

The World Bank Urban Policies, From Housing Sector to ‘Sustainable Cities’ – The Urban Poor of Salvador da Bahia, Brazil.

Alexandre Apsan Frediani
Oxford Brookes University
afrediani@brookes.ac.uk

Abstract

The World Bank has recently redirected its urban policies, moving from a focus raising productivity of the housing sector, to one that encourages ‘sustainable cities’. The expansion of the urban agenda hopes to improve urban governance while also building human capital through poverty alleviation programmes such as squatter upgrading. By promoting the discourse of ‘sustainable city’, the World Bank argues that there has been a redirection of its conceptualization of development from income generation to one based on Amartya Sen’s (1999) concept of *development as freedom*.

However this article argues that rather than a change in direction, the World Bank has used Sen’s writings to expand and diffuse its market orientated ideology. The evaluation of the squatter upgrading programme set up by the World Bank in Salvador da Bahia, Brazil through Sen’s perspective assesses the practical implications of the conceptual shifts of the World Bank while also contributing to the discussions on the application and use of Sen’s writings. Furthermore the paper explores the contradictions and inconsistencies within the World Bank’s policy and practice for the promotion of ‘sustainable cities’.

1- Introduction

Between 2000 and 2030, 95% of the world’s population growth will take place in developing countries’ urban areas. By 2030, 3.9 billion people will be living in urban areas in less developed countries (UN-Habitat, 2003). As economic growth has not followed the increased urbanization, the predictions expect rapid increase of slums in developing countries’ cities, deterioration of living conditions, increased social segregation and spatial fragmentation (Davis, 2006). Thus the developing world urban problematic is becoming one of the main challenges of the new millennium posed to squatter inhabitants, local communities, governments, NGOs and international development agencies. One of the most influential institution shaping the policies that tackle this urban problematic has been the World Bank.

After being strongly criticised by its neoliberal approach to urban development and recognizing the need to focus on urban poverty, the World Bank urban policy has shifted its focus on sectors to a city development strategy (CDS) and slum upgrading. Instead of focusing on the provision of social services or enhancing the productivity of the housing sector, the World Bank has expanded its dimensions of intervention with the objective of promoting a ‘sustainable city’. Aimed at reforming city governance/management and corruption, the new objective also involves squatter upgrading programmes which are ‘targeted’ to achieve poverty alleviation policies by tackling not only the lack of infrastructure, but also new dimensions such as ‘freedom’, ‘vulnerability’ and ‘powerlessness’. By promoting a ‘sustainable city’, the World Bank argues that there has been a redirection of its

conceptualization of development based on income generation to one based on Amartya Sen's (1999) concept of development as freedom. However this paper argue that rather than change, the 'new' urban policies strengths the World Bank on diffusing their agenda while also not shifting their pre conceived notion of development.

In this context, this paper firstly reviews the existent debate about the roles of the World Bank by on one hand analyzing if the changes on approaches to urban interventions reflected a shift or continuity of development strategy, and on another hand examining if the World Bank is enabling or diffusing urban policies. Then this paper assesses the changes of the World Bank urban policy by analyzing its concept of 'sustainable city' and unfolding the links to the ideas of Sen. Finally a preliminary evaluation of an urban intervention set up by the World Bank in Salvador da Bahia, Brazil based on the writings of Sen contributes to the discussion on the roles of the World Bank and its conceptualization of development.

2- World Bank Urban Policy: Diffusing the Market Enablement

The World Bank has been the most influential multilateral aid agency on the set up of housing agenda and identifying urban policy approaches. The evolution of policies has reflected the changes of conceptualization in the relation between physical improvements and quality of life. Policies moved away from eradication of slums and displacement towards legalization of tenure and upgrading. To assess the World Bank's recent shift towards the 'sustainable city' approach, this section of the paper reviews the extant literature on the changes of the World Bank approaches of urban policy. The analysis of the literature on the World Bank reveals two main discussions taking place: the first one debates if the different approaches of urban interventions have reflected shifts or a continuity of development strategy within the World Bank. And the second discussion examines the role of the World Bank and dispute if it is diffusing preconceived policies or enabling local governments and communities.

a) The World Bank – Learning by doing or continuity?

After the Bretton Woods conference, July 1944, the World Bank began its operations at its head quarters in Washington, DC. Its main functions were to assist the economic reconstruction of Europe and Japan and in the "development" of the "less developed" world (Ayres, 1983). Since then, the World Bank's approach towards the urban poor reflected the changes on the development discourses (See table 1). On one hand supporters of the World Bank argue that the development of policies is based on a 'learning by doing' process, where the main objective has been to alleviate poverty and different approaches have been aimed at doing it in the most effective way (Cohen, 2001). On the other hand critics highlight that the World Bank has not changed its objective to modernize international economy and expanded its diffusion of neo liberal policies into developing countries. It is argued that the changes of development strategies have reflected an evolution of procedures to reach the unchanged objective of strengthening international economy (Burgess et al, 1997; Ayres, 1983; Jones and Ward, 1994; Zetter, 2004).

Table 1: Development strategies: Poverty and Housing Solutions

Development Strategies	Concept of poverty	Housing solutions
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Modernization 1945- End of WWII	Lewis Culture of poverty	Eradication and Provision of houses on outskirts of cities.
Growth with equity 1973 – Oil crisis	Turner Help the poor to help themselves	Site and services, Slum and squatter upgrading
Neo liberal 1984- Mexican crisis 1989 - Washington Consensus	De Soto Poverty was a result of the failure to employ the market effectively.	Upgrading with structural adjustment to boost the housing market sector.
Emerging Paradigm	Sen New dimensions: vulnerability, voicelessness and powerlessness	Move from housing sector to city development strategy

i) Period I – Modernization 1945-1973

The various literatures on the World Bank only agree upon the functions and objectives of the World Bank's loans during its first phase of existence. Development meant economic growth, thus the objective of the World Bank was to expand the aggregate growth rate of developing countries. During this period there was no focus on poverty or housing. The priority was the development of electric power, national transport, and other elements of national overhead capital. Loans for housing were provided by USAID. Interventions were based on eradication of slums and reallocation of the poor in social houses built in the periphery of the main cities of the 'Third World' (Pugh, 2001).

