have *either* good targeting and low coverage (lower right hand corner) *or* good coverage but weak targeting (upper left hand corner). The third dimension of program assessment is the actual benefit transfer. Both household surveys and administrative information can provide an estimate of the actual benefit received by beneficiaries. The size of the bubbles in the graph above represent such benefit transfers per recipient. In Rio, the program with the largest benefit transfer is basic education.

**Graph 5: Targeting, Coverage, and Benefit Level of Social Programs in Rio de Janeiro, 1997**



Source: World Bank (1998)

*Efficiency of programs.* Measurement problems notwithstanding, an assessment of the economic efficiency of public expenditures is essential.<sup>19</sup> Questions to be answered here include: first, are the expenditures that appear to be directed to the poor directed to high-return activities? Second, are the programs operated efficiently; that is, are administrative and targeting costs justifiable when compared with the benefit derived from the programs? Third, in the broader city expenditure program, is there scope for efficiency-related cuts that would free resources for poverty reduction? Fourth, are public expenditures directed at public goods and services that promote broad-based, efficient growth or are they captured by special interest groups?

*Evaluation and Monitoring of Impact.* Social programs – independent of who provides them – need functioning monitoring and evaluation systems to tell city managers and other policy makers whether the financed programs had the intended impact, like improving health or reducing poverty. The difficulty here is to develop systems which will distinguish the impact of the specific project from the impact of other developments. For example, to assess the effect of a nutrition project on child malnutrition, it is important to distinguish the direct nutritional impact of the program from the effect of rising incomes on nutrition. The design of appropriate monitoring and evaluation systems is a precondition for designing effective city poverty reduction programs.<sup>20</sup>

## 9. City Growth and Poverty Reduction

Apart from its concern with the evaluation of social and productive programs for poverty reduction, City Poverty Assessments also assess how the general economic performance of the city is linked to poverty reduction. Obviously, a city that stagnates economically and has high unemployment rates will find it difficult to reduce poverty significantly.

The poor's connection with the city economic development works mainly through the labor market. Hence, it needs to be established what the main activities of the poor are, in which sectors they work, and what the most likely additional employment sources would be if those were available. In many countries, the poor's main income source stems from informal sector activities in commerce and construction. With the help of household surveys, it is possible to calculate the impact of growth in these (and other) sectors on employment creation and to infer the impact on poverty reduction. This will give city managers a basic idea of how – and what type of – city growth will be important for poverty reduction. Although presented at the country, Box 6 might give an insight what simple analysis could be done if consecutive data on poverty and employment data is available at the city level.

But employment creation for the poor can also be a function of factors other than city economic performance. Regulations, for instance, can be impediments for the poor to

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<sup>19</sup> See World Bank (1992) for a review of the efficiency of programs.

<sup>20</sup> See for literature on monitoring and evaluation, a basic discussion of terms, and case examples the impact evaluation web site of the World Bank (<http://www.worldbank.org/poverty/>)

establish their own enterprises. Taxes might deter establishment of enterprises or investment from outsiders. And transport might be a major impediment for the poor to get to places where jobs are. The City Poverty Assessment would analyze all such factors and make appropriate policy recommendations.

**Box 6: Growth, Employment and Poverty Reduction in Peru, 1994-1997**

In Peru, employment growth was closely linked to poverty reduction. The table below looks at severe poverty rates and employment growth for the different sectors in the Peruvian economy. As can be detected, the three sectors with the highest employment growth rates (construction, trade and commerce, and services) are also the three sectors, which achieved the highest percentage decrease in poverty. Much of this employment growth provided families with more hours of work or a second source of income. Similarly, agriculture and mining/manufacturing had the lowest employment growth rates and also showed the lowest percentage reduction in the severe poverty rate.

Sectoral growth rates and employment creation are connected. The table reports (column 4) that the 'push' sectors in Peru over the last years were agriculture, construction and trade. However, these real growth rates will capture only output of formal enterprises and would not necessarily account for many informal economic activity so that, strictly speaking, the growth and employment data cannot be directly compared. Nevertheless, the two can be considered closely linked -- if formal sector growth is high in a specific sector, supporting or parallel informal enterprises should also realize an upswing. On face value, Peru's growth pattern was 'pro-poor' over the time period considering that it was driven by the sectors in which severe poverty rates were highest (columns 1 and 2). And in construction and trade real growth translated into employment growth and poverty reduction. But one key factor explaining inequality and poverty developments in the few past years in Peru is that the impressive agricultural growth rates did not translate fully into employment creation. Real growth rates of the sector are estimated at 23 percent over the 1994-1997 period; after construction the best performing sector. Growth has especially been strong in non-traditional exports. Agricultural productivity was seriously depressed at the beginning of the 1990s so that one can expect growth to be generated in large part by the existing work force working longer hours. This would be one possible explanation for the relatively low growth elasticity of employment generation of agricultural growth.

Sectors	Sectoral Poverty Reduction and Growth Rates, 1994-1997				
	Severe Poverty Rate.		Perc change	Employment	Real Growth
	1994	1997	1994-1997	Growth	of sector
	(1)	(2)	(3=2/1)	(4)	(5)
Agriculture & forestry	31.8	26.4	-17.0	10.3	23.4
Construction	25.2	17.4	-31.0	63.9	33.8
Transport and Communications	11.8	10.2	-13.0	18.0	n.a.
Trade and Commerce	13.8	8.6	-37.5	43.9	22.8
Mining, Petrol &	9.2	8.4	- 8.5	7.9	13.7
Manufacturing Services	11.9	8.8	-26.0	21.6	8.4
<b>TOTAL COUNTRY</b>	18.8	14.8	-21.0	19.0	100

Source: World Bank (1999). All households have been assigned a 'primary' sector, e.g. the sector of the main income earner. Real growth rate from Central Bank of Peru (1998).

## 10. Concluding Remarks

This paper provides an introduction to the content and tools of City Poverty Assessments. There is no standard content of such assessments; they need to be adopted to the specific needs of cities. Several aspects of urban poverty touched on in this paper will be irrelevant to certain circumstances while others, not mentioned here, will be crucial.

The thrust of CPAs is to provide city policy makers with thorough and good information about the situation of the poor in the city, the functioning of city anti-poverty programs, and the link between poverty and growth. Many of the tools which can be developed are valuable planning tools by themselves, such as poverty maps, institutional maps, the incidence of taxes and expenditures, and rapid service satisfaction surveys. Finally, the *process* of preparing a City Poverty Assessment -- which includes collecting information, analysing it and discussing it with all different actors, including the poor -- will be of major importance in forming new and more effective partnerships and understanding in city poverty reduction.

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## **Web-Links**

- \* UNCHS – Urban Indicators Programme. <http://www.unhabitat.org/>
- \* Center on Urban Poverty and Social Change Case Western Reserve University, Cleveland, Ohio. <http://povertycenter.cwru.edu/>
- \* International Forum on Urban Poverty, c/o UNCHS, Habitat (<http://unchs.habitat.org/unchs/ifup/ifup.htm>)
- \* National League of Cities, <http://www.nlc.org>
- \* Inter-American Development Bank, <http://www.iadb.org>
- \* The United Nations Program at Arendal, <http://www.grida.no>.
- \* The Urban Institute, <http://www.urban.org>
- \* The World Bank, <http://www.worldbank.org/poverty>
- \* The World Health Organization, <http://www.who.org>.
- \* World Resources Institute (WRI), <http://www.wri.org>