A Critical Assessment of Poverty Reduction Urban Policies: Towards a New Framework.

Autoria: Rodrigo Mariath Zeidan, Rejane Prevot Nascimento

Abstract

Policies to reduce urban poverty are increasingly important, not only in developing but also in developed countries, if we consider that, in absolute numbers, urban poverty seems invariant in relation to economic growth. Although different methodologies and conceptual frameworks surfaced to deal with poverty reduction, the way to achieve it is not yet clear. In this paper we try to develop a comprehensive approach to deal with urban poverty reduction policies, and use an analysis of a case study, that of Favela Bairro in the city of Rio de Janeiro. To do so we divide the current approaches into two different dimensions, and conclude that most policies disconsider the individual dimension, thus hampering social mobility. The paper presents a critical assessment of urban poverty reduction policies and shows that such policies are still in early stages of development, with procedures like municipalization and community participation just now being carried out. Finally, we can conclude that while programmes like Favela-Bairro are a huge improvement over the inefficient national policies of the past, it still suffer from a multi-sectoral and not a multi-dimensional approach.

1. Introduction

Poverty reduction urban policies are increasingly important in both developing and developed countries due to the fact that urban poverty, in absolute numbers, seems invariant in relation to economic growth. Haddad et al (1999), for instance, find that in a panel of eight developing countries the absolute number of poor and undernourished individuals living in urban areas has increased, as has the share of poverty and undernourishment coming from urban areas. Lee (2000) finds that in Canada poverty increased in the early 1990s, but more so in metropolitan areas - metropolitan populations grew by 6.9 per cent between 1990 and 1995, while poor populations in these areas grew by 33.8 per cent. The author also finds that in relative terms the national poverty rate increased during the early 90's and was constant during the latter part of the decade.

Different methodologies surfaced in the last thirty years to deal with poverty reduction, from the early top-bottom approach of the World Bank and IMF to current more comprehensive approaches (e.g. Blakely & Bradshaw, 2002; Graham, 2002, Gordon and Townsend, 2000; Wolfensohn, 2001). These methodologies form a conceptual framework from which poverty reduction policies can be derived. Two problems arise from this conceptual framework, however: First, there is no consensus on the best urban poverty reduction policies, with issues ranging from defining what exactly constitutes urban poverty (Wratten, 1995) to which policy is preferrable. Second, poverty reduction policies can suffer interference (good and bad) from many sources including, e.g., local politicians, development agencies, and national bureaucracy, among others. Interferences in design and implementation can render those policies inefficient and ineffective. Moreover, there is the empirical problem of the measurement of results, i.e., to what degree the implemented policies result in better welfare to the targeted areas and individuals.

Although there's a wide consensus that poverty reduction policies are necessary, the way to achieve them is not crystal clear. In this paper, we try to develop a comprehensive approach to deal with an analysis of case studies in urban poverty reduction policies. To do so we divide the current approaches into two types: one dealing with local development; and one dealing with the development of individuals. We argue that in the last case the focus of the literature is on the relationship between individual income and poverty, and we try to show that life-cycle concerns can change policy prescriptions. We use economics rationales to do so, but try to avoid formalisms at this stage in favor of an analytical argument that can be formalized afterwards.

We provide a case study involving the Favela-Bairro program in Rio de Janeiro. This program was developed by the municipality of Rio de Janeiro and the World Bank to provide urban development – instead of mere urban growth – in those very poor areas of Rio de Janeiro known as "favelas". It is a larger than usual program, spanning many years and many communities, and is an ongoing effort to improve the welfare of favelas. Yet, it is a case study that has only been sparsely analyzed in the relevant international literature (with some noteworthy exceptions such as Pamuk & Cavalieri, 1998, Fiori et al 2000, Riley et al, 2001, Acioly Jr., 2001, Brakarz & Aduan, 2004). We benefit for an unusual access to documents regarding the planning and implementation of the program.

