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Housing the Urban Poor in Developing Countries:

The Magnitude of Housing Deficiencies and the Failure of Conventional Strategies Are World-Wide Problems

By DENNIS A. RONDINELLI*

ABSTRACT. Governments in *developing countries* will face increasingly serious problems in providing adequate *shelter* for the more than 25 million households that will be added to their *urban populations* by the end of this century. A review of the magnitude of their *housing* deficits discloses the growing need for low-cost shelter. *Public housing, sites-and-services, slum upgrading*, and government assisted *self-help programs* have failed to provide sufficient housing to meet the needs of the *poor*. These must be supplemented by programs that reduce the costs of *housing construction* and increase the participation of communities, the informal sector, and private enterprise in providing *low-cost housing*. Analysis of the results of conventional government housing programs offers little hope of an adequate amelioration of the problem.

I

Introduction

PROVIDING ADEQUATE SHELTER in cities of developing countries has been a fundamental problem for national and municipal governments for more than a quarter of a century. Although progress has been made in dealing with housing problems in some developing countries, in many others housing deficiencies are likely to become more serious over the next two decades as urbanization accelerates and as the concentration of poor households in cities increases.¹ The rapid pace of urbanization in developing countries is generating greater demand for shelter, especially among poor families who lack the income to pay for decent housing.¹

Although national shelter strategies must be concerned with total housing supply, upper income groups can usually obtain housing with little difficulty. The most serious problems are among poor and lower-middle income families who constitute the vast majority of urban dwellers in developing countries. Most

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of the urban poor in developing countries live in slum and squatter communities that not only lack adequate shelter, but also potable water, sanitation facilities, and basic health and educational services. Thus, government's role in creating conditions that enable poor families to obtain decent housing should be a primary focus of a national shelter strategy.

The problems of providing adequate shelter in urban areas are likely to worsen as larger numbers of poor families move to cities over the next two decades. On average, more than 20 percent of the urban population in Central America was living in absolute poverty in 1980, as was about one-quarter of the urban population in Africa and the Middle East, 39 percent in Latin America, and half of the urban population in the Caribbean.² Demographic studies indicate that by the end of this century, more than half of the households living in absolute poverty in developing countries will be concentrated in urban places. The World Bank estimates that by the end of the 1990s, 90 percent of the absolute poor in Latin America and the Caribbean will be living in cities, as will be about 40 percent of the poorest in Africa and 45 percent of those in Asia. The number of urban households living in poverty is expected to more than double, from the 1975 level of 33.5 million, to about 74.3 million at the end of the century.³

Governments in developing countries have found it increasingly difficult, if not impossible, to construct sufficient amounts of public housing and to extend community infrastructure and services to meet the needs of urban areas. Not only are the costs of doing so prohibitive, but public bureaucracies in many developing countries have insufficient managerial capacity to provide shelter and extend services effectively.⁴ Their limited financial and administrative capacity requires national and municipal governments to explore seriously alternative policies for helping urban residents to obtain greater access to shelter through self-help construction or from the private sector.

This article reviews the magnitude of the urban housing problem in developing countries, provides an overview of policy options through which governments can assist in providing adequate shelter for the growing number of poor households expected to be living in cities in the future, and examines in detail experience with slum clearance, public housing, sites-and-services, core housing upgrading, and government assisted self-help programs. A subsequent paper in this JOURNAL will examine cooperative housing construction, private and informal sector construction, modifications in land use and building regulations, employment generating housing programs, and land occupation and tenure policies. It will also explore the ways in which governments in developing countries can improve the implementation of shelter policies and promote private sector and

nongovernment organization involvement in meeting the housing needs of the poor.

