Rapid urbanization stresses the natural environment under the best of circumstances, and in Third World cities with large areas of spontaneous shelter, environmental problems threaten both the health of people and economic productivity. Third World countries have not been responsive to environmental problems, in large part because of the many serious national problems considered more important or more politically expedient. The legal implications of uncertain land ownership in squatter settlements has also prevented or delayed governments in many Third World cities from providing a safe water supply and other essential services to spontaneous settlements.

The effects of poverty are of paramount importance in understanding spontaneous settlements and their environmental problems. More than a billion people live in countries that had an average annual income in 1981 of $200 or less. The real per capita income of these people is expected to grow by an average of no more than 1 percent annually (Eckholm, 1982). In contrast, real per capita income growth in developed countries averages 2 to 4 percent per year (World Bank, 1985). Rapid urbanization also negatively affects the standard of living in developing countries. The proportion of the world’s population living in urban settlements rose from approximately 14 percent in 1920 to 41 percent in 1980. About 30 percent of the Third World population now lives in cities, with about one-third of these city dwellers living in units they built themselves (Eckholm, 1982). In addition to extensive substandard housing, this rapid urbanization produces chaotic land-use relationships and inhibits the ability of municipalities to provide adequate infrastructure such as transportation systems, water and sewerage facilities, and health services.