DFID Department for International Development

plans

Reducing Urban Poverty in India

The evolution of DFID India's urban poverty reduction programme

CONTENTS

ABBREVIATIONS/ACRONYMS

AIILSG	All India Institute of Local Self-Government
APUSP	Andhra Pradesh Urban Services Project
CAA	Constitutional Amendment Act
CDS	Community Development Society
CIDA	Canadian International Development Agency
DFID	Department for International Development
DUD	Department for Urban Development
DUEPA	Department for Urban Employment and Poverty Alleviation
GTZ	Deutsche Gesellschaft Fuer Technische Zusamenarbeit GmbH
HSMI	Human Settlements Management Institute
IDT	International Development Target
IMF	International Monetary Fund
IUDD	Infrastructure and Urban Development Department
MUDPA	Ministry of Urban Development and Poverty Alleviation
NGO	Non Governmental Organisation
NIUA	National Institute of Urban Affairs
PPIAF	Public Private Infrastructure Advisory Facility
PPPUE	Public Private Partnership for Urban Enviornment
PRSP	Poverty Reduction Strategy Paper
SEWA	Self Employment Women Association
SIP	Slum Improvement Project
SJSRY	Swarna Jayanti Shahari Rojgar Yojana
SPARC	Society for the Promotion of Area Resource Centers
SUDA	State Urban Development Agency
TB	Tuberculosis
ULB	Urban Local Body
UNDP	United Nations Development Programme

1 INTRODUCTION

The scale of urban poverty in India is staggering. Current estimates suggest that in the order of 80 million poor people live in urban settlements, constituting around 30% of the total urban population. These numbers are expected to rise. If the predictions are correct and the total urban population of India over the next 25 years increases from 27% of the total population to between 36% and 50%, the number of urban poor could end up in excess of 200 million. This means that significant reductions in poverty in India will only be achieved if the urban dimension is included in all policy planning and development.

The UK Government Department for International Development (DFID) has been working in partnership with the Indian Government on a number of urban poverty reduction projects for more than 15 years. It is the largest bilateral donor in this field. During that period, DFID's programme has evolved from slum up-grading projects in the eighties and early nineties, to a city-wide poverty reduction approach during the mid 1990s. More recently, DFID has begun supporting a state wide programme (with the Government of Andhra Pradesh) to improve urban governance in 32 towns. This will include municipal management reform and direct support to civil society.

Until now, DFID has not worked to an urban strategy in India. The programme evolved from lessons learnt in the field, and discussions with the Indian Government and other international organisations about local priorities and needs. More recently however, there has been a perceived need to pull those diverse experiences together, and to adopt a more strategic response to DFID's commitment in the UK Government's 1997 White Paper to eliminate poverty world-wide. A series of International Target Strategy Papers, covering gender, rights, human and economic development, the environment, and urban poverty, have underlined that commitment, and provided milestones against which progress towards the goal of poverty elimination can be measured. These call for engagement at global, regional, national and local levels, and the development of partnerships with national governments, other international organisations, the private sector and civil society, because no one organisation alone can meet the global challenge.

These commitments mean that DFID India must take a more strategic approach to its work. They require a shift from managing discrete projects, and highlight a need to work more closely with others around common goals and objectives. Our existing urban programme has already begun to focus on policy reform at city and state levels. The Target Strategy Papers, including the Urban Paper, provide the broad framework for a more strategic approach to urban poverty. Our new strategy therefore reflects past lesson learning within projects, but also examines the scale and magnitude of the urban challenge facing India as a whole. It calls for broad based engagement with a wide range of partners in order to develop a coordinated international response to the urban challenge, and outlines DFID India's particular role in this process.

2 THE URBAN CHALLENGE

Urban centres present tremendous opportunities for all people, including the poor. Cities are important vehicles for social and economic transformation. They are centres of employment, government and politics; artistic, scientific, and technological innovation; and of culture and education. They create the space where people can have diverse experiences, where different cultures can mingle through a range of human contacts, where a broad range of economic activities take place, and where services (including health and education) can be provided on an efficient and cost- effective basis. Unfortunately, many of the benefits of urban development are not shared by the poor.

The increase in the numbers of the urban poor can be partly explained by rural-urban migration of poor people encouraged by economic opportunities in urban centres. The increase can also however be attributed to conditions within urban areas themselves (unsanitary overcrowded living conditions, and limited access to services, etc.), which keep many poor people in their depressed state. Until and unless cities are able to meet the needs of their expanding populations, any advantages that economic opportunities might present for the poor are likely to be outweighed by these factors. For policy makers therefore, it means that the characteristics of urban development must be understood and included in initiatives to reduce poverty overall in India.

2.1 The Institutional Framework

During the 1990s, India embarked on a process of decentralisation, ratified for the urban sector in the 74th amendment to the constitution. The promised devolution of power, resources and accountability, which are essential tools to enable urban local bodies to improve their responsiveness to locally identified needs, has not however been fully realised. There are many inconsistencies between the way in which different states have decided to operationalise the CAAs, while implementation has been impeded by weak local capacities and conflicting political interests among elected officials, bureaucrats, the private sector and civil society. It is not yet clear therefore that the process of decentralisation in India will actually empower poor people to influence policy and practice.