II

Housing Deficiencies in Developing Countries

AS A RESULT of the rapid growth of urban population and the heavy flow of rural migrants to many cities in the developing world, urban housing deficiencies have steadily increased. The growing number of people living in slum and squatter settlements is one indicator of the magnitude of urban housing problems. More than 2 million of Calcutta's population, for example, were living in slums in 1980, and Rio de Janeiro, Jakarta, Manila, Bogota, Lima, Casablanca, and Istanbul each had more than a million people living in squatter settlements.⁵

In most large cities in the developing world, the size of the slum population has grown unabated. The number of people living in slums and squatter settlements in the Philippines, for example, has increased rapidly over the past 30 years. In Manila alone, the number of slum residents increased from a little more than 98,000 in 1956 to 1,500,000 in 1980. Squatter communities in Kuala Lumpur, Malaysia, have grown from about 150,000 people in 1967 to more than 243,000 in 1980. Squatters and slum dwellers now account for one-quarter of the metropolitan area's entire population. In Madras, India, the slum population grew from about 412,000 in 1961 to nearly 1,250,000 in 1981.

Although not all slum dwellers are poverty-stricken, the vast majority live at or below subsistence levels in communities with shelter of minimal quality. Almost all Third World cities have serious deficiencies in housing that exacerbate the problems of the poorest in obtaining decent shelter. In Central America and South America, for instance, El Salvador, Guatemala, Honduras, and Nicaragua all have a 30 percent or higher shortfall in actual, versus required investment in new housing. Among the families in the bottom 3 quartiles of income distribution, the shortfalls in required investment for new housing range from 56 percent in Guatemala to 78 percent in Honduras.⁶ In Panama, 473,000 new and upgraded housing units will be needed by the turn of the century simply to avoid the expansion of existing squatter and tenement areas. Studies of Cartagena, Colombia, estimate that the city had a shortage of more than 60,000 dwelling units in 1978, and that if population grew as projected, it would have a shortage of more than 100,000 units by 1990.⁷

Deficiencies of similar magnitudes can also be found in many African countries. In Kenya, there will be shortfalls of at least 280,000 housing units and the need for 30,000 additional housing upgrades in order to meet existing urban housing

deficiencies by 1990.⁸ Unsatisfied demand for housing in Morocco is estimated by the government at over 722,000 units, with about 400,000 of those units needed by the urban poor. With the projected increase in urban population, the government estimated in 1980 that an additional 86,000 units would be needed by 1986 simply to accommodate new households.⁹

The costs of providing even minimum levels of shelter in developing countries are enormous. The World Bank calculates the costs of providing each household living in poverty with a basic unit of shelter by the end of the century to be between \$160 and \$170 billion in 1975 dollars. This would require developing countries to make an annual investment in basic shelter of at least \$6 billion.¹⁰

The growing demand for shelter will require national governments and international assistance organizations to find new ways of helping the poor to obtain adequate housing, and the community services associated with it, not only from government, but from the private sector, through cooperative activities, and through self-help programs. Governments in developing countries are, therefore, reassessing the effectiveness of conventional shelter strategies and exploring a wide range of policy options.

A variety of options must be pursued by governments in developing countries to provide adequate housing for urban residents, and among them are: slum clearance and public housing, sites-and-services and slum upgrading schemes, government assisted self-help housing construction and improvement, private and informal sector housing construction, cooperative housing schemes, modification of land use and building regulations, employment and income generating programs for the poor to increase their ability to pay for housing, and land tenure programs. (See Figure 1.) Each of these options has advantages and limitations, and the experience with each option must be carefully assessed in planning national shelter strategies.

III

Slum Clearance and Public Housing

GOVERNMENTS IN DEVELOPING COUNTRIES have sought for nearly 40 years to remove the poor from slum neighborhoods and rehouse them in low-cost shelter. In most countries, however, slum clearance and public housing programs have accomplished neither goal. Indeed, in some countries such policies have exacerbated the problems of the poor. During the 1950s, for example, the Philippine government cleared slums and relocated their residents to sites that were 35 to 40 kilometers from the center of Manila. But because of the lack of shelter, services, and employment in the relocation sites, most of the slum dwellers