The paper is divided as follows: in the second section we analyze the current literature on poverty reduction urban policies trying to develop a conceptual framework to serve as a basis for the welfare assessment of said policies. In the third section we present stylized facts about favelas in the Rio de Janeiro, to contextualize the analysis of the Favela-Bairro Program. The fourth section draws out some implications as final comments.

2. Urban Poverty Reduction Policies.

Historical policies advanced by international organization like the IMF, World Bank, and other UN branches can be summarized as (Gordon, 2002 and Blakely & Bradshaw, 2002, p. 32):

- Broad-based economic growth
- Development of human capital through employment policies
- Increase the participation of disadvantaged and minorities groups.
- Minimum social safety nets.
- Improve the physical environment as a necessary component for business development.

Those advocated policies are national in scope, leaving unresearched a multitude of different approaches to local policies. An example of this kind of approach is Gordon and Towsend (2000), which conclude that ideally effective and efficient anti-poverty policies are employment creation programs through labor-intensive projects; creation of collective social insurance and public social services; and introduction of greater accountability.

Although programs based on approaches like Gordon (2002) have not entirely disappeared, local planning has been gaining grounds as the new orthodoxy in urban poverty reduction planning. As Blakely & Bradshaw observe (p. 33): "in recent years,

national policy has moved toward planned-market and locally oriented economic approaches". This trend is a response to the insufficient response of poverty reduction to economic growth, and the mismanagement of national policies because of inefficient governments. Wolfensohn (2001), former president of the World Bank, affirms that the shift from national to local policies is a question of governance, a subject that has been becoming an increasingly important topic in policy making. Wates (2000) goes further, identifying specific reasons for local policies: additional resources, better decisions, building community, compliance with legislation, democratic credibility, easier fundraising, empowerment, more appropriate results, professional education, responsive environment, satisfying public demand, speedier development, and sustainability. The empowerment issue is a particular compelling argument for many authors (as shown in Wolfensohn, 2001)

Different frameworks for using local policies have surfaced in the wake of this shift. Blakely and Bradshaw (2002) is a good example of a local planning approach, which, for the authors, is composed of self-education first, strategy development second and projects third. Those stages can be further subdivided into six phases: gathering information, selecting a local development strategy, selecting projects, building action plans, specifying project details, and implementation.

The new local planning approaches have in common policies that are restricted geographically, focusing in communities and households rather than direct income distribution to individuals. Moser (1995) presents a typology for indicators of urban vulnerability and well-being as:

Table 1: Determinants and Associated Indicators of Urban Vulnerability and Well-being at Different Levels

INDIVIDUAL	HOUSEHOLD	COMMUNITY
access to adequate nutrition and health care (infant mortality)	household type	access to and reliability of basic needs of water, sanitation, education, health care etc.
access to adequate education (drop-out rates)	household structure in terms of members in productive	personal safety from robbery and violence
access to adequate income (per capita income)	reproductive and community work	capability and capacity of community based organizations
personal safety from domestic violence	stage in the lifecycle	
access to credit	access to housing	

Moser (1995), p. 167.

We can then summarize the approaches into three dimensions: individual, household and community. The new local planning approaches, then, can be ascribed to either a household or community dimension, with a strong bias towards community planning, since local planning is often regarded as a mean to achieve bringing better access to basic needs to the poor. Examples of urban policies focused on the community dimension abound in the literature [in the Global conference on scaling up poverty reduction (2004) there were case studies on Peru's Urban Land Titling Program, and transport infra-structure on Vietnam; the City Alliance Annual Report (2003, 2004,2005) presented cases on Karu (Nigeria), Mumbai (India), and Tunis (Tunisia)], while housing programs are used to relocate poor individuals since the dawn of capitalism.

The individual dimension is usually viewed separately from the community dimension. Poverty reduction policies based on the individual dimension usually fall into one of two categories: income-transfer or employment. In both cases the first wave of individual-based policies were national in scope, with recent plans being developed as part of local solutions. Income transfer policies range from negative income tax to social security measures, and to direct transfer (Bolsa-Escola and Bolsa-Família in Brazil, for instance). Employment policies are also well-understood, with measures like unemployment benefits and employment relocation being commonly used throughout the world. The case study of workforce development that we will examine below is an example of this kind of individual poverty reduction program.