ii) Period II – Growth with equity 1973-1984

From 1973 the World Bank, under the presidency of McNamara, diversified the allocation of funds, moving away from exclusive concern with funding basic economic infrastructure towards projects devoted to the alleviation of poverty in developing countries (Ayres, 1983). From the early 1970s, "the Bank began what became the largest development assistance programme to address the problem of urban poverty" (Cohen, 2001:39). Site and services and slum upgrading projects soon became World Bank's favourable policies to tackle urban poverty. Loans were based on assisted self-help based on Turner's (1972) concept of freedom to build. According to Pugh (2001) the motivation for the shift in policies was more influenced by the World Bank's reliance upon loan repayments and need to show efficiency and effectiveness, than a change in development paradigm. "The adaptation of Turner's theory revolved around principles of affordability, cost recovery, and replicability" (Pugh, 2001:404). Nevertheless, Cohen (2001) argues that the McNamara presidency marked a real shift on the functions and objective of World Bank, as from the 70s onwards the main concern of the World Bank became alleviation of poverty.

Ayres (1983), on the other hand, contests the argument that the World Bank's main concern is alleviation of poverty by pointing out that those socioeconomic reforms are seen as essential in the effort to expand growth and modernize international economy. Thus the focus on poverty would not be

a shift on the objective of the World Bank, but rather a different approach to acquire same preconceived aim. According to Ayres (1983), through the perception of the World Bank “a significant amelioration of the plight of the Third World’s poor would greatly expand world markets for the Bank’s principal shareholders and would expand investment opportunities for private investors within its principal donor countries” (Ayres, 1983).

iii) Period III – Market enablement 1984-1990s

However, with the failures of the distributive policies and the financial crisis faced by most developing countries in the early 80s, market enablement became the dominant ideology in the World Bank. From the 1984 Mexican crisis, the concept of poverty widely held by international donors has been based on De Soto’s (1989) perception that poverty was a result of the failure to employ market rules effectively. The World Bank response has been to move from housing projects to programmes based on the restructure of urban management. Housing began to be considered as a market sector with a significant effect and dependence on the macro economy. Slums were considered as a consequence of the inefficiency of the housing sector. Instead of subsidies and public intervention, what was needed to tackle housing shortage was the introduction of a neo liberal agenda. Loans were attached to structural adjustment conditionalities that aimed at encouraging governments to work more efficiently by enabling markets to compete with minimum state intervention. The ultimate purpose has been to encourage developing countries to join the global market and to generate income to repay their international debts (Zetter, 2004).

In the defence of the World Bank’s enablement urban policy, Malpezzi (1994) points out that over regulations in many housing markets of developing countries were impeding markets to operate and driving up costs. Thus institutional development and deregulation was essential to increase formal private market activity and to tackle housing poverty. Cohen (2001) also argues that the shift from projects to programmes and urban institutional development was necessary to address the scale of the needs which accompanied urban growth. Furthermore, Cohen (2001) emphasizes that “the primary rationale for this institutional effort was to create capacity to alleviate poverty” (2001:51).

On the other hand, the neo liberal housing agenda has been criticised as a continuity of the World Bank’s primary objective to strengthen international economy by expanding growth in the developing countries rather than alleviating poverty. By linking housing to wider urban economy to promote economic growth and raise urban productivity, Ayres (1983) argues that the World Bank has been more concerned with assuring Wall Street than with meeting the demands of the ‘Third World’. According to Jones and Ward (1994) ‘buzz’ words of productivity, efficiency and growth have been added to the standard package aimed at decentralisation and cost recovery which were central to the World Bank’s urban policy though of the 1970s. “The picture presents a remarkable consistency of Bank policy terms of the underlying paradigm which is being promoted” (1994:46).

By the end of the 1980s there was an increasing body of literature criticising the structural adjustment programmes. The 1987 UNICEF’s report on *Adjustment with a human face* highlighted the increasing inequality and poverty caused by the structural adjustment programs (Cornia et al, 1988). Therefore from the early 1990s the World Bank became concerned with the increasing inequality which taken place in developing countries since structural adjustment was introduced. According to Zetter (2004) the World Bank entered then on the second stage of the market enablement approach, where compensatory policies, such as squatter settlement upgrading, were supported to alleviate the negative social costs of adjustment.

iv) Emerging paradigm – 2000s

As the initial attempts failed to reduce the increasing incidence of poverty, Pugh (2004) argues that by the end of the 90s the World Bank breaks from the Washington consensus themes of the 1980s and takes on a new welfare system, provided by mixed private and public institutions. The 'new directions' approach emphasizes the need to increase urban productivity, but also to tackle the multi dimensions of poverty. "The intention was to draw together the economic roles of urban development and the qualities of 'livable cities' in terms of poverty reduction, improved environments, and progress in housing and health" (Pugh, 2004:66). In this 'new phase', the writings of Sen (1992, 1999) become increasingly used and freedom reaches the crux of development discourse. The way in which Sen's concepts were applied by the World Bank in their urban policy papers is analysed in section 2 of this papers.

However, according to Zetter (2004) the recent innovations of the World Bank's urban development discourse are just further expansion of the second stage of market enablement. Also Webber (2004) argues that the new emphasis on poverty alleviation is not understood as a goal in itself, but as means to advance and sustain global capitalism.

b) The World Bank – Diffusing or enabling?

Meanwhile the main innovation of the emerging paradigm of the World Bank is argued to be the emphasis on market, political and community enablement (Burgess et al, 1997). Craig and Porter (2006) described this current strategy of the World Bank as 'inclusive' neoliberalism, which incorporates into the discourse buzz words such as 'empowerment' and 'participation', and proposes to build human capital via services and poverty alleviation programmes, such as squatter upgrading programmes. However together with the policies to decentralize decision making and increase community participation to local policy making, the World Bank stresses the need to influence urban governance reforms to expand urban productivity and efficiency.

