

A home in the city



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A home in the city

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Innovation: applying knowledge in development

The UN Millennium Project is an independent advisory body commissioned by the UN Secretary-General to propose the best strategies for meeting the Millennium Development Goals (MDGs). The MDGs are the world's targets for dramatically reducing extreme poverty in its many dimensions by 2015—income poverty, hunger, disease, exclusion, lack of infrastructure and shelter—while promoting gender equality, education, health, and environmental sustainability.

The UN Millennium Project is directed by Professor Jeffrey D. Sachs, Special Advisor to the Secretary-General on the Millennium Development Goals. The bulk of its analytical work has been carried out by 10 thematic task forces comprising more than 250 experts from around the world, including scientists, development practitioners, parliamentarians, policymakers, and representatives from civil society, UN agencies, the World Bank, the International Monetary Fund, and the private sector. The UN Millennium Project reports directly to UN Secretary-General Kofi Annan and United Nations Development Programme Administrator Mark Malloch Brown, in his capacity as Chair of the UN Development Group.

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UN Millennium Project

Task Force on Improving the Lives
of Slum Dwellers

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Foreword

The world has an unprecedented opportunity to improve the lives of billions of people by adopting practical approaches to meeting the Millennium Development Goals. At the request of UN Secretary-General Kofi Annan, the UN Millennium Project has identified practical strategies to eradicate poverty by scaling up investments in infrastructure and human capital while promoting gender equality and environmental sustainability. These strategies are described in the UN Millennium Project's report *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*, which was coauthored by the coordinators of the UN Millennium Project task forces.

In *A Home in the City*, the Task Force on Improving the Lives of Slum Dwellers identifies the strategies needed to meet one of the most important challenges of our times. Cities in developing countries need to improve the lives of slum dwellers and manage a projected near doubling of the urban population over the next three decades. This challenge can be met if local authorities and national governments work closely with the urban poor through open and participatory processes. Such processes can empower the urban poor and give them a voice in decisions about infrastructure and public services that affect their lives.

This report lays out a road map for progress. Using successful examples from around the world, it shows ways to provide adequate shelter, improved public services, and core urban infrastructure. Critically, it not only describes the needed interventions, but also proposes operational means of implementation and presents estimates of investment requirements. *A Home in the City* demonstrates that the knowledge, tools, and financial resources exist to meet the goal of improving the lives of 100 million slum dwellers and to provide alternatives to slum formation.

This report was prepared by a group of leading experts who contributed in their personal capacities and generously volunteered their time to this important

task. I am very grateful for their thorough and skilled efforts and I am sure that the practical recommendations in this report will make an important contribution to improving the lives of slum dwellers. I recommend it to anyone who is interested in how cities can be made to work in developing countries.

Jeffrey D. Sachs
New York
January 17, 2005

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Preface

This report is the result of two years' work. It was an exciting and special moment in time. We were fortunate to be able to bring together a diverse group of the world's most distinguished urban experts. The group included urban community leaders, international agency specialists, representatives from the private sector and from the world of local authorities, public managers from central and local government, and professionals and scholars, all inspired by a one-time opportunity to design a realistic plan for improving the living conditions of slum dwellers in line with the objectives of the Millennium Declaration. The challenge was to provide a workable answer to improve the living circumstances of the urban poor in an environment of diminishing international and domestic public resources. Working on the report was rewarding, because it provided the basis for continuous (and continuing) interaction among researchers, experts, and practitioners from different backgrounds, cultures, and continents, linked to no contractual obligations or consultancy contracts but solely by a common commitment to provide an answer to this challenge.