Urban managers in India are frequently ineffective because of outdated and inappropriate procedures, with a lack of delegation of authority and resources, and a lack of accountability for performance. Managers have received little or no training in modern management techniques. Management infor-mation systems are generally uncomputerised and ineffective. Financial planning, if it exists at all, typically takes place only on an annual basis and is driven by political equity rather than targeting identified priorities. Resources are inevitably limited. Municipal authorities fail to identify opportunities to mobilise additional capital from the private sector, or to raise additional revenue from their population for fear of being politically unpopular. The outcome of poor management is inadequate services, under-investment in infrastructure, a lack of resources for maintenance, and rigid adherence to rule books, which discourages innovation and any attempt at responsiveness to consumer demands.

Urban development also suffers from overlapping authorities by different tiers of government at the local level, and territorial fragmentation where an urban settlement and its periphery are divided between several jurisdictions. Alternatively, a metropolitan city may be divided between many municipalities, making strategic urban management difficult to achieve. Calcutta, for instance, is divided between 107 local bodies. Although India has a long history of developing master plans, these have not been used to anticipate desirable development and to execute it. Rather the reverse is the case. The approach has been one of control, rather than the promotion of development[1].

2.2 Economic Development

The general consensus is that poverty in India can be most effectively reduced through economic growth, for which rapid urban development is a key driver. The National Institute for Urban Affairs[2] estimates that urban India currently contributes between 50-60% of the country's Gross Domestic Product, whilst accommodating less than a third of its population. Indeed, the manufacturing and service sector economies, which are the most dynamic parts of the Indian economy, are predominantly urban. In addition, with agriculture exempt from income tax, the fiscal base of the

1 Batley 2000
2 NIUA 1998

economy is also disproportionately reliant on the urban economy. As the proportion of people living in urban areas continues to rise, the opportunities for poor people to tap this growing economic base are enormous.

Unfortunately, despite economic reform measures taken in the early nineties, India's capacity to take best advantage of these opportunities, and hence ensure that economic growth contributes to poverty reduction, has been limited. This has meant that, apart from in a few show-piece cities, investment has remained low and growth has not significantly improved the economic status of the urban poor. The policies and practices of the government, civil society, and the private sector continue to discriminate on the basis of class, gender, age, ethnicity, disability, or other social factors. The poorest, and especially low caste women and children, suffer from the worst forms of discrimination, deprivation and exploitation.

2.3 Unequal Urban Growth

The proportion of people living below the poverty line in many states is now higher in urban areas than in rural areas. Developed states, such as the Punjab and Karnataka, and the less developed states like Andhra Pradesh, Kerala, Madhya Pradesh, Uttar Pradesh and Rajasthan, have reported higher levels of urban poverty than rural poverty for a number of years[4]. This suggests that economic development even in relatively prosperous states has not been translated into benefits for the urban poor. Kundu[3] suggests that in "Karnataka, Maharastra, Tamil Nadu and even Andhra Pradesh [this] could be due to the nature of development itself which fails to make a dent on the well-being of the poor....Casualisation and marginalisation of the workforce could be the factors behind high levels of poverty".

In part, these inter-state differences can also be attributed to the fact that the process of urbanisation in India over the past decade has been patchy. Although a third of the urban population live in the large metropolitan cities, two thirds live in thousands of small and medium sized towns, and it is in these where rapid population growth has occurred. It should however be pointed out that although urban growth rates vary according to the size of town, at a national level, rural-urban migration now only accounts for a third of urban growth. One third is due to natural population increases, and a third by the redrawing of urban boundaries to accommodate new settlements.

Given the pattern of urban growth, it is not surprising that there is a direct correlation between the incidence of poverty and the size of town. In the larger urban centres, poverty levels in 1993/4 were around 20% of the total population. In towns of less than 50 000 people, the proportion of those below the poverty line was 43%[5]. The smaller towns, where economic growth is happening incredibly fast, do not have the capacity to keep pace with the demand for shelter, the provision of basic infrastructure, such as water and electricity, and other essential services, that these economic migrants require.

2.4 Environment and Services

The economic and demographic growth of urban areas is increasingly placing a strain on the urban environment. Sustainable environmental planning is at an early stage, and is not yet considered a priority. As a result, increasing numbers of unauthorised private borewells are dug at the cost of an ever decreasing water table; waste is thrown into open drains, which subsequently become blocked because refuse collection services are disorganised and/or underfunded; and poor air quality causes an increasing number of respiratory health problems, prompted, for example, by the inefficient use of energy for cooking. It is the poor who suffer the consequences of environmental degradation, resulting in ill-health, disability and loss of earnings.

Provision of adequate and affordable civic services (e.g. water and sanitation, health care, education, financial credit, legal protection, etc.) is thus an integral part of sustainable urban development and poverty reduction. As cities grow, however, the pressure on existing services and associated infrastructure increases with a resultant increase in the number of people without access to these services. Inevitably it is the poor and the most vulnerable who are excluded and who end up paying higher prices for lower quality products via the informal sector. Ironically it is the poor themselves who provide many of the essential services which keep cities functioning.