Critics of the World Bank emphasise the loss of local sovereignty through the conditionality clauses attached to poverty alleviation loans that diffuses the World Bank's neo liberal agenda (Burgess, 1992; Zetter, 2004; Moser, 1997; Osmont, 2001; Weber, 2004). The defenders of the World Bank argue that while governance reforms are necessary to improve the performance of municipal governments, local sovereignty is protected and expanded as poverty alleviation policies encourage participation of civic society on policy making and delivery of services (Cohen, 2001; Cohen and Leitmann, 1994; Imparato and Ruster, 2003).

From the end of the 1980s the word *governance* appeared on the policy papers of the World Bank, and soon acquired centre stage of its strategy. The failures of the 1970s policies to reduce poverty were due to institutional incompetence of governments from developing countries. Poverty alleviation policies, such as squatter upgrading programmes, became to be used as an instrument to stimulate governance reform which could create a good business climate and enhance cities' productivity (Zetter, 2004). According to Osmont (1998) the increasing politicisation of the World Bank undermines local democracies and diffuses a neo liberal notion of good governance. Furthermore the underlying objective of the World Bank is argued to be the transformation of the city into a bankable institution so that more loans can be transferred. Burgess (1982, 1992) also perceives the World Bank as a transmitter of imperialist capitalism by reshaping state functions and interfering on the process of allocation of state resources. Weber (2004) establishes the link between poverty alleviation and diffusion of a preconceived ideology:

The construction of 'poverty reduction' policies by these institutions (IMF and World Bank) can then only be understood as instrumental to the governance of the global political economy; and instrumental to the re-production of risks associated with the global capitalism (Weber, 2004: 379).

Meanwhile Gilbert (2002) argues that "the power of developmental Washington lay in large part in the receptiveness of its audience" (2002: 306). The World Bank influences local policy making through conditionality, however Gilbert (2002) claim that local elites play a crucial role on housing policy making. Nevertheless, using Chile as an example, Gilbert (2002) demonstrates how Washington agenda can be encouraged by local elites through the intellectual influence of the University of Chicago.

However supporters of the World Bank argue that the move towards citywide policy reform, institutional development and high-priority investments were necessary to deal with the challenge of urban growth. Cohen and Leitmann (1994) argues that squatter upgrading programmes needed to be supported by governance reform to assure that physical improvements can be complemented by raising urban productivity. Cohen (2001) does not agree that the World Bank moved its focus away from poverty reduction and towards management. "If some staff and some observers understood this work as primarily being about municipal management, they had failed to understand how policy objectives had remained the same but a new, more promising set of instruments and approaches had been identified" (Cohen, 2001:51).

Furthermore, rather than a danger to local democracies, supporters of the World Bank argue that by focusing on participation of the civic society on urban projects, the World Bank aims at making urban interventions more responsive to the needs of the urban poor and encouraging a more inclusive policy making process. According to Imperato and Ruster (2003) the World Bank hopes to strengthen local democracies by supporting the engagement of civic population, specially disadvantage people, to influence resource allocation, formulation and implementation of policies and programs. However the World Bank's participatory strategy has been criticised in a variety of ways: by taking a consultative form rather than real transference of decision making power (Rakodi and Lloyd-Jones, 2002); by encouraging co-option and being socially divisive (Mercuse, 1992); by strengthening traditional patron/clientage structures and political allegiances (Burgess et al, 1997); by weakening social movements (Berg-Schlosser and Kersting, 2003); by being pragmatic, limiting the impact on structural inequalities and causes of poverty (Burgess, 1982); and finally by being merely operational rather than setting up the focus of development policies (Osmont, 1993).

Finally Santos (2000) argues that while diffusing preconceived objectives, the World Bank is also producing poverty:

Global institutions, such as the World Bank, finance programmes focused on the poor, willing to produce an image of interest towards the deprived, while structurally, it is the grand producer of poverty. Manifestation of poverty is tackled functionally, while structurally poverty is created in a global level. (2000:73)

The following sections of this paper explore in detail the shift of the urban policies set up by the World Bank, by firstly analysing the theoretical framework underlying the emergence of the 'new paradigm' and then by assessing the practical implications of the new approach through the evaluation of the

squatter upgrading programme funded by the World Bank in Salvador da Bahia, Brazil. This evaluation contributes to the literature reviewed above by assessing the extension to which the World Bank has been diffusing its preconceived ideology or empowering communities to tackle the root causes of poverty and inequalities.

3- 'Sustainable City' – The rise of the Human Development Discourse and The World Bank and Urban policies for the 21st century.

From the end of the 1990s a series of publications of the World Bank stressed its commitment to expand their conceptualization of development and poverty. In the urban context, it was the 2000 Urban and Local Government strategy paper that proposed the focus on 'sustainable city'. One of the forces influencing the policy making of the shift in direction was the rise of the UNDP's Human Development approach and the increased popularity of its most influential author, Amartya Sen (1999). This section of the paper firstly reviews Sen's concept of *development as freedom* and the rise of the Human Development paradigm. Then the links between the World Bank and Sen are presented. Finally the application of the concept of development as freedom by the World Bank is assessed.

a) Sen and the Human Development Paradigm

The first attempts to propose an alternative development paradigm to neoliberalism based on the writings of Sen was done by the UNDP, in the early 1990s in its annual Human Development Report. By the end of the 1980s international development agencies were under pressure to propose an alternative to the 'Washington Consensus' as structural adjustment were strongly criticised (Cornia et al, 1988). Thus, according to Fukuda-Parr (2005), in 1990 the UNDP commissioned the Human Development Report with the ambition to set out a comprehensive approach to development that shifted development focus from national income to people centred policies. Before analysing the various literature on the Human Development Paradigm, a brief introduction is presented on the works of Sen and its usefulness on an urban context.

i) Sen conceptualizing freedom

The concept of development as freedom has been proposed by Sen as means to overcome the utilitarian and income led perception of development by one that focus on the expansion of what people value doing and being, such as to be healthy and well nourished, to be knowledgeable, and to participate in community life. Policy design become concerned with the removal of obstacles that impede people to achieve the things they value being and doing (Sen, 1999; Fukuda-Parr, 2005).