2.1 Critiques on the Different Dimensions of Urban Poverty Reduction Policies.

A new case study of poverty reduction is usually a cause for celebration, since there is a possibility that the panacea to solve poverty has arrived. However, there is no empirical evidence that poverty has been significantly reduced throughout the world. One often cited reason is that not enough has been done, but many arguments exist that many policies to alleviate poverty are inefficient.

On the individual dimension the main critiques are that income is only one-dimension of poverty - thus handing out money does not solve the problem of long-term poverty, and that employment-based policies have not been targeted to poor individuals, or are badly designed when they do try to target poor individuals - social security, for instance, has more objectives than only to alleviate poverty. Two recent instances of direct income-transfer policies are the Bolsa-Escola and Bolsa-Família programmes in Brazil. The first gives money to the family if all the children are enrolled in school, and the second gives money to poor families that fall below the absolute poverty line. Both programmes have been criticized (the second more than the first) for not having a structural impact and thus achieving only short-term gains – a net result of negative social welfare due to the high costs involved. New local policies have concentrated on microfinance, while national policies use the direct transfer approach.

Critiques of community and household dimensions of urban poverty reduction policies are almost non-existent in the literature, with discussion focusing on to which degree are those policies effective. Crump (2000), for instance, critiques the housing policiy of the United States. The author argues that the use of spatial metaphors such as the 'concentration of poverty' disguises the social and political processes behind poverty and helps to provide the justification for simplistic spatial solutions to complex social, economic, and political problems. Even so, it is a general consensus that local policies are the best way to achieve poverty reduction, and the case is being strengthened by relatively new concepts like community building and empowerment issues, which are perceived as increasingly important (Wates, 2000). The key word is governance – if local urban planning is done efficiently poverty reduction will surely follow.

However, community and housing policies have an intrinsic and usually unobserved social cost - those policies are a disincentive to social mobility. Most urban poverty reduction policies have an infrastructure dimension, with the argument being that improving infrastructure will improve welfare in a community. This usually translates to a situation in which the policy is localized and then creates an area of improvement in

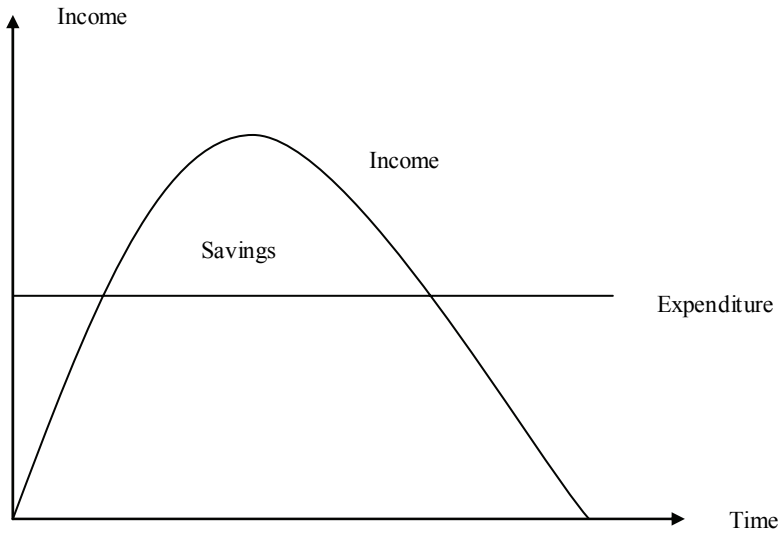
the midst of other poor areas. But that in turn makes its residents reluctant to move out of the area due to the fact that they may not find the same reliability in basic needs as the improved area. The cost, even when it is small, can hinder long-term welfare by segregating communities, hence hampering social mobility. Since it is difficult to value social mobility in a social welfare function, it is difficult to quantify the negative effects of community and housing poverty reduction policies, to the point where most case studies ignore these side effects. However, social mobility is an importat feature of poverty dynamics. As McNicoll (1997) affirms, research in both developed and developing countries has found substantial movement into and out of poverty.