Figure 1
POLICY OPTIONS FOR INCREASING ACCESS OF POOR TO SHELTER

Delivery Options	Policy Options	Financing Options	Land Acquisition Options
Public			
Direct provision by national, municipal or local governments	Slum clearance and housing	General revenues Special revenues Leveraging of assets through borrowing	Eminent domain and compensation Advance acquisition and land banking Government purchase Bartering & exchange Land use controls
Provision by public corporation, enterprise or special authority	Land use and building regulations		
Private			
Provision by private firms, individuals, cooperatives	Cooperative housing Self-help construction Private-construction	Contributions and donations Indirect subsidies Cross subsidies Private financing Mobilization of savings	Private purchase Land readjustment
Informal sector provision	Contract construction		
Mixed			
Government assisted self-help	Sites-and-services & core unit upgrading	Co-financing Mobilization of government revenues increase access of poor	Land use controls Land readjustment Bartering and exchange Gifts and donations
Co-production	Subsidized private housing construction		
Public sector financing or subsidy of private sector provision			

quickly returned to the city. New shanty towns were built by the poor and they were eventually reabsorbed by Manila's steady growth.¹¹

Other countries had similar experiences with slum removal and relocation policies. The failure of these policies led many governments in developing countries during the 1960s and 1970s to try massive public housing construction. The problems of the poor were defined primarily by the condition of their housing, and the solution was to construct public units with relatively low rentals. But again, neither services nor employment opportunities were usually provided, and the results were equally disappointing. The cost of public housing construction was high and rentals were expensive. As a result, these policies usually benefitted middle-income rather than the poorest families. Most slum dwellers were merely pushed from cleared sites to other parts of the city.¹²

In Madras, India, for example, the government cleared slums containing more than 58,000 families between the early 1950s and the mid-1970s, replacing their shanties with public housing tenements. As in Manila, however, the costs of public housing in Madras were much higher than expected and the acquisition

of private land was seriously delayed by litigation. In the meantime, the slum population continued to grow rapidly. As a result, the Slum Clearance Board had to restrict such activities in the mid-1970s to flood-prone areas and to those places in the city where land would be taken for highways or other public purposes.¹³ In Malaysia, the government spent more than \$230 million between 1956 and 1975 on public low-cost housing programs in slum areas, mostly in Kuala Lumpur. The large-scale clearance which was required to build the units forced nearly 28,000 squatters from their neighborhoods by 1972. But less than half of the public housing units were allocated to former squatters, and only about one-third of the slum dwellers were ever rehoused.¹⁴ Similarly, public housing rehabilitation programs in Seoul, Korea, not only failed to improve the living conditions of many of the city's poor, but forced them from their neighborhoods or made them more dependent on public assistance to repay housing rehabilitation loans. In a study of the project, Whang found that most slum dwellers could not afford to pay the minimum price for the purchase of housing units constructed by the renewal project nor the monthly subscription fee for the maintenance of the apartment.¹⁵ The disruption caused by the demolition of slum dwellings and the construction of new homes and apartments discouraged self-help improvements in many of Seoul's squatter areas, and imposed a financial burden that few slum dwellers could bear.

The failure of slum clearance and public housing policies to deal effectively with the problems of slum dwellers or to provide other services needed by growing numbers of poor urban households became clear by the early 1970s.¹⁶ Among the most serious problems with these policies are that they:

1. are extremely costly for national governments because of the high level of compensation paid to owners of demolished properties and the high cost of construction;
2. create serious problems of social displacement and disruption for the residents of slum and squatter settlements;
3. are often delayed by social and political pressures exerted by slum residents, who resist forced removal from their homes;
4. often impose high transportation costs on families who are relocated far from their workplaces in the center of the city;
5. rarely alleviate the housing problems of most of the poor and, indeed, exacerbate them in many countries. The poor cannot afford much of the public housing that replaces slum dwellings and, thus, the destruction of slum communities often reduces the stock of low-income housing and worsens overcrowding in low-rent units;

6. are not permanent solutions to the shelter problems of the poor. Often slum clearance in one part of the city simply increases overcrowding in other slum communities.

Although public housing for the poor still plays an important role in most national shelter strategies, experience suggests that it alone is too costly and limited in scope to meet the shelter needs of poor households. Public housing policies must be combined with other options if they are to have a serious impact on reducing shelter deficiencies.