Sen's thinking is based on two concepts: capabilities and functionings. Capabilities are the freedoms people have to achieve the lifestyle they have reason to value. Those variables that people value doing or being Sen terms functionings. This approach is based on an Aristotelian tradition, conceptualizing development as a process of expansion of people's freedom to be and do what they may value. "The 'good life' is partly a life of genuine choice, and not one in which the person is forced into a particular life – however rich it might be in other respects" (Sen, 1996, p. 59). Like Aristotle, Sen argues that the doings and beings that people value have instrumental but also intrinsic values. While they are means to achieve wellbeing, functionings are also ends in themselves. In this context, urban development policies should be expanding people's opportunities to pursue goals they value. Generation of income! e becomes another dimension of urban policies, and not the leading cause of it. Furthermore urban policies would be tackling the multidimensional needs of urban population as developmental ends in themselves, and not as means to preconceived goal, such as enhancing productivity.

While Sen does not identify a list of valuable capabilities nor functionings, he proposes five instrumental freedoms that can serve as guidance for the application of Sen's concepts on an urban context: political freedoms, economic facilities, social opportunities, transparency guarantees and protective security (Khosla and Samuels, 2005). However, Sen does not specify any further the list, as he recognizes that what is centrally important varies in different places and individuals. Furthermore he emphasises the need for democratic processes to identify the list of valued capabilities that are context and cultural sensitive. According to Sen "the people have to be seen, in this (development as freedom) perspective, as being actively involved – given the opportunity – in shaping their own destiny, and not just as passive recipients of the fruits of cunning development programs" (1999, p. 53).

ii) The Human Development Paradigm

Recently academics have discussed the usefulness, limitations and strengths of applying Sen's writings as a development paradigm. Alkire (2003) and Fukuda-Parr (2005) argue that the Sen's concept can impose itself as an influential development theory as it differs significantly from the basic need and the neoliberal paradigm. They argue that Sen's ideas break from the utilitarian and income led paradigm by perceiving development as an expansion of range of things that a person can be and do. "Seen from this viewpoint, development is about removing the obstacles to what a person can do in life, obstacles such illiteracy, ill health, lack of access to resources, or lack of civil and political freedoms" (Fukuda-Parr, 2005:305).

Fukuda-Parr (2005) also argues that Sen's writings differ from the neoliberal paradigm in a variety of ways: firstly well-being moves away from a concept based on utility maximization, to one that incorporates the issues of rights, freedom and human agency; thus the human development paradigm would shift the concern of governance from enhancing efficiency of institutions to one tackling social justice, enlarging "participation, power, and influence of the people, especially those who are disadvantaged, such as women, ethnic minorities, and the poor" (2005:310); thirdly, while neoliberalism would be concerned with economic growth, human development focus on expanding people's choices; finally people are perceived at the human development approach not as means to economic activity, but as ends, beneficiaries and agents of change.

While Sen never argued himself that his ideas should become a development paradigm, Alkire (2003) and Fukuda-Parr (2005) argue that Sen's writings fundamentally innovates development discourse becoming a paradigm by: focusing on human ends, being multidimensional and multidisciplinary, addressing positively human diversity, explicating the process of value judgements, and by being centrally concerned with justice.

b) The World Bank and Sen

Since the end of the 1990s the World Bank increasingly recognizes that structural adjustment programs were not sufficient for improving the quality of life of the poor. As Zanetta argues: "as a result, a new conceptual shift began to take place in World Bank's thinking, increasingly recognizing the need to promote public sector reform hand-in-hand with policies promoting a more equitable distribution of wealth" (2001: 527).

As the World Bank needed a conceptual reformulation to answer for their recent thinking shift, in 1996 Sen was invited to lectures on development as a Presidential Fellow of the World Bank. From then onwards Sen's language started to be used by the World Bank's published work and development

became understood as expansion of freedom. The commitment to operationalize this move can be clearly seen in the article written by the president of the World Bank, Wolfensohn, and Sen (1999): “For the World Bank, too, development is a process that ends with freedom from poverty and from other social and economic deprivations”. Furthermore a ‘friendly’ developmental approach is proposed to enhance people’s freedom to avoid not only economic but also social deprivations. “These freedoms are both the primary ends and the principal means of development. They include freedom to participate in the economy, which implies access to credit, among other facilities; freedom of political expression and participation; social opportunities, including entitlement to education and health services; transparency guarantees, involving freedom to deal with others openly; and protective security, guaranteed by social safety nets, such as unemployment insurance or famine relief” (Sen and Wolfensohn, 1999, [http://web.worldbank.org/...](http://web.worldbank.org/))

The expansion of the dimensions of the conceptualization of development and poverty was confirmed in the 2000/2001 World Development Report. In this Report the World Bank incorporated in their conceptualization of poverty the views of poor people expressed in their study *Voices of the Poor* (1999). The definition of poverty was expanded to include “powerlessness and voicelessness, and vulnerability and fear” (World Bank, 2000, p. 5).

Poverty is much more than income alone. For the poor, the good life or wellbeing is multidimensional with both material and psychological dimensions. Wellbeing is peace of mind; it is good health; it is belonging to a community; it is safety; it is freedom of choice and action; it is a dependable livelihood and a steady source of income; it is food (World Bank, <http://www...>).

c) The World Bank’s Adaptation of Sen or Inappropriate Paradigm?

Using three main publications of the World Bank, this section of the paper assesses the adaptation of Sen’s concepts by the World Bank. It is argued that the interpretation of development as freedom has strengthened Santos (2000) argument that while the World Bank ‘produces an image of interest towards the deprived’, there has been no real change in its objectives, as they aim at strengthening international economy. On one hand this section illustrates how the World Bank has used very selectively Sen’s concepts. On the other hand the critics of the Human Development approach argue that the paradigm in itself does not expand appropriately the concept of development and it does not go further than proposing a populist version of neoliberalism.

i) The use of Sen by the World Bank

The focus on ‘sustainable city’ illustrates the selective use and manipulated adaptation of Sen’s writings and concepts by the World Bank in the urban context. By moving from housing sector to an approach targeting governance reforms and poverty alleviation policies, the World Bank claims to be expanding people’s ability to achieve the things the value doing and being. However the 2000 World Bank Urban and Local Government strategy paper shows that policies have not shifted in direction, but rather applied their market orientated ideology to new dimensions. It adapts the new dimensions of development and poverty to an urban context by arguing that “urban poverty entails a sense of powerlessness, and an individual and community vulnerability, that undermines human potential and social capital” (2000: 3) By expanding the understanding of development, the World Bank argues that this new strategy will be encouraging a sustainable city.