The global fight against poverty faces two intertwined challenges. The first is the fact that international and domestic resources are insufficient in the face of the challenge of global poverty. The second is related to the first but warrants attention in its own right. Many services that were traditionally treated as basic needs and therefore considered a direct responsibility of the state—basic nourishment, education, health, transportation, electricity, water, sanitation, and to a significant extent, housing—are now available in greater quantities than ever before but at prices that few of the very poor can afford. Nowhere is this shrinkage of public responsibility more evident than in the field of housing, particularly in the places where the world's population is concentrating and growing at a remarkable pace. In the cities of the low- and middle-income countries, the gap between a working salary and the rental price of an adequate

dwelling situated in an accessible location widens every day. This situation is compounded by the growing costs of the ancillary basic services an urban dweller requires to be viable: education, healthcare, transportation, food, water, electricity, and decent clothing.

It is no wonder that such a large percentage of working people in the cities of low- and middle-income countries are forced to seek or create accommodation in the only ways they can afford. Typically, this takes the shape of informal settlements, often in the form of a rented room or precarious dwelling deprived of all the attributes of decent habitation: security, comfort, privacy, solid construction, ventilation, heating, electricity, good drinking water, sanitation, paved roads and sidewalks, public lighting, drainage, and access to health and emergency services.

What makes this situation particularly alarming is its self-reinforcing nature. Lack of access to adequate shelter deprives people of decent living conditions. This deprivation, in turn, cripples the ability of the poor, particularly women and children, to fight communicable disease; to properly conserve food supplies; to obtain proper medical treatment; to be protected against danger, assaults, and injury; to access formal education and employment—in sum, to access the opportunities (and safety nets) cities offer their more fortunate citizens. In most cases, this creates a vicious cycle of decreasing ability to earn a sustainable livelihood.

This state of affairs is not amenable to any form of indirect remedy, including economic growth. It requires an explicit, dedicated commitment on the part of governments to take direct action in improving the substandard settlement conditions millions of people face today and to offer and facilitate better opportunities for tomorrow.

Commitment means committing actions and resources, not simply voicing good intentions. Good intentions and prescriptions for action have already been laid out and subscribed to in landmark plans of action, such as Agenda 21 and the Habitat Agenda.

The Habitat Agenda contains two commendable goals: providing adequate shelter for all and creating sustainable human settlements development in an urbanizing world. But aid and donor agencies share the sense that the high hopes raised in Rio, Copenhagen, Cairo, and Istanbul have been all but abandoned.

They are right for the wrong reason, and wrong for the right reason. They are right for the wrong reason because the kind of response they envisioned—more aid, more recognition, more international programs, more visibility—has not materialized. They are wrong for the right reason because more and more people than ever before are doing more and more for themselves and for others, pushing central and local governments to take progressive action. The self-motivated urban poor were there before global plans of actions were signed, and they will be there during the implementation phase of the Millennium

Development Goals, striving to implement them without suspecting they exist. This is what sustainability is all about. Sustainable development is that special kind of development that does not depend on the whims of donors or on the vagaries of political fluctuations or markets, but that is anchored in a shared vision that people themselves can be the drivers of good policy and action.

The recommendations in this report are anchored in this reality. Our policy conclusion is not a plea to governments and international agencies to lead but an exhortation to listen and to place the urban poor at the very center of their policy formulation and investment processes.

Pietro Garau, University of Rome “La Sapienza”

Elliott D. Sclar, Columbia University

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The list of people and organizations we wish to thank is long indeed. First, we would like to thank the task force members and the organizations they work with: the Asian and African federations of the urban poor; Columbia University, the University of Rome La Sapienza, the Harvard University Graduate School of Design, the Technological Institute of Athens, the University of Lund, and the University of Sydney; the International Institute for Environment and Development and the National Centre for Scientific Research of France; the global and regional associations of cities and local authorities, particularly the International Union of Local Authorities and the Council of European Municipalities and Regions; UN-HABITAT, the World Bank, the International Labour Organization, and the Cities Alliance; municipalities, particularly the city of São Paulo; central government agencies; and bilateral agencies, particularly the Swedish International Development Cooperation Agency (Sida). Among these institutions, special mention goes to the University of Lund, which placed at our disposal the time, talent, and experience of Alfredo Stein, a task force member, during the crucial finalization stages of this report. Mr. Stein's work preparing the estimates that appear in chapter 8 was invaluable.