2.2 Towards a New Framework for Urban Poverty Reduction Policies

To develop a comprehensive framework for poverty reduction policy we need to consider the three dimensions presented by Moser (1995), with all its costs and benefits. The problem of reconciling the individual dimension with the other two is that many authors have disqualified income policies as a source of poverty reduction per se [see, for instance, Perry (2006)]. However, those critiques have not considered the inter-temporal choices regarding life-cycle consumption choices by the individuals, and many studies have shown that life-cycle concerns are relevant to characterize poverty dynamics [e.g. Bane and Ellwood (1986), Lee (1997), Choudhury and Leonesio (1997)]. But life-cycle permanent income studies have not been particularly useful in building poverty reduction policies. Even microfinance has been developed to foster entrepreneurship, and is not directly related to life-cycle concerns.

But is life-cycle permanent income important? Modigliani and Friedman revived Fisher's theory of lifetime planning, showing the importance of how individuals efficiently allocate their lifetime income to improve their well-being. To try to link life-cycle permanent income and social mobility we develop a graphical argument based on the difference between life-cycle permanent income patterns of poor and non-poor individuals or households (we take these differences to the extreme as an illustrative measure). A normal life-cycle permanent income model takes the form of a quadratic income function over time and a constant pattern of expenditures (Blinder, 1976): income rises with the productivity of individual, and then declines at the end of the individual economic life; constant expenditures means that the individual averages its life-cycle income to have a constant quality of life. Individuals save when income is higher than expenditures and gets credit or spend savings when income is lower.

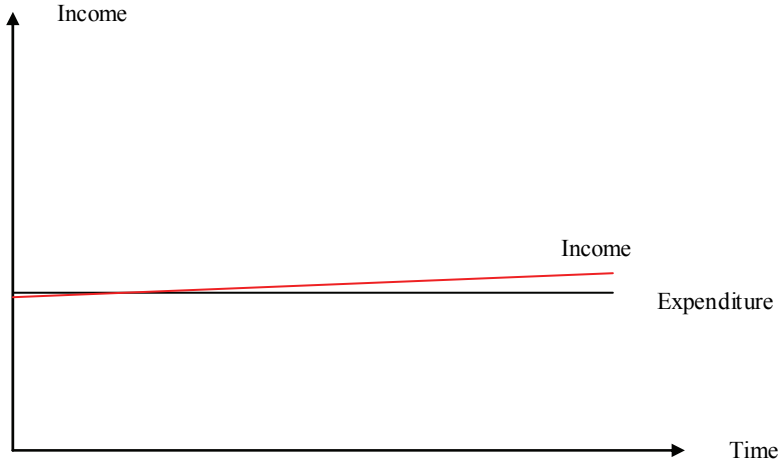
Figure 1. Life-cycle Permanent Income Model.



The authors

The model for a poor individual (or household) is slightly different. Generalizing for effect, the poor individuals that supposedly are the beneficiaries of poverty reduction policies are usually not short-term poor, but are assumed to be structurally poor. In fact, Bane and Ellwood (1986) find that the majority of poor people at any time are in the midst of a rather long spell of poverty. Also, the financial resources available in old age, in turn, depend very much on their long-term economic status throughout much of their adult lives (Choudhury and Leonesio, 1997), Hubbard et al (1994) have shown that the fact that individuals accumulate so little wealth is due to the little difference between income and expenditures. The implication is that the income function does not present itself as a quadratic function but a linear one, as the figure 2 below shows:

Figure 2. Life-cycle Permanent Income Model of a Poor Individual.