IV

Sites-and-Services and Housing Upgrading Programs

BEGINNING IN THE 1970s, many governments in developing countries sought alternatives to public housing for meeting the shelter needs of the poor. One extensively used alternative is the provision of low-cost core housing units, which poor families can upgrade or expand as their incomes rise. A closely related option is the sites-and-services program, in which government housing agencies assemble, clear, and provide with basic infrastructure, land that is divided into home sites. Poor families build their own basic shelter, usually with subsidized materials or with credit provided at low rates of interest, or contract with small construction enterprises to build basic dwelling units for them.

Sites-and-services policies of the 1970s and 1980s were designed to make shelter and community services affordable for the poor by introducing them incrementally, at standards that kept costs low, or by having community groups contribute labor, money and materials.

During the 1970s many countries developed sites-and-services, upgrading, and integrated shelter and urban services projects with assistance from the World Bank and other international funding agencies. El Salvador, for instance, began a project in 1972 that developed sites-and-services projects with 18,000 plots in San Salvador and four secondary cities. Building materials loans were given to expand core units, off-site infrastructure, and community facilities. The government provided water, sewer, drainage, footpaths, and electricity. In Zambia, the government undertook a similar project with 17,000 serviced plots. In Kenya, basic services were provided for 6,000 residential lots, and in Senegal the government extended services to 14,000 home sites in Dakar and 1,600 in Theis. The World Bank also helped to finance sites-and-services and upgrading projects in Tanzania, Botswana, Jamaica, Nicaragua, Malaysia, Indonesia, South Korea, and the Philippines.

In Malaysia, sites-and-services programs were used to supplement low-cost public housing construction. These programs subdivided land into plots that were provided with access roads, water, drainage, sanitary facilities, footpaths, and electricity, and squatters were given the opportunity to buy the sites at low cost. Sites-and-services schemes were introduced in Madras, India, in 1976 to supplement slum clearance and public tenement construction programs. Residential plots, core housing units, commercial and industrial facilities, community facilities, and trunk infrastructure were provided on the sites along with access to low-cost building materials. Monthly payments for the plots were low, but occupants had to build their own homes. All of the sites-and-services projects were located on the periphery of the city. The Madras Metropolitan Development Authority, with World Bank loans, also provided services to existing slum areas within the city.

Some observers estimate that sites-and-services projects can provide appropriate housing for a cost of about 3 to 5 times less than public housing. In addition, they are often more beneficial because they allow poor households to keep monthly payments low and to improve their housing only when they have accumulated sufficient resources. Sites-and-services projects allow the poor to pursue their own housing priorities, to contribute to the construction of their dwellings, and to use locally available building materials.¹⁷

Sites-and-services and core upgrading programs can be effective means of providing access to shelter for the poor, especially when they are combined with self-help construction policies, but they must be carefully planned and efficiently administered if they are to achieve their full potential. Among the most important forms of support are the provision of basic infrastructure and utilities, land tenure, and low-cost credit.¹⁸

Evaluations of World Bank-assisted sites-and-services and slum upgrading projects in Asia, Africa, and Latin America indicate that after basic services are provided in the area, nearly all poor families eligible for building material loans took out the full amount to which they were entitled. They built more quickly when they were allowed to arrange for construction of their own dwellings, and many used small-scale contractors and hired help in addition to contributing their own labor. Moreover, in nearly all projects, the improvements in housing were substantial and the amount of savings mobilized by dwellers was much higher than analyses of their monthly incomes indicated would be possible.¹⁹

One of the most important elements in the successful implementation of sites-and-services projects is fair and efficient allocation of plots. Lessons learned about plot allocation based on experience with sites-and-services projects in Botswana can be applied to other countries as well. Experience suggests that if

sites-and-services policies are to be implemented effectively, the general qualification rules should be simple, easy to understand, and fair, and the reasons for assigning high priority to certain categories of qualified applicants should be clearly stated and published. The methods of selection should also be fair and contain safeguards against abuse, perhaps through the use of a point system for rating applicants. The ability to pay for services provided should be a major consideration when allocating plots to selected applicants.²⁰

The World Bank's experience with sites-and-services and upgrading projects has been that although these approaches are more effective in providing affordable shelter for the urban poor than slum clearance and public housing programs, most sites-and-services schemes remain pilot projects serving a relatively small percentage of the poor households which need shelter.²¹ Five major obstacles to expanding sites and services appropriate to shelter provision are the following:²²

1. Inadequate numbers of trained professionals who can design, facilitate, and effectively manage sites-and-services projects.
2. Difficulties in developing and providing inexpensive building materials and technology that the poor can afford.
3. Reluctance on the part of public bureaucracies to elicit community participation in the design and implementation of the projects;
4. Ineffective information dissemination among developing countries about those methods and techniques of self-help construction that work best.
5. Weak financial institutions for providing low interest loans needed by the poor to improve and expand their dwelling units.

