

# Preface

In present times, more than 50 % of the world's population lives in urban areas. This percentage is increasing over the years. Rapid urbanization has led to a spurt in the number of squatter settlements, particularly in developing countries. Though squatter settlements contribute to a city's economy, these unorganized settlements produce negative externalities. Addressing this situation is a conundrum for policy makers—they aim for developing their cities with minimizing the negative externalities; however, to minimize negative externality in the rapid urbanization process is a challenging task. Detailed analysis of possible negative externalities can provide a better understanding of the problems and may offer ideas to solve them.

Understanding of possible sources of negative externalities and their measurement is imperative. The study provides a fresh look at measuring negative externalities of squatter settlements in the process of urbanization. This book is an outcome of a research funded by Global Development Networks (GDN). The study seeks to measure the incidence and intensity of externalities of various components of individual, household and community activities and to estimate their costs to the society by using recently collecting data from primary sources in Kathmandu, Nepal, and Quito, Ecuador. The result ensures that the investment in the reduction of negative externalities is profitable and this is a good opportunity for the government and international partners.

The book includes six chapters. Chapter 1 describes urbanization and possible positive and negative externalities. Theory of urban externalities and empirical procedures for measuring externalities are discussed in Chap. 2. Chapter 3 discusses the measurement strategies of externalities including sources of data, data collection methods, data management and analysis. Chapters 4 and 5 provide the empirical results from Kathmandu and Quito, respectively. Chapter 6 provides policy implications and conclusions.

Economics of Urban Externalities

Analysis of Squatter Settlements in Kathmandu and  
Quito

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