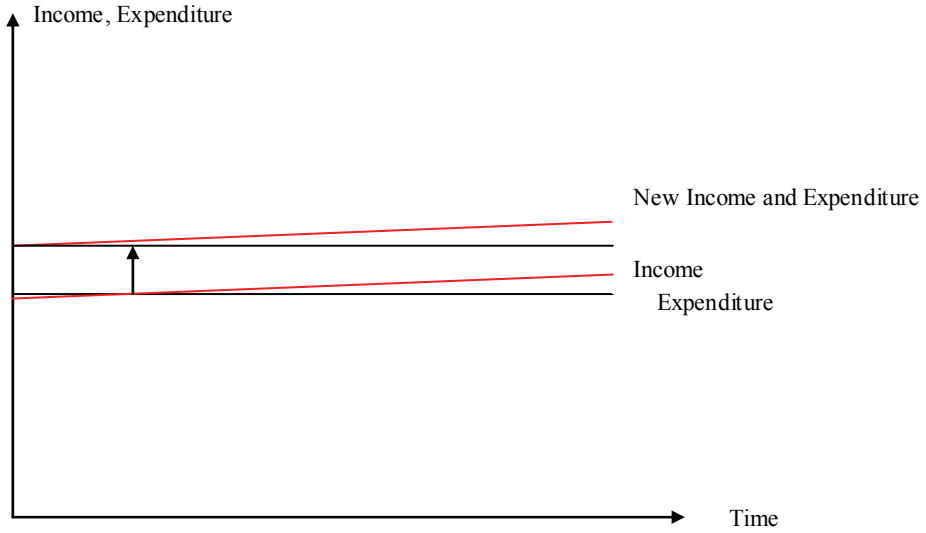
The authors

For individuals in a midst of a long spell of poverty income is a linear function with individuals expecting, at most, small increments in income over time. Since this income is, at best, the bare minimum for adequate survival, if that, expenditures are made in a

first-in first-out method – individuals spend what little income they have without access to savings for old-age or efficient lifetime planning. That is why in a poor community income distribution is uniform – it is not because individuals tend to have similar income, it is because individuals have linear income function, i.e. they have *constant* similar income. If the income function for poor individuals had a quadratic slope like a normal life-cycle income function, poor individuals in a community would have different income in instant time, since it would be expected that different individuals would be at different points in their life-cycle income function. As Ziliak (2003) observes: "many low-lifetime-income households accumulate little wealth relative to their incomes compared to households with high lifetime income".

With this model in mind, the effect of improvements in exogenous variables like those of the housing and household dimension would have a positive but not long-term effect on the individual lifetime planning. The lifetime planning would still be constrained by the impossibility of savings, hence individuals would still be structurally poor. But the net direct-transfer income policies would not work in this case, as it can be shown in the figure 3 below.:

Figure 3. Effect of Constant Income Transfer on the Life-cycle Permanent Income Model of a Poor Individual.



The authors

The effect of direct-transfer income policies is that although welfare is improved due to the individuals being able to expend more money, hence having a better life, it still does not allow for efficient lifetime planning. Policies that work on the individual dimension of poverty are those associated with improving income over time, mainly education. Although heavily discussed in the literature, education policies are usually viewed as an end-all be-all policy. In our case study on workforce development education, education in general is not the goal but rather a specific training program in three different health related careers. In general, though, by not considering the other dimensions of poverty education many investments in education can be lost. Examples abound, with many cases where individuals drop out of education programmes because of short-term concerns involving community, household or individual dimension. But long-term income policies have the added benefit that they generate externalities to the other

dimensions of poverty. When individuals come out of poverty, if they have formed bonds in the community, they can choose not to get out of the community and stay in it. This can form networks that would naturally improve the community through infrastructure investments. This market-based improvements are usually overlooked in the development of poverty reduction policies, since it is assumed that poor communities only improve through the presence of the State.

A new framework for poverty reduction policies has to take into account the lifetime planning of the individual, alongside the other dimensions and market-based incentives for it to be effective. Considering many dimensions of expenditures and income can be useful, since community and household policies can reduce the necessary expenditures for adequate survival and adequate income policies can have a long term effect on lifetime planning of poor individuals. Considering a comprehensive framework is not new, however, since many debates have arised regarding comprehensive planning, dating back to the 1960's (e.g, Altshuler (1965) for critiques of the comprehensive planning idea and Innes (1996) for a survey of the debate and a rebuttal). But no formal model has developed from the early debates and poverty reduction policies are still in its infancy, being drawn as developments on perceived successful case studies. Developing a model that takes into consideration all costs and benefits of said policies is imperative if net welfare is to be properly measured.