The affordability of sites-and-services and slum upgrading schemes depends a great deal on how they are designed and implemented. A major limitation of sites-and-services strategies in many Asian countries has been the increasing costs of participation, which eliminates the poorest households. "Sites-and-services schemes were designed to attain cost recovery, often with interest to be paid on loans. This meant that from the beginning, participants had to pay regular installments for the land, for initial service installation, and for services consumed, as well as contribute regularly to local rates and taxes," Angel and his associates found. "At the same time, each household was expected to invest in home building and mutual aid improvement schemes in the settlement."²³ But many of the sites-and-services schemes in Kuala Lumpur, Malaysia had high vacancy rates because squatters could not afford the improved plots. Slum dwellers' incomes were simply too low to support the public improvements.

Only in the on-site, self-help, upgrading programs in which local resources were used to improve services gradually did improvements remain affordable.²⁴

In the Philippines, the government has insisted on cost recovery for slum upgrading and sites-and-services projects. However, it has attempted at the same time to make the projects affordable for the poor, and often the two requirements have come into conflict. Keeping projects affordable and still recovering costs has been especially difficult during periods of high inflation. Cost recovery has been impeded by rising costs of materials and equipment, forcing the government to lower the standards of services provided to poor communities or requiring slum dwellers to pay a larger percentage of their household incomes for service improvements than do higher income groups.

Public participation in planning and implementation is essential for success. In order to carry out sites-and-services and upgrading schemes in the Philippines, the government had to develop a "people centered approach," which, in order to elicit community support, focused initially on changing "the attitudes of cynicism, skepticism and suspicion among the residents," through intensive community relations and information campaigns to explain projects.²⁵ In upgrading and sites-and-services projects that required physical restructuring and "reblocking" in slum neighborhoods, the government made these activities the responsibility of residents. By giving them responsibility for reblocking decisions their antagonism was reduced. As a result, slum residents maintained some control over the physical adjustments that were made in their communities when services, facilities, and infrastructure were upgraded.

V

Government Assisted Self-Help Housing Construction

TO MEET the rapidly expanding shelter needs of the poor in developing countries, governments must also explore policies that promote self-help by the poor on a much larger scale than has been possible through sites-and-services projects. Either in conjunction with sites-and-services and upgrading schemes, or through individual efforts, self-help housing construction is the primary means by which the poor obtain shelter. In some countries, government assistance to self-help efforts have been successful in allowing large numbers of the poor to build core dwelling units.²⁶

Experience in Colombia indicates that the poor will build their own houses or will hire "informal sector" builders for low wages to assist with the more difficult aspects of construction, if government provides land tenure and basic public services on the housing site. The informal sector consists of small scale

or micro-enterprises that are unincorporated or unregistered. They are usually individually or family operated activities with little or no hired labor and primarily serve poor households and consumers. They have less than 10 employees including the family members.

It was found in Colombia that "the best way to assist low cost self-construction of housing is to provide building materials at a reasonable price."²⁷ Exploitation of the poor by merchants and the expense of transportation drove up the cost of building materials and became a serious obstacle to self-help efforts in barrios in Cali, for example, until the Carvajal Foundation provided building material warehouses in poor neighborhoods. The warehouses sold construction materials to barrio residents at market prices rather than at the inflated prices of private merchants. Competition from the warehouses forced local merchants also to sell materials at market prices, thereby increasing the amount of materials available to barrio residents.

Experience in many other developing countries indicates that self-help approaches have a number of advantages.²⁸ Among the advantages are the following.