3 Kundu 2000b
4 Kundu 2000a
5 Dubey et al 2000

In India, the public sector has failed to provide adequate infrastructure and social services despite the entrenched belief that "the government will provide". In these circumstances, the involvement of private, non government or community based service providers has increased some efficiency and responsiveness to consumer choice. The record however is patchy. It has been effective where consumers can be charged and competition is possible e g. for housing, public transport, health and refuse collection, but success is often dependent on sufficient regulation, financing, and public provision to protect standards and equitable access. This is rarely done.

For poor people, the problem of service provision is compounded by the fact that decision makers do not necessarily know what their needs are, or indeed recognise that they have civic rights. Illegal settlers have no rights to public services at all, while the needs of the most vulnerable - the destitute, pavement dwellers, abandoned women and sex workers, etc. - are often overlooked altogether.

2.5 Employment Opportunities

In urban areas, people's main asset is their capacity to sell their labour. They have few other assets to build on – their home may be rented or be unfit for habitation; they may not own land or cattle in the town; and the social networks built by households over generations in the village may be less strong in a dynamic urban context where people come and go.

The opportunities open to different urban inhabitants vary considerably. The growth of a large number of small and medium sized towns, attracting surplus labour from rural areas, has not been matched by a growth of productive employment, because these towns lack the capital to invest in the required infrastructure and amenities. In the older industrial centres, such as Calcutta, the decline of the industrial base has pushed many un-skilled and semi-skilled workers into unemployment. The poor are not necessarily equipped with the skills and training to take advantage of newer opportunities in modern industry and the rising service sector.

The formal wage sector has been unable to absorb the expanding labour force, and as a result, there has been a massive growth of the informal sector and casual employment. Here access to jobs and training is dominated by neighbourhood and caste, while women are usually paid half the male wage for the same employment[6]. Wages are forced downwards, working conditions are unprotected and unregulated, and access to opportunities is mediated by the capacity of individuals or households to mobilise support from local 'mustangs' or 'dadaas' who control entry to different markets. The informal sector is expanding. One of the key challenges for the future will be to identify mechanisms to support its development to the advantage of employers and employees alike.

Government policy on urban poverty has aimed to enhance productive employment and income for the poor through wage and self employment schemes. Unfortunately, the economic criteria for identifying the target groups under the programmes has been open to abuse, and many benefits have been captured by the non-poor[7]. In addition, the budgetary allocations are grossly inadequate, and demonstrate that the government's emphasis is still on addressing rural rather than urban poverty. Although the ratio of urban to rural poor is 1:3.5, the ratio of funding for poverty programmes is 1:35[8].

6 Harriss, Kannan and Rogers 1990:107
7 World Bank 1998
8 NIUA 1998:239

2.6 The Lived Reality of a Poor Urban Household

The cost of the failure of planners, policy makers, bureaucrats, and civil society as a whole to address the urban challenge is disproportionately borne by the poor. Box 1 below highlights the condition of a typical urban household in Cochin, at a particular point in time.

Box 1 - A Poor Urban Household

"S is 37 and she has 11 children ... her husband, H is a head-load worker...he is an asthmatic patient because of the sulphur dioxide fumes he inhales....he cannot go to work regularly, and in the monsoon season work is even less likely. Their son is a coolie but has only two or three days work in a month...the eldest daughter is a maid servant ... no wages but food and clothing...they expect some support from her employer when she gets married.....their house is built of raw packing cases, only enough space to accommodate five, no furniture, only cooking utensils...Rs 40 is the average amount they have for food per day...it is not enough and generally they go to bed hungry...their diet is in the morning boiled rice with chutney and at night rice porridge...the children have skin diseases, diarrhoea and TB..."

(Cochin Corporation and DFID, 1996)

The household experiences multiple vulnerabilities - ill-health, insecure and limited income sources, gender biases at work, and unsanitary and precarious living conditions. They are probably located in a squatter colony in an unauthorised slum. Their vulnerability is compounded by a weak regulatory environment (causing the inhalation of poisonous sulphur dioxide fumes, and dependence on exploitative working conditions), as well as limited, or no access to essential government services, which are their right (TB eradication programmes, nutritional support, etc.).

The household could be defined as a coping household. It appears to have balanced its opportunities and constraints, and is just about surviving. There are conditions within it however, which could cause it to improve its status, or decline still further. On the positive side, the daughter could get married quickly and leave home; the eldest son could get a more secure job; the mother and her younger children could enter the labour market, and the family could draw on social networks for financial support. Conversely, the family could be evicted from their house; the husband could die from asthma; the younger children could become too sick to enter the labour market, even as child labour; and the daughter could be raped and become a sex worker living on the streets[9].

As research for DFID India has shown[10], the basic need of this household, and many others like it, is for survival (ensuring that destitution is held at bay). It is only then that they can prioritise longer-term security (e.g. investing in training in the hope of obtaining a more secure income stream), and ultimately seek and value an improved quality of life (through improved access to environmental infrastructure, freedom from police harassment, etc).

The factors which will influence whether this household maintains its present condition, improves its status, or declines still further are partially dependent on its own capacities. More importantly however, this household's well being is dependent on factors outside its control. It is dependent on the capacity and willingness of national and local government to protect and promote its rights; on a strong civil society to demand that poor people's rights and needs are recognised and addressed; on the willingness of the private sector to adhere to employment and safety standards; and on a buoyant economy to generate the resources though which growth with equity can be achieved. These factors are at the heart of the urban challenge for DFID and its partners in India.