Though this is a collective report, a number of task force members and others prepared essential background papers, some of which directly translated into parts of chapters in this report. These include the following, all of which will be made available at the UN Millennium Project website:

1. Alain Durand-Lasserve, "Land Issues and Security of Tenure," October 2003
2. Mona Serageldin, Elda Solloso, and Luiz Valenzuela, "Local Authority-Driven Interventions and Processes," October 2003
3. Anna Rubbo, Nicole Gurran, Mateo Taussig-Rubbo, and Murray Hall, "Participatory Planning and Design," December 2003

4. Peter Marcuse, "The Role of Government in the Housing Sector," June 2004
5. Joe Flood, "Cost Estimate for Millennium Development Goal 7, Target 11 on Slums," June 2004 (based on UN-HABITAT revisions)
6. Kees van der Ree and Marja Kuiper, "Working Out of Urban Poverty: Employment Promotion in Slum Upgrading Policies and Programmes," July 2004
7. Walter Hook and John Howe, "Transport and the Millennium Development Goals," July 2004
8. Celine d'Cruz and David Satterthwaite, "The Current and Potential Role of Community-Driven Initiatives to Significantly Improve the Lives of 'Slum' Dwellers at Local, City-Wide and National Levels," August 2004

We would also like to thank the organizations and cities that graciously hosted our meetings: the United Nations Development Programme at UN headquarters, in New York; UN-HABITAT, in Nairobi; the city of São Paulo and its Secretariat for Housing and Urban Development; and the United Cities and Local Governments, which placed its new Barcelona headquarters at our disposal for our last meeting, in September 2004.

Special thanks go to the many slum dwellers and their local associations who opened their doors to us to share their problems, expectations, and realizations. We cannot fail to mention that in São Paulo, in the spring of 2003, we had the honor and privilege to witness one of our main recommendations becoming a reality: the granting of thousands of tenure titles to slum dwellers.

We would also like to express our gratitude to the authorities, agencies, and civil society groups that welcomed us during a number of fact-finding missions. In particular, the UN Millennium Project Secretariat organized missions to Ethiopia, Ghana, Kenya, and Senegal. The purpose of these missions was to improve our understanding of local problems and solutions and the broader issues of national priorities and Goal-related strategies in these countries. Special thanks go to the mayors and municipal officials of Curitiba and Porto Alegre, Brazil, for the time they spent educating us on their exciting and innovative work. We also express our appreciation to the government of Norway, which provided financial support for preparatory research work and for the participation of the two task force coordinators at high-level panels held during the 2004 session of the UN Commission on Sustainable Development.

This report would not have been possible without the constant advice, help, and support of the UN Millennium Project Secretariat, especially Guido Schmidt-Traub. Our internal editor, Sheridan Bartlett, and editing assistant, Mary Bartlett, splendidly clarified and elevated the text of our report. In the early course of our work, we benefited from the diligent research assistance of Shane Taylor and Ligia Maria Largura. We received very helpful commentary on our ongoing work from Stan Bernstein, Senior Sexual and Reproductive

Health Policy Adviser at the UN Millennium Project Secretariat; the former President of Ireland and former UN High Commissioner for Human Rights, Mary Robinson, and the Ethical Globalization Initiative team; William Cobbett of the Cities Alliance; Martin Bunch of York University, Canada, and the members of the field team of the project “An Adaptive Ecosystem Approach to Managing the Urban Environment for Human Health”; and Barry Hughes and his students at the Graduate School of International Studies, University of Denver.