1. They make shelter available for those low-income families who have no other means of securing decent housing.
2. They reduce the cash outlays of poor households for housing construction by as much as half because labor costs often account for a large portion of total construction costs.
3. They promote greater pride and satisfaction of home ownership because of direct participation of poor families in house construction.
4. They increase the real wealth of poor families without encouraging or causing inflation.
5. They help develop building skills among low-income people in countries where construction skills are needed.
6. They may increase the demand for building materials that can be produced by small-scale local industries.
7. They encourage personal interest in home maintenance and expansion after construction is completed.

Heavy reliance on assisted self-help as a deliberate government policy to provide shelter for the poor requires some degree of organization and public promotion, however, and can also have some disadvantages as a means of meeting shelter needs quickly. Among the possible disadvantages are:

1. Assisted self-help requires the commitment of participants' time and labor, for which there may be many competing demands;

2. It requires strong, and often organized, effort to maintain the initial enthusiasm of participants throughout the home building process;
3. It requires the development of building skills by people who may have no further need for them, except for maintaining their homes, after their dwellings are completed;
4. It often leads to slower rates of home construction than by the contract method; and,
5. It can often result in a lower quality of building construction than if the dwelling were built by more skilled workers.

Despite potential drawbacks, self-help housing construction is likely to remain the primary means by which the poor are sheltered. Government policies that assist or facilitate self-help can make it possible for poor families to obtain at least basic shelter. But experience suggests that to work effectively, self-help efforts must be supported by government agencies, which have often been reluctant to work closely with community groups. In many countries, making self-help assistance programs more effective requires changing the attitudes of political leaders and public administrators about their roles in service provision, and creating new incentives and career rewards for professionals and technicians to respond to the needs of the urban poor. In some countries, it may also require restructuring the responsibilities of community service delivery organizations, and strengthening linkages between public agencies and private organizations, the informal service sector, and community groups.²⁹

VI

Conclusions

ALTHOUGH NATIONAL SHELTER STRATEGIES in developing countries have moved beyond the destructive programs of slum clearance and squatter removal, experience has shown that massive public housing policies have been financially infeasible and socially disruptive. Sites-and-services programs and core housing upgrading have been less costly and more attuned to the needs of the poor, but governments' ability to replicate them on a scale that will address the housing needs of the poor in developing countries has been severely limited. Government assisted self-help housing programs show greater promise for meeting the needs of poor households in urban areas, but they too must be supplemented with other programs.

In a succeeding article other policy options for meeting the shelter needs of the poor are examined. These include cooperative housing, incentives for private

sector participation, programs that increase the household income and effective demand for privately produced shelter, changes in land use and building regulations to lower construction costs, and policies which improve the security of land tenure. It also examines ways of improving the implementation of shelter strategies by tailoring programs to the needs of the poor, expanding participation of the poor in housing programs and strengthening the housing finance system.

Notes

1. This paper is a revised version of material included in the author's report on *Shelter, Infrastructure and Services for the Poor in Developing Countries* for the U.N. Center for Human Settlements. The opinions and conclusions, however, are those of the author.
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The Economic Theory of Agrarian Institutions

PRANAB BARDHAN of the University of California at Berkeley has contributed to and edited a book of the title above (Oxford: Clarendon Press, 1989, \$69.00) which also contains articles by 21 other academics and civil servants from several countries.

The publisher describes it as "essential reading" and adds, "While many economists accept that institutions are of fundamental importance, this recognition has until recently rarely been matched by the application of rigorous analysis of their formation and behaviour, tending rather to confine itself to descriptive studies."

The editor of this volume (he is also Chief Editor of the *Journal of Development Economics*) in his *Preface* confirms that this is not light descriptive reading but an attempt to add structure and rigor to this branch of economic and social studies. He says:

In this book we squarely face the issue of theorizing about the rationale and consequences of some economic institutions and contractual arrangements that are particularly prominent in poor agrarian economies. Even though the authors draw upon at least the stylized versions of some existing institutions, the emphasis here is more on abstract model-building than on empirical details, more on rigorous analysis than on the kind of descriptive accounting that is common in the institutionalist literature. The models illustrate how some of the tools of advanced economic theory can be fruitfully used in understanding aspects of age-old institutions.