9 Loughhead et al 2000
10 IAS 1999

3 THE DEVELOPMENT RESPONSE

3.1 The Players

Most national governments have already recognised the need to improve their response to the urban challenge, and in particular to urban poverty, and have participated in a series of UN global conferences. Habitat I in Vancouver in 1976 focused on human shelter and housing. Habitat II in Istanbul in 1996 mapped out the urban agenda for the twenty-first century. It introduced the new themes of Urbanisation and Sustainable Urban Development in response to spiralling urban degradation and decay, and outlined the Habitat Agenda, which calls for global action to address these challenges. Istanbul+5 was held in June 2001 to review and appraise implementation of the Habitat Agenda world-wide.

India is a signatory to the Habitat Agenda, and participated in Istanbul+5. The union ministry which deals with urban issues is the Ministry of Urban Development and Poverty Alleviation (MUDPA). At present the MUDPA has two main departments, namely the Department for Urban Development (DUD) and the Department for Urban Employment and Poverty Alleviation (DUEPA). The former deals with urban policy, land, water supply, sanitation, transport and local self government and the latter with housing, employment and poverty alleviation. India does not have a national urban policy, though a draft was prepared in 1992 by the then Ministry of Urban Affairs.

State governments have primary responsibility for planning and initiating programmes in the urban sector, and have been requested to prepare state based urban development strategies. These have not as yet been produced. Under the 74th amendment to the constitution, however, greater autonomy, authority and accountability for the provision of civic amenities has been devolved to Urban Local Bodies (ULBs). Poverty alleviation is a specific ULB responsibility. In addition, at state level, State Urban Development Agencies (SUDAs) and District Urban Development Agencies (DUDAs) exist, and are responsible for ensuring coordination between different urban develop-ment programmes.

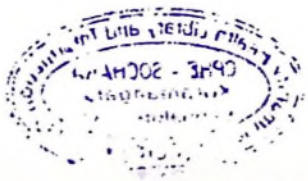
Government policy on urban poverty takes a three pronged approach: a) enhancement of productive employment and income for the poor; b) improvement in general health and welfare services; and c) improvement in infrastructure and the built environment for poor neighbourhoods. The Swarna Jayanti Shahari Rojgar Yojana (SJSRY) is the union ministry's main urban anti-poverty programme. It integrates all of the above approaches and many previous schemes, and relies on community development societies and bottom up planning processes as the vehicle for implementation. In addition, a number of other Plan schemes, including the National Slum Development Programme, the Integrated Development of Small and Medium Towns and Low Cost Sanitation for the Liberation of Scavengers, etc., are aimed at urban poverty reduction.

Several international organisations are working with the Government of India and civil society to address the urban challenge. These include the World Bank, the Asian Development Bank, the European Union, United Nations Development Programme, United States Agency for International Development, GTZ, AusAid, Italian Development Cooperation Office, Netherlands Development Assistance and Canadian CIDA. A number of inter-national NGOs including Oxfam, ActionAid, and Care also have urban programmes. Similarly there are thousands of local NGOs spread across the country involved in urban poverty initiatives, in particular organisations such as SEWA and SPARC and their support to micro-credit and savings groups. The National Slum Dwellers Federation is the largest representative group of the urban poor in India.

During the late 1990s, many of the above organisations have reviewed their approaches to the urban sector, and have developed new strategies with a clear emphasis on mechanisms to reduce urban poverty.

3.2 An Urban Framework

A number of approaches towards promoting sustainable urban development have been adopted by governments and development agencies over the past 20 years, based on their different understandings of the urban challenge, and how to address it. Given DFID's central interest in poverty reduction, and



its recognition that economically viable cities contribute to this end, this section therefore examines the development response through an urban poverty lens.

The basic elements of sustainable urban development are represented in the framework below. For each area of intervention, the impact on poverty is described. In operational terms, the framework demonstrates increasing levels of complexity from the bottom to the top of the ladder. At times, some parts of the ladder have been tackled simultaneously; at others, policies and programmes have focused on particular rungs. The major lesson is that all players -towns and cities, States, the National Government, donors, etc., - need to have a strategic grasp of the full spectrum of interventions if sustainable development, and poverty reduction in particular, are to be achieved.

For DFID the ladder represents the natural evolution of its support to the urban sector in India over the past two decades. Starting with its housing and slum improvement projects in the mid 80's it has moved more recently towards urban governance and urban development types of intervention. This progression is represented by the project names in the right hand column of the framework. In doing so, it is important to note that the lower "rung" interventions have remained an integral part of project design. In other words, the development of projects and programmes has been cumulative, based on past lesson learning, rather than jumping from one agenda to another as new issues emerge.