The task force also gained great insights from the presence and active participation of a notable group of distinguished guests during our meetings, especially Jockin Arputham, Daniel Biau, Norberto Carcellar, Celine d’Cruz, Caren Levy, Terje Lind, Tony Lloyd-Jones, Patrick Hunsley Magebhula, Peter Marcuse, Rose Molokoane, Ruth McLeod, Janice Perlman, Jeffrey Sachs, and a delegation from the Brazilian Ministry of Cities including Minister Olívio Dutra, National Secretary of Housing Jorge Hereda, and National Secretary of Urban Programs Raquel Rolnik.

Special thanks and appreciation are extended to Raquel Rolnik; Tasneem Ahmad Siddiqui, Director General of Sindh Katchi Abadis Authority in Pakistan; and Edgar Pieterse, Director of the Isandla Institute in South Africa. All three graciously volunteered their time and insights to provide us with excellent feedback as external commentators on our final report draft.

The final report was superbly edited and produced by Meta de Coquereau-mont, Barbara Karni, Bruce Ross-Larson, Christopher Trott, and Elaine Wilson of Communications Development Incorporated in Washington, D.C.

Needless to say, any remaining errors are our fault and not those of the people and organizations who so kindly gave of their time and resources.

Abbreviations

CODI	Community Organizations Development Institute
FUNDEVI	Urban and Rural Social Housing Foundation
FUSAI	Integral Social Action Foundation
HDI	Human Development Index
HIC	Habitat International Coalition
ILO	International Labour Organization
KfW	Kreditanstalt für Weideraufbau
LIFI	Legal Institutional Framework Index
LPRS	local poverty reduction strategy
MUIP	Monitoring of Urban Inequities Program
OECD	Organisation for Economic Co-operation and Development
OPP-RTI	Orangi Pilot Project and Research Training Institute
PRSP	Poverty Reduction Strategy Paper
SDI	Shack/Slum Dwellers International
Sida	Swedish International Development Cooperation Agency
SPARC	Society for the Promotion of Area Resource Centres
UCDO	Urban Community Development Office
UCLG	United Cities and Local Governments
UNDP	United Nations Development Programme
UNSD	United Nations Statistical Division

goals

Millennium Development Goals

Goal 1

**Eradicate
extreme poverty
and hunger**

Target 1.

Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day

Target 2.

Halve, between 1990 and 2015, the proportion of people who suffer from hunger

Goal 2

**Achieve
universal primary
education**

Target 3.

Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

Goal 3

**Promote gender
equality and
empower women**

Target 4.

Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015

Goal 4

**Reduce child
mortality**

Target 5.

Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

Goal 5

**Improve
maternal health**

Target 6.

Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio

Goal 6

**Combat
HIV/AIDS,
malaria, and
other diseases**

Target 7.

Have halted by 2015 and begun to reverse the spread of HIV/AIDS

Target 8.

Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

Goal 7**Ensure
environmental
sustainability****Target 9.**

Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources

Target 10.

Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation

Target 11.

Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers

Goal 8**Develop a global
partnership for
development****Target 12.**

Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction—both nationally and internationally)

Target 13.

Address the special needs of the Least Developed Countries (includes tariff- and quota-free access for Least Developed Countries' exports, enhanced program of debt relief for heavily indebted poor countries [HIPCs] and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction)

Target 14.

Address the special needs of landlocked developing countries and small island developing states (through the Program of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions)

Target 15.

Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term

Some of the indicators are monitored separately for the least developed countries, Africa, landlocked developing countries, and small island developing states

Target 16.

In cooperation with developing countries, develop and implement strategies for decent and productive work for youth

Target 17.

In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries

Target 18.