3. The Case of Favela-Bairro.

The Favela Bairro program was designed by the municipality of Rio de Janeiro and financed by the municipality and the Inter-American Development Bank. Its main goal is to develop poor areas of the Rio de Janeiro city, known as favela, mixing housing, infra-structure, and other means to achieve the goal of transforming the favela in regular, planned regions of the city. It is heralded as a successful case of urban planning, being cited as an example by the World Bank, the press, and academic papers.

Six million and six hundred thousand people live in favelas in Brazil (of almost 190 million individuals). Favelas are somewhat of an anomaly in terms of urban development. While around the world poor individuals tend move to the outskirts forming rings of poor areas around the city, the favelas have developed inside the city, with small simple houses being built in Rio de Janeiro's many hills. An interesting example is the Rocinha favela, which now houses 200.000 people and exists on a hill right in the middle of the most expensive Rio de Janeiro neighborhood (bairro), São Conrado. Favelas are characterized by low income, high density population and infra-structure problems, such as sanitation, roads, etc. Favelas are growing, as it is shown on Table 2, comprising 3,5% of the total city land in 2004 (compared to the 3,35% in 1999).

Table 2 – Percentage of Favela area on the total of Rio de Janeiro City – 1999-2004.

CITY ZONE	Favela Area (km2) 1999 (A)	Favela Area (km2) 2004 (B)	Total City Area (km2) (C)	(A) / (C) 1999	(B) / (C) 2004
AP1 – Center	2,26	2,26	34,4	6,56%	6,62%
AP2 – South	4,11	4,1	100,43	4,10%	4,09%
AP3 – North	17,36	17,75	203,49	8,53%	8,72%
AP4 - Barra & Jacarepaguá	6,01	6,29	293,78	2,05%	2,14%
AP5 - West	11,71	12,47	592,46	1,98%	2,10%
City Total	41,46	42,89	1224,6	3,39%	3,50%

IPP/DIG - SABREN e Digital Cartography (2006)

Some favelas have experienced total area growth of over 100% over the five year period analyzed, like Vila Beira Rio (280%), Nova Brasília (177,8%), and Pantanal (156,7%).

Income distribution is better in favelas than in the rest of the city, not only because the individuals in the favelas are uniformly poor but because social mobility is impaired in Rio de Janeiro. While the average Gini coefficient for Rio de Janeiro is 0,60 (with small variations in the period 1998-2003), a sample of Gini coefficients for some favelas in Rio de Janeiro, shown below, reveal that, in general, dispatiry of income is not the norm in favelas.

Table 3 - Gini coefficient – Favelas in Rio de Janeiro – 1999.

Andaraí	0,408
Bairro Nova Aliança	0,455
Canal das Tachas	0,429
Cerro Corá	0,42
Complexo da Mangueira	0,443
Floresta da Barra	0,41
Mata Machado	0,41
Mato Alto	0,421
Morro da Fé	0,373
Morro do Escondidinho	0,35
Morro do Urubu	0,433
Morro dos Prazeres	0,418
Morro dos Telégrafos	0,422
Morro União	0,446
Parque Boa Esperança	0,407
Parque Proletário Grotão	0,446
Salgueiro	0,477
Serrinha	0,489
Três Pontes	0,466
Tuiuti	0,441
Borel	0,424

Motta (2000)

Also, there is a significant difference in the educational background between people in favela and the whole city. Some data on the level of education is presented below, and although the data is somewhat old, the pattern is persistent, and inferences are still valid.