Table 1: The Urban Ladder

Intervention	Emphasis	Poverty Angle	DFID Projects
Urbanisation	• Rural/urban links • District/State level planning	• Considers all poor • Addresses poverty at source	
Urban Development	• Investment • Employment • Economic growth	• Good labour markets • Well regulated employment opportunities	Calcutta 2
Urban Governance	• Municipal reform • Pro-poor policies • Decentralisation	• Responsible & accountable elected representatives • From patronage to civic rights	APUSP
Urban Management	• City planning • Municipal finance • Capacity building	• Poor "planned" into city • Sustainability of services • Formal/informal sector partnerships	Cochin, Calcutta 1c
Urban Services	• City systems • Stakeholder participation • Vulnerable groups	• Poor included in the city • Stakeholder choice • Non-slum poor included	Cuttack
Slum Improvement	• Physical improvements • Area specific • Community initiatives	• Improved environmental conditions within recognised slums • Improved "quality of life" for the better off poor • Skills upgrading	Hyderabad, Vizag, Vijaywada, Calcutta 1a/b, Indore

3.2.1 Slum Improvement

Slum improvement is the most traditional form of urban intervention, and is focused essentially on the provision of environmental services in registered slums. It can also include community development and health initiatives as integrated activities within specific localities. During the late 80s and early 90s, DFID was the largest single bilateral donor in the urban sector in India, and spent £120 million on slum improvement projects in Hyderabad, Indore, Vijayawada, Visakapatnam, and Calcutta covering an urban slum population of 5 million, or about 1

million households. This approach was consistent with the Government of India's support to urban poverty reduction during that time.

The positive impact of Slum Improvement Projects (SIPs) has been better living conditions for slum residents and more social integration of slums into the city. Women in particular have benefited from improved infrastructure, as the burden of collecting water and maintaining household hygiene has been reduced and their personal security has improved through the provision of amenities such as street lighting. In many cases, the provision of sound infrastructure along with improvements in tenural status have been a catalyst for investment in housing. This approach has also demonstrated the value of participatory planning processes so that poor people get what they want and need, and have a commitment to ensuring that it is adequately maintained. There have been some positive experiences in promoting informal education (balwadis) programmes, vocational training, legal literacy, gender awareness, financial services and neighbourhood group strengthening.

The SIP approach however has a number of limitations. One is cost. Scaling up from 5 million beneficiaries to all the urban poor in India would cost up to £3 billion[11]. This compares to the plan budget for urban areas in the 2000-01 budget of £120 million. Whilst over time there is a case for the reallocation of resources from rural poverty programmes to urban poverty, fiscal resources are highly constrained.

A related problem is the area specific nature of SIPs. Not all slum dwellers live in recognised slums. Others live in the most precarious sites and live in untenable conditions - along canal banks, on pavements, and along railway lines - in constant fear of natural disasters (flooding, fire, accidents) as well as eviction or re-location. They constitute a sizeable number of the poor. Slater, using the 1991 census, has estimated that at least 30 million people fall into this category alone in India[12]. This is in addition to the 46 million residing in recognised slums. Furthermore, a significant number of the poor live outside slums altogether – on pavements; in hostels, brothels, jails; and in scattered dwellings alongside richer houses. Their needs are not covered at all.

3.2.2 Urban Services

At a more systemic level, lessons from the early SIP approach highlighted that poor people not only needed a wider range of services than the SIPs had on offer but that they should have a direct role in determining the type of services best suited to their needs. Also it was clear that in-slum services could not be divorced from the wider context within which they operated and therefore in-slum drains, or garbage collection and disposal, for instance, need to be connected to city-wide drainage and solid waste management systems. Thirdly, in the context of operation and maintenance, projects were more sustainable if they were implemented through the organisation responsible for the continued provision of the service, as opposed to setting up autonomous project management units.

Programmes from the early to mid-nineties have therefore sought to build on these lessons, focusing on more holistic approaches to service provision, drawing on an improved understanding of what poor people want and need through bottom up planning approaches[13], and strengthening the capacity of Local Government and other service providers to meet a range of needs. The latter includes examining who is best placed to deliver a service (public, private, voluntary sector), developing effective public-private partnerships, initiating financial management reforms, and increasing local capacity to enforce a strong regulatory environment, which will reduce discrimination on the grounds of class, caste and gender.

The ability of the poor to organise themselves to identify and demand services from service providers is an important part of this process. A buoyant civil society supports the conditions within which government servants and systems are held accountable to their citizens. The time and effort that this requires in advance of project implementation cannot be underestimated. One way to strengthen civil society in an urban context is through the formation of neighbourhood groups, federated as a Community Development Society at the city level. In addition to engaging in self help schemes such as micro-planning, thrift and credit, or directly operating and maintaining infrastructure, the CDS structure can provide an appropriate

11 Burton 2000
12 Slater (1998)
13 Loughhead et al 2000

mechanism for receiving State and centrally sponsored anti-poverty programmes such as SJSRY. Partnerships with particular civil society groups can also strengthen some aspects of service delivery. Rag Pickers, for instance, can be key players in solid waste collection and recycling systems.

3.2.3 Urban Management

A managerial approach to urban poverty reduction recognises that urban problems are intimately connected to a systemic failure of management. Urban bodies have to manage their resources - physical, financial, and human – but they often lack even the most basic information about the resources that are currently available, or potentially at their disposal, and about how these resources could best be used. Proper procedures do not exist to plan and allocate resources to priority tasks. Human resources are typically hired without consideration of the long-term sustainability of the financial burden imposed. Without a proper inventory of physical assets or estimates of the financial requirements for operation and maintenance, there is a tendency for available funds to be allocated on an ad hoc basis for new investments rather than for ongoing repairs. Also there are no systems of performance measurement which diminishes a sense of accountability.