In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies

Executive summary

Why urban is important

There are important reasons for sharpening the focus on the plight of the urban poor:

1. *We share a common urban future.* Within the next few years, the world's population will be predominantly urban for the first time in human history. UN projections suggest that over the next 30 years virtually all of the world's population growth will occur in the urban areas of low- and middle-income countries. Increasing numbers of the world's poor will be city dwellers.
2. *The world's slum population is huge.* According to the most recent international estimates, more than 900 million people can be classified as slum dwellers, most living under life- and health-threatening circumstances, often lacking several of the following conditions: access to adequate clean water, access to improved sanitation facilities, sufficient living space, dwellings of sufficient durability and structural quality, and security of tenure. Almost one out of three urban dwellers (one out of every six people worldwide) already lives in a slum.
3. *Urban poverty is severe, pervasive, and largely unacknowledged.* Many countries do not welcome urbanization, and urban poverty remains largely unaddressed. This despite the fact that, according to the latest Global Report on Human Settlements, 43 percent of the urban population in developing regions (taken as a whole) live in slums. In the least developed countries, this percentage rises to about 78 percent.
4. *There is a high degree of exclusion in cities.* Slum dwellers are excluded from many of the attributes of urban life that are critical to full citizenship but that remain a monopoly of a privileged minority: political voice, secure and good quality housing, safety and the rule of law,

**What is needed
is the vision, the
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together**

good education, affordable health services, decent transport, adequate incomes, and access to economic activity and credit.

5. *Urban poverty is often underestimated.* While the majority of the poor in many low- and middle-income countries continue to live in rural areas, official statistics tend to systematically underreport urban poverty due to lack of cost-of-living adjustments in income poverty estimates, lack of disaggregation within urban areas, and inadequate definitions of access to water supply and sanitation, adequate shelter, or other infrastructure variables.
6. *The urban economy's benefits reach beyond city boundaries.* Rural and urban development are closely interlinked. For example, remittances from urban workers are often reinvested in rural communities. In addition, various phenomena associated with urban growth can play a part in reducing rural poverty.
7. *Recognizing the urban context is critical to meeting all the Millennium Development Goals.* If the urban context of poverty is not directly addressed, it will be impossible to achieve the Goals. By improving the lives of slum dwellers, we are also combating HIV/AIDS, improving environmental sustainability, reducing gender inequality, and addressing all the Goals in the most efficient manner. In other words, as the world becomes more urban, the integration and synergies emerging from the potential of comprehensively addressing the Goals in a specific, dense location are best achieved in the very settlements where slum dwellers live.

These issues have not been given the attention they deserve, and without significant urgent action and reforms, the situation will worsen. Indeed, inaction may exacerbate social instability, urban violence, and crime. At the same time, by neglecting these issues, we lose the opportunity to benefit from urban growth and wealth creation.

This urban challenge dictates a much broader and more ambitious approach than the improvement of a portion of the world's estimated slum dwellers summarized in target 11 and subsumed under Goal 7. Slum upgrading, improved urban planning and design, and the provision of adequate alternatives to new slum formation must become core business for local and national governments alike and supported by international development agencies.

Ample evidence over the past 20 years shows that the urban poor themselves can provide the central impetus for change toward good governance. Governments, especially local governments, have also demonstrated that they can develop the capacity to use their mandates and resources for sound and participatory urban development policy, if such policies are rooted in a political leadership that is committed to a democratic and equitable vision of civil society in all spheres of government.

What is needed is the vision, the commitment, and the resources to bring all actors together and to do the sensible things that are the tasks of well governed

A plan for security of tenure, affordable access to land, basic services, and housing finance is needed

cities—providing political and economic opportunity, improving services and the quality of public space, planning for future needs, expanding local sources of revenue, attracting investment—in active cooperation and dialogue with all citizens, especially slum dwellers, both women and men. This is why this task force proposes a new formulation of target 11 of the Goals.

Defining and reaching the target

In the process of extracting target 11 from the Millennium Declaration and the UN Secretary-General's (2000) report, *We the Peoples*, the explicit reference to the Cities without Slums target, which calls for preventing the formation of new slums after 2006, was dropped. The task force proposes the following formulation of target 11:

By 2020, improving substantially the lives of at least 100 million slum dwellers, while providing adequate alternatives to new slum formation.