Table 4 – Educational Indicators by Genre and Age Group – Favelas and Rio de Janeiro 1999

Indicator	Favelas	Rio de Janeiro
Iliteracy (%)/Age	10,6	4,2
10-14 years	3,2	1,7
15-19 years	2,4	0,9
20-19 years	5,1	1,9
30 plus years	17,1	6
Male	9,5	3,1
Female	11,9	5,2
Number of School Years	5,1	7,1
10-14 years	3,7	3,6
15-19 years	6,3	7,2
20-19 years	6,3	8,5
30 plus years	4,6	7,2
Male	5,1	7,3
Female	5,1	7
Percentage of People with less than four years in school	47,3	31,8
Percentage of people with more than twelve years in school	0,4	11,8

Oliveira et al. (2000)

The data on table 4 above shows the discrepancy of education level between individuals in favela and the city as a whole. This is expected, since there is a high correlation between education and income. However, it should be noted that the difference in educational background is decreasing, with individuals in favela in the 10-14 age groups having similar results compared to the whole city, a reflex of the expansion of the educational system in Brazil.

Table 5 presents some data on income for working individuals in the favela and the city of Rio de Janeiro, in terms of multiples of the monthly minimum wage ($380 as of April 1, 2007, or roughly 130 euros using the average exchange rate for the same month). It can be clearly observed that almost no individual in the favelas earns over 10 minimum wages, either because its income is constrained by economic reasons or because if high earnings are persistent the individual moves out of the favela.

Table 5 – Income in Multiples of the Minimun Wage – Favelas and RJ – 2004.

Number of MW	Favelas (%)	Rio de Janeiro (%)
No Income	1,2	1,6
Up to 1 MW	14,2	9,9
1 to 2 MW	37,3	22,5
2 to 3 MW	26,6	16,2
3 to 5 MW	14,7	21,4
5 to 10 MW	5,1	15,2
More than 10 MW	0,8	10,7

Font: IPP/DIG - SABREN and SMTB.

On this background the Favela-Bairro programme was designed, and its implementation began in 1994. Pamuk and Cavalieri (1998) summarized the rationale behind the project into five main characteristics: projects designed to integrate ***favelas*** with planned neighborhoods (***bairros***), urban redevelopment plans that embody a comprehensive approach, an emphasis on coordination among municipal agencies, utilization of a participatory approach, and the use of private sector firms in executing public works projects. But not every favela is included in the project. The criteria for a favela to be included are: consolidation – no new favelas are considered as to not give incentive to the creation of new favelas; already part of municipal projects, so the municipality can use the already existent knowledge; and complementarity – favelas where the municipal power is present, to use the other projects as complements to the Favela-Bairro. The criteria are usually a guide to lower the cost of the project without losing generality.

The comprehensive study by Fiori et al (2000) shows how the programme evolved, its goals, and present some early results. The authors describe the favela-bairro programme as:

> The physical upgrading aimed to complement or construct basic urban infrastructure through the installation of basic sanitation and circulation systems, allowing for the free movement of people and vehicles (where possible), and better access to public services. At the same time, the programme introduced urban symbols of the formal city, such as roads, squares, infrastructure and a menu of social services from day care centres, adult education, job training to advice for securing land tenure to support social inclusion in the *favelas*. The underlying idea was that the 'opening up' of *favelas* to the outside world, and the creation of new public spaces, would transform the relationship between government and the local community, and trigger change at city-scale. In this way, urban integration was promoted as an instrument for comprehensive social inclusion. A key to Favela Bairro's success in meeting different causes and manifestations of urban poverty was its multi-sectoral character, and its implementation on a scale large enough to include the city as a whole.

The keyword above is multi-sectoral. The programme rationale does not contemplate the individual dimension. Although, as we will see, there are some actions regarding individuals, infra-structure and housing are clearly the main drive of the programme. Moreover, social mobility is clearly disregarded, since it is the explicit goal of the project to maintain in the area the individuals in the favelas: "Favela-Bairro had innovative characteristics for that time. Its basic approach was to maintain the residents in the areas they currently occupied and bring to them the services available to the rest of the city" (Brakarz & Aduan, 2004, p.6).