The ultimate aim of this strategy is to promote sustainable cities and towns that

fulfil the promise of development for their inhabitants — in particular, by improving the lives of the poor and promoting equity — while contributing to the progress of the country as a whole (2000: 6).

Later on in the policy paper the World Bank clarifies its vision on Sustainable cities. To become sustainable, cities need to be *liveable, competitive, well governed and managed, bankable*. Liveability is concerned with living standards. Squatter settlement upgrading is proposed as the mechanism for tackling lack of infrastructure as well as powerlessness and vulnerability. Powerlessness can be tackled by “addressing constraints to small-scale and informal sector enterprise” (2000: 11). Meanwhile vulnerability is also conceptualized in economic terms since market-sensitive urban planning methods are advised to help cities to cope with multiple crises which could constrain growth. The competitive variable is concerned with the “basic conditions for urban productivity, which are also necessary to make cities competitive and entrepreneurial in the global marketplace” (2000: 11). Improving governance and management of cities means fulfilling public responsibilities by enhancing private sector participation and facilitate public-private partnerships. The concept of a bankable city relates to the notion of creditworthiness, permitting access to city loans. “Integrating informal and marginal communities as full urban citizens, taxpayers, and public service customers is therefore an important goal” (2000:11). The World Bank view on sustainable cities is clearly market orientated. The new dimensions of the conceptualization of cities have expanded market ideology into new spheres. Instead of shifting the views of the 1990s, the enablement paradigm has been further developed. This final quote illustrate how market enablement is still the development strategy of the World Bank:

An important part of good urban financial management involves adopting a commercial approach to many of the service and administrative functions of cities, while keeping social concerns in view. A commercial approach is also a prerequisite for involvement of the private sector or eventual privatization of urban services (2000: 12).

An important institution operationalizing the World Bank’s vision of sustainable city, has been Cities Alliance. Its 2003 annual report argues that to achieve the objectives raised in the 2000/20001 World Development Report and *attack urban poverty* policies should focus on two areas: city development strategies (CDS) and citywide and nationwide squatter settlement upgrading. CDS represents the shift of focus by the World Bank from housing sector to urban governance. According to the Alliance, CDS is a mechanism to create a shared vision of the city’s future among all stakeholders. While acknowledging the need for each city to develop its CDS, the Alliance also identifies clear goals and outcomes such as policy, governance, and institutional reforms, and thus raising the productivity and competitiveness of cities. Rather than a change from the previous strategy, housing sector policies are now recommended for all spheres of city governance. By “enabling a better business environment” the CDS hopes to “mobilise additional investments” to the city. The recommendations go far beyond the housing sector: “Linkages between the city and major national investment programmes in the port, airport, and the free zone are essential for attracting investment to expand employment and services as well as for providing quality and adequate basic services to both citizens and investors” (Cities Alliance, 2003:11).

Meanwhile the Alliance recommends that city and nationwide squatter settlement upgrading must involve squatter inhabitants and the private sector in the decision making process and mobilisation of resources. While still encouraging the 1990s policies to enable housing markets to prosper (such as urban land reforms, targeted subsidies, expansion of infrastructure and services, competitive housing

finance) the new policies have an increasing focus on participation from all actors in all spheres. NGOs and the private sector are recommended to play a stronger role in the delivery of services, while the poor are called on to participate in the decision making process as well as in the mobilisation of resources (Cities Alliance, 2003).

These reports show that the World Bank has not changed its conceptualization of development and aims at expanding cities productivity by engaging in urban governance as well as poverty alleviation policies, such as squatter upgrading programmes. While Sen's concepts have been adapted and selectively used by the World Bank, it is not yet clear if the Human Development paradigm is an appropriate alternative to the market enablement approach or a populist version of neoliberalism.

ii) The critics of the Human Development Paradigm

Sen's concepts have been criticised as not breaking significantly from the previous neoliberal paradigm, by perpetuating and expanding two trends existent at the neo liberal paradigm: the ahistorical performance assessment; and the partial globalization of development policy analysis (Gore, 2000). Furthermore Sen's concepts are argued to be serving as conceptual and ethical grounding for the raise of 'pragmatic neoliberalism' (Sandbrook, 2002).

Sandbrook (2002) and Gore (2000) argue that the human development paradigm does not represent a break from the previous paradigm due the limitations of Sen's writings such as its individualistic orientation, support to market mechanisms and silence on structural processes influencing people's well-being and ability to choose. Furthermore they argue that Sen's ideas have been used by international agencies to give a more acceptable form to neoliberal policies as a response to the critics of the inequalities caused by the structural adjustment policies. Sandbrook (2002) argues that Sen's concepts offer a clear and harmonious route to expand personal freedom by adjusting individuals to global market competition. Instead of changing the previous paradigm, Sen's concepts serve as conceptual and ethical grounding for the rise of what Sandbrook (2002) calls 'pragmatic neoliberalism'. This approach urges for a more active state than the old style liberalism, involved at improving the capacity of citizens, firms and the national economy to compete within an advancing global market economy. The state assumes the responsibility to provide minimally adequate safety nets for those individuals who cannot market themselves effectively. Poverty is then overcome by increasing the poor accessibility to resources and opportunities through better basic education, sanitation and health. Thus, as argued by Patnaik (1998), the human development approach based on Sen's writings would not go beyond the immediate causes of poverty, avoiding issues concerning social processes and redistributive policies.

This pragmatic character of Sen's writings and of the human development paradigm is argued by Gore (2000) to represent a continuation of two trends existent at the neo liberal paradigm: the ahistorical performance assessment; and the partial globalization of development policy analysis. While from the 50s to the 1970s theorizing on development strategy was historic, in the sense that social arrangements were analysed through a historical approach, taking into consideration long-term sequences of economic and social changes, the neoliberal period on the other hand marked the shift of focus from history to 'performance'. Since the 1980s grand narratives were questioned, and development agencies abandoned their tokens of 'modernization' and emancipation of the people from oppression to embrace the role as monitors of 'performance', making local economic and social institutions 'work' more efficiently. According to Gore (2000) a short term performance driven paradigm has not been changed but actually expanded by the human development approach, as a more multidimensional approach is used to measure and expand performance, thus merely making the Washington consensus

more humane.