This is a twofold challenge: improving the lives of existing slum dwellers and planning adequate alternatives for future urban growth. Meeting this challenge requires a plan for security of tenure, affordable access to land, basic services, and housing finance. This target is daunting but attainable. It can be reached by ensuring that the urban poor are the main actors (and not objects) of development, by improving governance, supporting and enacting local pro-poor policies, mobilizing resources and investments, empowering local action, and monitoring target attainment.

Practice-based operational recommendations

The following sets of recommendations emerge from ample evidence gathered through decades of experience in ameliorating slum conditions.

1. Recognize that the urban poor are active agents and not passive beneficiaries of development

This requires a fundamental redefinition of the political relationship between government and all citizens, particularly the urban poor:

- a. Work with local communities to upgrade slums.
- b. Negotiate on planning decisions and the utilization of public resources.

A basic prerequisite is for governments to acknowledge the organizations of the urban poor wherever they exist and to work with their strategies. These organizations are strategically crucial advocates for the needs of poor women and men. Solutions are best found through negotiated agreements between local governments and slum dwellers. Provincial and national governments, as well as the private sector and domestic capital markets, also have important roles in bringing these solutions to scale.

**It is imperative
that good urban
governance
become
globalized**

2. Improve governance

It is imperative that good urban governance become globalized. This means promoting subsidiarity, equity, efficiency, transparency and accountability, civic engagement and citizenship, and security of individuals and their living environments. Governments need to review their urban legislation and commit to the application of these internationally recognized principles of good urban governance. At the local level this means enabling the organizations of the urban poor as equal partners in urban political and economic life, including budgeting decisions, financing practices, and participatory upgrading, planning, and design of basic public services.

- a. *Recognize the “right to the city.”* In every country of the world, significant communities are excluded, whether by active policy or passive acceptance, from fully belonging to the city, its life, and services. The concept of the right to the city has been developed to counter this structural process of exclusion. Increasingly, legislation in a number of low- and middle-income countries recognizes the consolidated rights of squatters and slum dwellers in settling urban land and creating communities. These rights must be widely recognized and protected by law for men and women alike. Barring exceptional circumstances, such as those deriving from irreversible environmental hazards, informal settlements must be protected from forced evictions and regularized with the active consent and participation of the interested populations. Future migrant populations must be enabled to find adequate shelter in accordance with the principles and definition of adequate shelter enshrined in the Habitat Agenda.
- b. *Plan for development.* Slum upgrading is a remedial measure made necessary by the inaction of past governments and the failure to adopt or implement adequate and efficient national and urban policies. Planning avoids the high cost of slum upgrading in many cases. Cities need to apply the principle of “planning before development,” with a central focus on the future needs of low-income populations. The pervasiveness of precarious and informal settlements in cities demands a comprehensive approach that can be ensured only by citywide development strategies and participatory planning.
- c. *Adopt local strategies.* Local strategies to improve the lives of slum dwellers can address all Goals and should be built up into national poverty reduction strategies. The local implementation of the Goals, a global target, will be the result of myriad local actions. Achieving the Goals in urban areas requires the close involvement of national and local governments and communities. While global support is crucial to sustaining this effort, taking the Goals to the local level means developing participatory, homegrown solutions inspired by common ethical and operational principles. For this reason a bottom-up approach must be stressed

Cities need to set “local” Goals targets and adopt citywide strategies for achieving them

in any strategic plan. Cities need to set “local” Goals targets and adopt citywide strategies for achieving them.