Urban management problems cannot simply be addressed at city level. They require an engagement with the broader policy and institutional environment which shapes city managers and city management systems. The key to improving urban management therefore is to put in place the right framework at State and city level for long term financial and physical planning, and to create the right incentives and rewards for managerial improvement. The DFID supported Andhra Pradesh Urban Services for the Poor Project seeks to provide additional resources to those who are able to demonstrate that plans are in place which address the real needs of poor people, and which cater for operation and maintenance costs. Tools such as a Revenue Improvement Action Plan can provide a framework for planning the expansion of resources and expenditures over the medium term in a rational way. New instruments for mobilising capital, such as bond issues and private sector loans, create a strong incentive for urban managers and their political masters, if supported by appropriate planning procedures and capacity building support.

Improved urban management also means better linkages between different funding sources, including convergence between aims and objectives, as well as targeting. Different anti-poverty schemes, for instance, which originate from different government departments, need to be converged at local level, while support from mainstream departments, such as health and education, needs to be taken into account when planning local level initiatives with locally raised funds. The experience of the Cochin Urban Poverty Reduction Project has shown that the establishment a poverty cell within a municipal corporation provides an opportunity to do this.

3.2.4 Urban Governance

Urban Governance provides the foundations upon which an efficient and effective town or city operates. The term embraces the idea that citizens are represented in the political systems and government is held accountable; that a framework exists which allows civil society to operate and interact with political society; that human rights, including those of the most disadvantaged, are respected and promoted; that basic services are guaranteed, and that security and justice are provided and accessible. It also means for development practitioners that a drive for efficiency includes pro-poor political processes. These will enable the poor to organise and to influence decision making, ensure the equitable, as well as efficient delivery and management of services, and guarantee the personal security of all citizens within households and communities alike.

Evidence suggests that decentralisation and democratic local government cannot deliver all these conditions at once, and that too many expectations based on a progressive reform agenda should not be placed on an already overburdened system[14]. Some limited gains may not lead directly to the ends desired, but in these cases, it is for policy makers to understand the constraints in the system, rather than view the reform a failure *per se*. For instance, improved democratic systems may increase participation, but may not lead to empowerment or poverty reduction because the poor are weakly

14 Batley 2000

organised, and accountability mechanisms under developed. Furthermore, it is important to recognise that there is no one right solution. As a starting point, there should be clarity about the local framework within which multiple actors operate, and there should be clarity about the power, functions, role and resources of different levels of government, and indeed of other bodies. This should include the private sector, and non-government and not for profit organisations.

DFID India has already begun to calve out its role in this complex agenda. It is maintaining its emphasis on direct support to poor people through slum up-gradation and city wide vulnerability programmes. It is also seeking to strengthen the capacity of civil society to participate in government decision making, and to advocate for, and manage services itself. The Andhra Pradesh Urban Services for the Poor Project will take these broad governance agendas several stages further. It is working in 32 medium sized towns in Andhra Pradesh to strengthen civil society and improve the capacity of city managers to manage systems and services better.

An urban governance approach to the urban challenge for poor people might include many, if not all the elements in the following table. It requires engagement at different levels – the macro (states and markets), the meso (local government and local markets), and the micro (communities and households). It involves a mixture of formal and informal arrangements, and both direct service provision as well as actions to empower people to participate in political processes. It also requires policy makers and planners to distinguish between those actions which will help the poor to develop, and those which will protect them against a reversal of fortunes, namely development and social protection. This schemata should influence the way in which policy is introduced as well as how it is implemented.

Table 2: A Possible Policy Framework for Urban Poverty Reduction

	Development	Social Protection
Macro (states and markets and formal arrangements.	• Education and skill training • Regulate markets to ensure economic development also benefits poor people • Political representation in decision making.	• Social insurance and pension schemes; laws to outlaw discrimination. • Laws to support labour standards, and to protect employee rights to combine in unions. • Disability, housing and banking policies. • Provision of services - health, basic education, water, energy, sanitation, etc.
Meso (local governments and local markets – formal and informal arrangements.	• City level planning, which takes account of needs and interest of the poor. • Improved convergence of programmes for the poor, and increased allocation of resources. • Collaboration with range of agencies (municipalites, NGOs, etc) • Targetted pro-poor initiatives. • Improved accountability systems.	• Ensuring the needy receive their entitlements to eg pensions, health care etc. • Improvements in quantity and quality of service provision and on-going maintenance. • Identification and implementation of programmes to reduce risks.
Micro (communities and households– informal arrangements).	• Participation in community groups (social capital), informal labour arrangements/protecting access to jobs and markets); organisation of creches so that women can work, etc.	• Kinship groupings; extended families, marriages; thrift and credit groups; tenancy arrangements between households; leaders/representatives aware of legal rights; informal support to those in need (charity); % maintenance of basic infrastructure.