Moreover the project [human development project] of making economic and social institutions work better through decentralization and the use of local knowledge, indigenous management practices and the participation, not of the masses, but of 'local people' and 'small communities', can be, and has easily been, fused into a kind of neoliberal populism (Gore, 2000:796).

Gore (2000) argues that the other character of neoliberalism that is also present at the human development approach is the partial globalization of development policy analysis, combining a global understanding of development norms, but methodologically nationalist on its explanations. Since the propagation of the Washington Consensus in the 1980s, the understanding of the norms of the development process moved from a national frame of reference to a global. Neoliberalism shifted the focus from domestic resources that contributed to national development, to the integration into the global economy and trends. Meanwhile international explanations to development, such as the dependency theories of the 1970s were replaced by national explanations that focus on the ability of national markets to flourish. Thus country performances are attributed largely to domestic policies. As argued also by Patnaik (1998), Gore (2002) shows that Sen's writings do not challenge this character of neoliberalism, by perceiving global trends detached from local solutions. The human development approach expands here again this character of neoliberalism, by accepting the inevitability of the global trends and tackling the domestic policies that are concerned not only with economic productivity, but also provision of basic social services.

This assessment of the World Bank's urban policy identifies some contemporary trends:

- 1 Policy making has been increasingly using Sen's language, in the urban context under the flag of 'sustainable city'.
- 2 Concrete recent urban policy shift have being identified as: move from housing sector, to city development strategy; and focus on urban poverty through squatter upgrading policies.
- 3 However such trend has not reflected considerable change on the World Bank's assumptions and urban agenda, as the objectives are to raise the productivity of the city and strengthen international economy.

While this paper has been criticizing the adaptation of Sen's writings by the World Bank, the review on the critics of the Human Development paradigm argue that the framework in itself is not an appropriate alternative to neoliberalism. Thus, in the next section, a preliminary evaluation of a squatter upgrading programme set up by the World Bank, through the perspective of Sen, aims to assess the practical implications in the urban context of the conceptual shifts of the World Bank and contribute to the discussions on the application and use of Sen's writings.

4- The case study of Salvador da Bahia, Brazil: Impacts of the World Bank's Squatter Upgrading Programme

As the World Bank became to perceive squatter settlement upgrading programmes as one of the main means to encourage a 'sustainable city' and expand squatter inhabitants' ability to get out of poverty, this paper evaluates how far the squatter upgrading programme in Salvador da Bahia, set up by the World Bank, is expanding squatter inhabitants' freedom as conceptualized by Sen. The objective of the

evaluation is also to assess the concept itself of development as freedom and unfold strengths and limitations of Sen's thinking as an alternative to neoliberalism. This section of the paper firstly provides a brief description of the programme and the context that it has been set up. Then it describes the process of application of Sen's concepts followed by the presentation of the initial findings of the research.

a) Setting Out the Context of the Programme

Since the abolition of the Brazilian Housing Bank (BNH) in 1986 and the drawing up of a new constitution in 1988, state governments rather than the national government became responsible for solving the problem of growing squatter settlements. This process of decentralization of responsibilities also resulted in a decentralization of loans. World Bank loans targeted state governments rather than the national government (Cardoso, 2002). Through its conditionality clauses the World Bank increased its influence on state government's policy making. The state of Bahia has become a major receiver of the World Bank's loans, Salvador, has taken on the full neo-liberal package with the ambition of becoming a *liveable, competitive, well managed and bankable* city. The most recent agreement signed by the state government of Bahia and the World Bank in 2003 arranged a US\$98 million loan to scale up the squatter upgrading programme called Ribeira Azul! .

The area denominated Ribeira Azul has an area of 4km², with a total population of 135.000 squatter inhabitants. This is equivalent to 6% of the total population of Salvador and 21% of squatter inhabitants of the city. The first intervention in the area took place in 1976, when the national government funded an upgrading project to tackle the growing number of houses on stilts in the area. The project replaced the houses on stilts with basic shelter and infrastructure. However the houses on stilts came back and the area became one of the most deprived regions of Salvador. According to the 2000 national census there are areas within Ribeira Azul where nearly 90% of the working population earns between 0 and 2 minimum salaries per month. The percentage of squatters with sewage connections can be as low as 5%. In 1992 the state government together with an Italian NGO *Associazione Volontari per il Servizio Internazionale* (AVSI) asked the staff of 1976 to draw up plans ! for a new intervention in the area called Novos Alagados. In 1996 the Pilot project was concluded, and according to the state government, 8,000 people were benefited from the project with better housing, infrastructure and social services. The project has been accepted by the local community leaders, AVSI and the state government as innovative due to its unprecedented participatory approach.

Already in 1996 the state government started taking the first steps to scale up the Novos Alagados project into the Ribeira Azul programme, which would reach 10 squatter settlements in the area. In 2000 the second stage of the project was already taking place and in 2001 the resources for the project totalled US\$60 million, which included a US\$5 million donation from the Italian Government, a direct loan from the World Bank, funding from the state and the federal government (which gets its resources from the International Development Bank). The programme has concluded its second stage and the third, fourth and fifth stages are being implemented currently. As mentioned before, in 2003 the World Bank agreed to loan another US\$98 million to further extend the programme. The Ribeira Azul programme has been seen by Cities Alliance and the World Bank as a great success due to its innovative architecture and participatory approach (Imparato and Ruster, 2003).

b) Evaluating Through Sen's Concepts

However an evaluation based on Sen's concepts reveals a more ambiguous result. The first stage of the

research has identified local ‘dimensions of human flourishing’ in the housing context. Basing her study on Finnis (1980), Alkire (2002) argues that “dimensions of human flourishing represent the basic values people are seeking when they ‘be and do and have and interact’ – morally or immorally. They are neither virtues nor personal qualities (gentleness, self-respect)” (2002, p. 74). As Alkire believes, “the purpose of identifying such dimensions (...) is to offer a framework within which different values that communities have may be understood (within which, therefore, our informational base of social welfare may be expanded)” (2002: 53). Sen also proposes a list of five instrumental freedoms that “contribute, directly or indirectly, to the overall freedom people have to live the way they would like to live” (1999: 38). The five instrumental freedoms (political freedom; economic facilities; social opportunities; transparency guarantees; and protective security) aim at evaluating the level of development of an individual, household or community (Sen, 1999).