3. Support and enact local pro-poor policies

- a. *Enact legislation against forced evictions and provide security of tenure.* The forced demolition of urban slums has never reduced poverty—it creates poverty. Forced evictions have never reduced slums—they simply move slum formation elsewhere. Provision of secure tenure in existing informal settlements with the participation and contribution of existing residents is crucial to the process of slum upgrading. It is important to note that “security of tenure” describes a continuum of formal and informal legal arrangements that are highly context specific. They range from full land titling to local customary rights of tenure.
- b. *Take action on land issues.* Local authorities should provide secure tenure to women and men in informal settlements in cooperation with national governments and slum dwellers. All local authorities, supported by the national government, need policies to ensure a supply of land to keep down prices and ensure alternatives to slums for the present and future. Two necessary first steps are to establish a system of effective land regulation to ensure the future supply of well located land as cities grow and to ensure that private transactions in the land market are based on transparent information.
- c. *Provide adequate and affordable infrastructure and services.* Many basic services (water supply, garbage collection, infrastructure maintenance) can be provided at rates affordable to the poor through appropriate design and innovative structures of tariffs and subsidies. Great savings and improved access can be gained by involving the communities concerned in infrastructure development for rehabilitation, upgrading, and relocation.
- d. *Enable community contracts and partnerships.* Whenever feasible, local improvement projects must be open and accessible to low-income communities, cooperatives, and slum dweller organizations as partners or contractors. This may require that contracts be conceived in sizes that are manageable by community-based contractors. Such arrangements will create much needed income, improve skills, create a sense of ownership and civic pride, internalize profit margins, and improve transparency in the use of municipal resources.
- e. *Build and maintain public transport systems and services.* Transportation and land use are intricately linked. Good systems of urban transportation can expand the range of housing locations and livelihood options for the urban poor. Facilitating nonmotorized modes of transport and giving priority to public transportation helps reduce transport costs and protects the urban environment. The accessibility needs and safety of the poor should be given a high priority in urban transportation planning.

The integration of residential and income-earning activities is essential in the planning of new low-income neighborhoods

- f. *Ensure that water, sanitation, and health services reach poor urban dwellers.* Steep barriers to accessing good-quality water, sanitation, health services, and emergency services, especially for slum dwellers, often make it difficult for poor urban residents to prevent and treat debilitating health problems. Policymakers should immediately work to coordinate and focus the wide array of potential health service providers to reach slum dwellers and the urban poor—and integrate them with improved provision for environmental health.
- g. *Enact building codes and regulations.* Building codes and regulations should be realistic, enforceable, and reflective of community lifestyles and culture. In particular, they should reflect the special needs of the urban poor with respect to minimum plot size, incremental construction, affordable local building materials, and home-based economic activities.
- h. *Plan for adequate alternatives to the formation of new slums.* Managing the ongoing process of urbanization to provide viable alternatives to the formation of slums requires making available land and trunk infrastructure for the construction of low-income housing as well as concerted strategies for the provision of healthcare, education, access to employment opportunities, and other social services in these areas. The integration of residential and income-earning activities is essential in the planning of new low-income neighborhoods.
- i. *Involve the private sector.* Cities have to develop the urban infrastructure (roads, communications, power, transport services, water and sanitation, serviced areas) that can attract and sustain productive investment. For this to happen, cities also need to offer a regulatory and policy environment that encourages private sector endeavors (from small through large scale) and public-private partnerships.
- j. *Create jobs citywide.* In the final analysis, access to employment is in itself a means toward inclusion and poverty reduction. It can also provide the financial means to adequate housing and related essential services. This requires access to sustainable sources of livelihood (through formal, informal, or self-employment) as well as acknowledging the importance of the informal economy. To facilitate slum dwellers to take advantage of employment opportunities, cities need to eliminate restrictions and unreasonable burdens to local enterprise development. This includes reducing the costs and increasing the benefits of formalization (by, among other means, enhancing security as well as access to public procurement and relevant information on market opportunities, and business development support). Finance, business development services, education and skill-training are vital elements for an enabling environment for adequate job creation and income levels.