3.2.5 Urban Development

The process of urban development involves an improvement in the productive economy of urban areas. This is generally taken to mean the generation of employment and more remunerative economic livelihoods, through increased investment in businesses and economic infrastructure which is relevant to business (particularly transport, power, telecommunications, and water). A broader definition of urban development will also include investments in social and environmental services, including infrastructure which critically affects urban residents' quality of life. There is a clear recognition that improved infrastructure is a prerequisite for increased economic growth in India. With the projected increase in the urban population over the next 15 years, poverty can only be reduced quickly with rapid urban development.

The Urban Development agenda is closely linked to other elements in the urban "ladder". Improvements in slums, urban services, urban management, and urban governance will all lead to a better urban environment which is conducive for economic development. It should be recognised that the critical actor in generating economic growth is the private sector, and the role of government is principally one of facilitator to ensure that the needs of the poorest are not bypassed through market failures. Inappropriate land use regulations can easily stifle the development of economic "clusters" and the spontaneous creation and expansion of micro businesses[15]. Another critical constraint in India is heavy handed labour regulations which limit the powers of companies to hire and fire staff and thereby act as a disincentive to job creation. Beyond a suitable enabling environment, businesses require appropriate services - both financial and non-financial, which may not be available in the market because of market failures.

As far as poor people's livelihoods are concerned, Urban Development moves the focus from vocational training programmes for poor people, to appropriate skill upgradation to match market needs. It involves the development of a pro-poor regulatory environment, engagement with a wide range of players – businessmen, trade unions, trade associations, employers federations – and the development of a better understanding of the informal sector and how to promote best practice whilst protecting the rights of male and female workers. The proposed DFID supported Calcutta Urban Services Project plans to incorporate many of these features, drawing on experiences with DFID's Socially Responsible Business initiative, alongside an engagement with issues of urban governance.

3.2.6 Urbanisation

Urbanisation, or the process by which an increasing proportion of a country's population reside in towns or cities, is an indicator of the transition to a modern, and more developed society. Urban centres grow because enterprises choose to concentrate in areas where production costs are lower, support services and markets are accessible, and a diverse and skilled labour force is available. People migrate to cities to take advantage of these employment opportunities, and benefit from improved access to services, and new social and cultural opportunities. In turn, healthy cities support agriculture. A prosperous urban centre provides markets, financial resources and employment opportunities for agricultural producers; a productive rural hinterland provides the food, materials and labour that urban centres require.

The rapid future growth in the urban population need not necessarily increase urban poverty. In fact, it could have an impact on national economic development and reduction on poverty overall. As a relatively land scarce, and labour abundant economy, such a transition is in the interests of India, and should arguably be welcomed rather than resisted.

Successful urbanisation, which creates clean and healthy cities, vibrant economic centres, and the conditions within which all citizens reap benefits, will be dependent upon the achievement of most, if not all, the development factors identified in this section. It embraces an understanding of rural-urban dynamics, and the process by which urban centres grow; it requires macro planning at a national and regional level, taking account of states and markets. To reduce poverty, it also requires the development of multi-faceted, multi-layered policies – combining economic growth with pro-poor growth, and engagement in direct actions to meet the real needs of poor men, women and children.

4 THE WAY FORWARD FOR DFID

4.1 Guiding Principles

The above sections have outlined a complex urban agenda for India. Obviously DFID cannot take on all these tasks itself, nor can it hope to have an impact across the full spectrum of the urban challenge. Instead it must prioritise, work to its comparative advantages, collaborate closely with others, and where appropriate, build on new opportunities as they arise. In order to do this, DFID India's urban programme will be informed by a set of guiding principles.

As an overarching principle, DFID India will be guided by the UN target to reduce the proportion of people living in poverty by one half by 2015, and the other International Development Targets (IDTs). DFID's Urban Target Strategy paper will provide the framework for engagement in urban areas. In practice, the IDTs mean that we will work more closely with other international organisations (e.g. the World Bank, the Asian Development Bank, and bilateral donors) and with the Government of India (including the Ministry of Urban Development and Poverty Alleviation) to achieve reductions in urban poverty in India. We will also explore opportunities to support a range of national bodies, such as the National Institute of Urban Affairs (NIUA), Human Settlements Management Institute (HSMI) and All India Institute of Local Self-Government (AIILSG), who are well placed to develop local capacities to address the urban challenge.

All our work will either aim to reduce poverty directly, or provide the enabling context within which it will be reduced. We will learn from past and current experiences, and ensure that the rights of all poor men, women and children are taken into account in all programme assistance. In approaching these tasks, DFID will move towards more programmatic support in partnership with others. The justification for separate projects will be based on whether they provide opportunities for modelling which can be scaled up.

The urban programme will also be guided by DFID's Country Strategy Paper (1999), which has stressed a focus on four States – Andhra Pradesh, Orissa, West Bengal, and Madhya Pradesh. This means that DFID's urban programme must gradually reflect that commitment, and that actions in other states will either be wound down, or must demonstrate how they can contribute to this broad agenda. The Country Strategy requires improved linkages between the different aspects of DFID supported initiatives in India, and between DFID initiatives internationally. This means that sectoral programmes must, where possible, complement each other, and that DFID initiatives funded through other sources, such as IUDD sponsored Knowledge and Research, must be coordinated with DFID India's programme.