It became essential at this point to adapt Sen and Alkire’s typologies to the particular case study of this research. It was necessary to unfold the instrumental freedoms that shaped the ability of squatter inhabitants of Novos Alagados had to get out of poverty and improve their housing conditions. The adaptation of previous lists of dimensions of human flourishing is congruent to Sen and Alkire’s argument that there is not universal list shaped by universal values. This “incompleteness” is seen in this study as a major strength of Sen’s concepts, which can be applied in different contexts with different variables without losing its philosophical framework. After undertaking informal interviews with local squatter inhabitants and academics six instrumental freedoms (or dimensions of human flourishing) were raised as essential to be sheltered in a dignified way at the local context: freedom to individualize, freedom to expand, freedom to afford the living costs, freedom to have a healthy environment, freedom to participate, and freedom to maintain social networks (see table 2).

A short and preliminary assessment of the Ribeira Azul programme focuses on the impacts the programme had on each of the freedoms identified. Through a participatory approach (using focus groups and semi structured interviews), this assessment aims to find out the impacts of the upgrading programme on the squatter inhabitants’ freedom to acquire dignified shelter.

Table II: Adaptation of previous lists of dimensions of human flourishing

Adapted list	Alkire’s dimensions of human flourishing (2002)	Sen’s instrumental freedoms (1999)
Freedom to Expand	Practical reason/self-integration	Social opportunities
Freedom to Individualize	Practical reason/self-integration	Social opportunities
Freedom to afford living costs	Work/play	Economic Freedom
Freedom for healthy environment	Life/health/security	Protective Security
Freedom to Participate	Practical reason	Political freedom
Freedom to maintain social network	Relationships	Transparency guarantees.

i) Freedom to Expand and Individualize

The process of individualization of the structure and design of shelters in the squatter settlements is part of their cultural identity which reflects social, economical and political features in the built environment. The freedom to individualize and expand has been one of the squatter inhabitants' assets which allowed them to improve their quality of life affordably and within the same environment. This dimension has a direct parallel to Alkire's dimensions of practical reason and self-integration which "regards the freedom a group has to exert self direction: to create and sustain their identity even if it differs from the identity of the funding agency, for example" (Alkire, 2002, p. 283). Santana (1994) argues squatter inhabitants show awareness of the aesthetic condition of their houses by improving it and adding floors. Often even before the first floor is completed, a second floor is already under construction. Severo (1999) explains that this process represents the aspiration to distinguish themselves from the other squatter inhabitants and improve social status. Informal interviews with squatter inhabitants from the area of the Ribeira Azul programme revealed that their main critique to the upgrading programme is that it does not allow them to expand their houses as they wish. Residents of the second stage of the programme are not permitted to change their house design and structure. Even if they were allowed to, the actual structure of the houses does not help the expansion to take place. Nevertheless residents have been individualizing their houses illegally. Eduardo Teixeira, one of the mentors of the 1976 upgrading programme, warned that by not accepting this dynamics of the squatter inhabitants, these houses will create serious conflicts in the future between residents.

ii) Freedom to Afford Living Costs

For any upgrading programme to be successful it is necessary to ensure that squatter inhabitants can afford the living costs of the houses into which they are relocated. Sen and Alkire have included in their list the economic variable (economic facilities; work/play respectively). As explained by government officials, one of the main objectives of the Ribeira Azul programme was to resettle the stilt inhabitants in the same area. As the location is good due to its proximity to the city centre, squatter inhabitants did not have transport costs raised. Meanwhile local cooperatives were used to build the houses and funds were allocated in courses to train electricians and builders. Interviewees acknowledge that these initiatives generated some employment for members of the community, which helped to raise residents' income. On the other hand costs increased significantly for the residents of the new houses, since they had to pay electricity, water and a monthly instalment! to pay for 15% of the cost of their new houses. Many households could not afford the new expenses and once again acquired their electricity through illegal connections. Furthermore none of the residents started to pay the monthly instalment for the payment of the new house. While residents' costs have increased, many of them have not benefited from the employment generation opportunities.

iii) Freedom for a Healthy Environment

As the previous dimension, this freedom is a materialistic category which has direct parallel to Alkire's categories of life/health/security and Sen's intrinsic freedom of social opportunities which "refer to the arrangements that society makes for education, health care and so on, which influence the individual's substantive freedom to live better" (Sen, 1999, p. 39). The environmental improvements at Novos Alagados have been significant since the programme started to take place. All the houses on stilts were removed and residents were placed in houses of 22 m² or 44 m². The population density per square meter has decreased considerably. A rubbish collection point was placed within the residential area and close to the motorway which ensured easy access for the community and bin collectors. All the houses were handed over connected to the basic services (electricity, water and sewage). Meanwhile an NGO received funds to run a project to improve the nutritional habits and hygiene of the local population. The pilot project started in 2002 involving 60 undernourished children and their mothers. The ambition

of the NGO is to reach 700 children. However many residents are not satisfied with the space of their houses. According to Emiliano José, a local councillor and Journalist, 22m² is unacceptable since it forces squatter inhabitants to live in a “promiscuous agglomeration”. Residents can not accept the fact that they are being asked to pay for a house that is half of the size of the house they used to have in the stilts. Many residents are determined to expand their houses, even without the authorization of the government, because the space they were given is not enough to provide their family with a dignified houses.

iv) Freedom to Participate and to Maintain Social Networks

While the freedom to participate has a parallel to Sen’s political freedom, the freedom to maintain social networks is a direct parallel to Alkire’s dimension of relationships. Political freedom, broadly conceived, “refers to the opportunities that people have to determine who should govern and on what principles...” (Sen, 1999, p. 38) Meanwhile Alkire’s dimension of relationships refers to how people interact in a community and its impact on friendship, tolerance, security and trust. The freedom to participate in the Ribeira Azul and to maintain the existent social networks are the most controversial issues of the programme. In theory government officials say that due to pressures of the World Bank, those two issues are a top priority of the programme. By placing residents close to their neighbours from their previous shelter, the World Bank believed social network strategies would be maintained. Meanwhile to increase participation every street selected a street leader who would form a council that would meet regularly with technicians, NGOs and government officials. Government officials argue that this was necessary because the community based organization, Primeiro de Maio, was influenced by the opposition party and it did not represent most of the squatter inhabitants from the area. According to Benedetta Fontana, coordinator of the social programmes led by the Italian NGO AVSI, such an approach aimed at creating new leaderships to encourage participatory intervention.