A typical plan for development of a favela in the Favela-Bairro programme takes the form of a PASI (Programa de Ação Social Integrada – Integrated Social Action Plan). It divides the actions in three types: housing and infra-structure; actions to the children and young; and employment and education. An example is the PASI of Morro do Dendê. The favela housed 13924 individuals in 1999, and the plan was designed for implementation in the years 2002-2004. The total projected cost of the Favela-Bairro programme in Morro do Dendê is presented below, divided by its type of action:

Table 6 – Projected Cost of Favela-Bairro in Morro do Dendê.

Municipal Power	Dimension	US$
SMH	Integrated Urbanization and Institucional Development	804.837,66
SMDS	Children and Young	754.140,00
SMTb	Employment and Income Generation	207.100,00
TOTAL		1.766.077,66

SMTb (2006)

The cost then is roughly U$127 per individual, a not inconsiderable sum. As for the different dimensions of the program, urbanization and development is the main focus, and attention to children and young also receives a relatively great part of investments, with disembursements concentrated on child-care and some projects for first income to young adults. Employment and income generation is the individual dimension of the project, a dimension that is usually overlooked since analysis of Favela-Bairro is concentrated on housing and infra-structure. The actions of employment and income generation, however, are usually for short-term goals, and are further divided between primary education and employment measures. Since primary education costs are a complement to regular educational policy in the area, and thus should not strictly be included in Favela-Bairro, the individual dimension costs are those of employment generation, and can be observed on table 7, which shows the different courses open to the community. The courses were determined along community participation. Individuals in Morro do Dendê, as in every favela in Favela-Bairro, were asked to participate in meetings to help determine the critical areas for the programme to tackle.

Table 7 – Projected Cost of Employment Programs in Morro do Dendê.

Course	US$
Industry Technician	8.400
Waitressing	8.400
Education and Culture	4.200
Handcraft	4.200
Retail	18.940
Auto Mechanic	4.200
Civil	8.400
Services	31.760
Telecom	4.200
Introduction to IT	16.500
Management	40.000
Social Entrepreneurship	6.800
Total	156.000

SMTb (2006)

The individual dimension is then comprised of a portfolio of courses to allow people to find low-paying jobs, with such examples as training to waitressing, and handicrafting. No permanent measure is undertaken and the courses serve, at best, to improve short-term income, since the courses target jobs that require no great specialization and have a high turnover. It can be concluded that the individual dimension of the Favela-Bairro, even though it exists, presents problem in terms of long-term effects and even short-term, since there is no mechanism that guarantee employment after the training is complete. The program is useful in terms of the housing and infra-structure that it provides, but social mobility is explicitly discouraged, and no market-based approach is integrated.

4. Final Comments.

The goal of the paper was to present a critical assessment of urban poverty reduction policies. Case studies of poverty reduction abound, with the usual caveat that they are necessary and improve welfare. While the fact that poverty reduction policies is necessary can not be disputed, welfare improvement is a question of measuring costs and benefits. To measure costs and benefits we present the different dimensions where poverty reduction policies act, following Moser (1995), Wates (2000), Blakely and Bradshaw (2002).

Also, it seems that urban poverty reduction policies are still in early stages of development, with procedures like municipalization and community participation just now being carried out. While programmes like Favela-Bairro are a huge improvement over the inefficient national policies of the past, it still suffer from a multi-sectoral and not a multi-dimensional approach, even when described as multi-dimensional. We try to identify where the sectoral approach fail and to develop a comprehensive framework to consider all the possible dimensions to urban poverty. We argue that to maximize welfare the individual dimension has to be considered and that poverty reduction policies have to act on all the dimensions simultaneously, since failing to do so would bring a relevant cost of poverty reduction policies – social immobility. One important

feature of this proposed new framework is that it is falsifiable in the grand tradition of the scientific method. Using this framework, for instance, we can predict that increases on welfare would be more than the sum of the parts if policies would focus on the whole social network instead of singular dimensions of urban poverty, such as housing and infra-structure. Further advance would bring a formal quantitative model to test this and other predictions, and a formal model to assess and test welfare improvements would, in this context, almost surely present a non-linear welfare function depending on the positive network relationships between the different dimensions.

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