4.2 What will DFID do?

DFID will continue to focus on the issues captured in the Urban Ladder. It is likely that we will move higher up this ladder to focus on Urban Development and Urbanisation over the next few years. We will support the commercialisation of infrastructure and service provision, including participation by the private sector. In this context, we will look to draw on support from the global Public Private Infrastructure Advisory Facility (PPIAF) and UNDP's Public Private Partnerships for the Urban Environment (PPPUE). We will also focus on the development of regional economic development strategies which will avoid 'beggar thy neighbour' subsidies, and promote improved infrastructure, business development and financial services, while addressing obstacles identified by business in both rural and urban areas. Engagement with the global Cities Alliance initiative, and in particular, supporting City Development Strategies, will enable us to work more closely with other international organisations and the Indian Government in developing integrated and coordinated approaches to tackling the urban challenge.

This is not to say that DFID will ignore the lower rungs of the urban ladder. Rather, we will continue to build on lessons learnt, and engage with these

issues, from the informed standpoint of a broader Urban Development and Urbanisation perspective. For instance, Urban Governance and Urban Services will continue to be key aspects of DFID's work. DFID will actively support initiatives to expand the opportunities afforded by decentralisation, and will work, where appropriate, to strengthen the capacity of State, Municipal and community based bodies to take forward this agenda. The proposed Calcutta Urban Services Project will work within these broad frameworks.

DFID will also support initiatives which enable civil society to improve poor people's capacity to articulate their needs and participate in political processes, as well as provide and manage particular services (eg financial services) themselves. This should lead to a shift towards a more broad based range of initiatives, addressing the multiple needs of poor people. It may include pilot initiatives with particular vulnerable groups, or an engagement with specific aspects of government funded anti-poverty programmes, with a view to mainstreaming successful approaches with the Government of India and others. Such initiatives might include work to support the Government's programme to liberate Sanitary Workers, who clear night soil, or to improve targeting for self and wage employment programmes.

4.3 Where will DFID work?

DFID's urban work in future will increasingly be concentrated in our four partner states. Within states themselves, it is likely that DFID will seek to move towards a programme that reflects demographic changes, including where the critical urban pressure points currently are, namely in small and medium sized towns. The DFID supported Andhra Pradesh Urban Services for the Poor Project (APUSP) already reflects that emphasis (although APUSP does not offer anything for small towns). This is not to say that DFID will no longer support work in India's metropolitan cities. DFID has a long standing partnership in Calcutta. Here, DFID and the Asian Development Bank are engaged in discussions with the Government of West Bengal about strategies to develop the capacity of Calcutta Metropolitan Area's 43 municipalities and 3 Corporations to take on their responsibilities under the 74th CAA, as well as create an overarching Metropolitan Planning Committee for the city. This is a critical component of the urban governance agenda, and at the same time reflects DFID's interest in supporting an urban development agenda in a city where poverty, in the context of economic decline, is endemic.

Most of DFID's work to date has been concentrated within city based projects. Lots of lessons have been learnt, and it is now timely to move on from that approach taking account of the fact that the impact of reform at city level is shaped by broader institutional and economic processes at state and national levels. In practice this means that future work with city level partners must be linked to a state or national level partnership, so that lessons learnt are mainstreamed in state and national policy.

Specifically, DFID will work increasingly with regional authorities and the national government. This will ensure that the programme embraces the challenge of urbanisation more generally (rural-urban linkages and planning), and takes account of the fact that much urban policy in India is still driven by the centre. It may include funding for particular anti-poverty programmes and sectoral initiatives; it may also include strategic macro planning around the issues of regulation, enforcement systems, training and capacity building, and the decentralisation agenda itself.

4.4 How will this work be done, and with whom?

Over the past few years, DFID India has been developing ever larger, more complex urban projects as it has moved cumulatively up the urban ladder. The idea of a ring-fenced, or enclaved project, is becoming increasingly redundant and the newer projects in Andhra Pradesh and Calcutta are taking a more programmatic perspective, engaging directly in state level reform agendas. This approach is likely to continue. There is a price to pay however. It is becoming increasingly difficult to define what should be inside an urban project, and what should not. This poses the question as to whether DFID should attempt to take on all the issues in the ladder

within a single location/project, or just take particular slices or components. And if it does, which ones should it take on? These questions will require DFID to prioritise, and to work more closely with others, who share a similar agenda.

Much of DFID's work in future will therefore be through partnerships with other international organisations and Indian agencies. Some initiatives are already in place. Recently, DFID has begun to work with the Asian Development Bank in Calcutta to develop complementary work. It is also considering how to incorporate urban indicators in India's World Bank/IMF supported Poverty Reduction Strategy Paper (PRSP). At programmatic level, it is likely that the World Bank may develop complementary work to DFID in Andhra Pradesh. The Cities Alliance, to which DFID is the second biggest contributor, will form an important platform for enhancing external donor support and achieving greater impact on urban poverty reduction. In addition, new partnerships with the private sector are emerging, while older partnerships with Government of India bodies and para statals are producing new ideas for future collaboration. Opportunities to work with NGOs in urban areas are increasingly opening up.

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