Criticisms of Ribeira Azul’s participatory strategy came from residents, community leaders, scholars and local councillors. Interviews with community leaders from other squatter settlements in Salvador revealed that any attempt to create local leaders will be unsuccessful, since leaders have to emerge from within the community and not through a process imposed by outsiders. This can be one of the reasons why out of 49 elected street leaders, only two remain active. According to a leading member of the community based organization (CBO) Primeiro de Maio, the council had a consultative role and no decision making power. Furthermore the same person believes that Ribeira Azul has tried to weaken Primeiro de Maio, firstly by not acknowledging it as an active NGO and therefore not transferring funds for it, secondly by trying to create new leaderships and NGOs to weaken and replace the strong community organization. In this sense participation has been manipulated and co-opted to accept the preconceived goals established by the government officials and the World Bank. According to local councillor Emiliano José “Novos Alagados fought for a worthy housing project not for propaganda and bureaucracy, not for this project about which the population has not been asked its opinion and which it does not accept” (Emiliano, 2001, <http://emilianojose.com...>) This process of participation is not expanding squatter inhabitants’ freedom to participate in the decision making process and it can potentially constrain their ability to maintain social networks since the community’s strongest organization is being threatened.

This preliminary evaluation of the Ribeira Azul programme reveals that the World Bank did try to tackle the squatter inhabitants’ freedom to afford living costs, for a healthy environment, to participate and maintain social networks. However the World Bank’s approach of putting Sen’s capability ideas into practice significantly differs from the approach of the researchers’ reviewed earlier in this article. Taking into account the importance of the freedom to individualize, the World Bank did not take into

consideration the existent urban culture dynamics when expanding the maintenance of strong urban regulations and the imposition of house aesthetic.

Privatization of services and payments of 15% of the cost of the houses are constraining squatter inhabitants' freedom to afford life in the new houses. The small size of the houses and lack of freedom to expand is generating high density within the new houses, which impact negatively on squatter inhabitants' freedom for a healthy environment. Last but not least, the participatory approach of the programme has not given real decision making power to squatter inhabitants. By failing to work together with the existing community organization, the programme has not expanded the squatter inhabitants' freedom to participate as one would hope. Rather the programme has weakened the opportunity for participation thus constraining and compromising the squatter inhabitants' freedom.

5- Conclusion: Whose Freedom?

From the mid 1990s the World Bank has been changing direction on the conceptualization of development and poverty. The 2000/2001 World Development Report marked a shift from a market orientated definition of poverty to one based on the writings of Sen, where development is perceived as enhancement of freedoms. As a consequence, the World Bank has recently shifted its urban policy strategy, from one that focused on housing markets to one based on 'sustainable' cities. The new strategy on one hand aims at strengthening urban governance and on another hand alleviating poverty through squatter upgrading programmes. However, the World Bank's urban policies have become ambiguous and contradictory. Market enablement strategies are still been practiced which conceptually seem to be at odds with Sen's approach. The concepts of this comprehensive framework for urban development are based on a market orientated definition of the! new dimensions, such as vulnerability and empowerment. The World Bank's urban policies have become increasingly broad, where market orientated ideology has taken over the main functions of city governance. Squatter upgrading programmes became part of a city development strategy to make it *competitive* and *productive*. Therefore the World Bank has not redirected its policies, but rather expanded it from focusing on housing sector to one based on city *management*. Consequently in the World Bank's policy papers no attention is paid to how this strategy will then impact on squatter inhabitants' ability to expand their valued freedoms.

The reflection of these contradictions within the World Bank's approach is demonstrated in the preliminary evaluation of the World Bank's squatter upgrading programme in Salvador da Bahia. Applying the Sen's concept on the urban context this paper contributes to the extant literature on the operationalization of the Sen's ideas by demonstrating how its openness can unfold relevant local dimensions on the evaluation of squatter upgrading projects. Meanwhile, it also raises questions about Sen's concepts being applying as a development paradigm and the potential of the Human Development as an alternative to the neo liberal paradigm. Further research is needed to explore such issues which are crucial for the development of paradigms that can actually overcome the problems they set out to challenge.

Nevertheless, six freedoms were identified and an initial assessment of how they have been impacted by the upgrading programme shows that the World Bank's approach is not recognising the existing assets of squatter inhabitants, such as their democratic institutions or current livelihood strategies. Furthermore policies are constraining the existent ability squatter inhabitants' have to avoid poverty. The Ribeira azul programme is not accepting the squatter inhabitants' urbanization process by

imposing the values and aesthetics of the 'formal city'. While attempting to 'include' squatter settlements in the formal city there is an imposition of values and lifestyle which would compromise squatter inhabitants' capabilities to escape from poverty. Meanwhile the participatory approach is manipulating and co-opting local leaderships which weakens squatter inhabitants' freedom to participate in the decision making process and to maintain their social networks.

Finally this article explores whose freedom the World Bank is pursuing. While on one hand its discourse embraces Sen's perspective and proposes a 'sustainable city' where the freedom of the poor should be expanded through city governance restructure and squatter upgrading programmes; in practice the case study shows that this is not the case. Instead of learning by doing or enabling governments and communities to achieve the things they value, it is argued on this paper that the World Bank through its city development strategy is diffusing and expanding its market orientated ideology. This initial evaluation shows that the World Bank is far more interested in expanding investors' freedom to develop markets rather than the squatter inhabitants' freedom to get out of poverty and live in a dignified house.

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