**Building
capacity in local
government
and community
planning is
essential**

4. Mobilize resources and investments

Financial, human, and land resources and investments are required to achieve the Goals:

- a. *Financial resources.* A considerable amount of the required investments for achieving the Millennium Development Goals targets at the urban level will have to be based primarily on domestic capital (including tax revenues from property taxes, savings, and productive investments). The more competent and transparent national, local, and community-level institutions are, the more efficient and viable local financial markets become.

Numerous cases reveal how extensive communities' contributions are to their own housing. With support and access to aggregated communal funds, communities can leverage a variety of sources of domestic and international funding channeled to facilitate community financing—with significant multiplier effects.

Responsible public sector borrowing in financial markets at both the national and subnational levels and private sector banking systems for household loans can prove useful investment instruments at both small and large scales. Macroeconomic constraints and restrictions on public expenditures for capital investments must also be alleviated to improve the lives of slum dwellers and to achieve other Millennium Development Goals targets.

International agencies have a crucial role to play in supporting domestic efforts.

- b. *Land resources.* The availability of suitable and affordable land situated in well served, centrally accessible locations for low-income households is vital for improving the lives of slum dwellers and providing adequate alternatives to new slum formation. This outcome needs to be ensured through appropriate policies, planning, and legislation. In particular, land use designation for low-income housing and related purposes will often be necessary.
- c. *Human resources.* Building capacity in local government and community planning processes is an essential component in creating better cities and improving the lives of slum dwellers. This can be achieved through the incorporation of community development processes into teaching programs for professionals (such as planners, architects, engineers, and others) and civil servants and converting these programs into training and demonstration areas for all actors involved in urban development. In addition, educational opportunities for slum dwellers should be pursued nationally and internationally.

5. Empower local action

- a. *Develop and strengthen networks.* Local action and international knowledge can be considerably strengthened by the support of networks of

**Community-led
interventions
can reduce
costs
considerably**

actors at all levels (slum dwellers and their organizations, local governments and their organizations, national governments and their regional affiliations, international agencies and their coordinating mechanisms, and the private sector).

- b. *Support local poverty reduction strategies.* International agencies should encourage and support a locally driven process of developing national urban poverty reduction strategies based on local poverty reduction strategies.
- c. *Create “Millennium cities.”* Global, regional, and national networks of local authorities, in partnership with the UN system and civil society organizations, could assume leadership of a worldwide partnership of “Millennium cities,” defined as cities, towns, and local authorities committed to realization of the Millennium Development Goals through local poverty reduction strategies.

6. Monitor target 11

There is a need to strengthen the official monitoring system established by the UN system and to involve target populations in defining the specific monitoring goals and assessing progress at the local level.

Costing (investing in the slum target)

The Secretary-General’s (2000) report *We the Peoples* provides a cost estimate of \$50 billion for upgrading the housing of 100 million slum dwellers. A more recent estimate from UN-HABITAT, prepared for the task force, is \$74 billion. These estimates include a full complement of services, some of which may not be lacking for all current slum dwellers. The estimates are on the high side.

As formulated in this report, target 11 calls for costing the provision of adequate alternatives to new slum growth. Evidence from actual projects suggests that basic infrastructure costs in new settlements can be between one-third to one-half lower than in comprehensive upgrading. The task force adopted the conservative criterion of one half of upgrading costs as the cost multiplier for providing alternatives to new slums. Both upgrading and new construction costs will vary widely from country to country and city to city and depend on a wide number of factors, such as location, standards, design, construction choices, and contracting methods. Growing evidence suggests that community-led interventions designed and executed with the active participation and involvement of low-income groups and their organizations can reduce costs considerably and produce more sustainable outcomes.

Table 1, derived from estimates presented in chapter 8, considers two components: improving the lives of 100 million slum dwellers today through upgrading and providing for adequate alternatives to slum formation for the projected 570 million people who would otherwise become slum dwellers by the year 2020. All of these estimates are net of beneficiary contributions. For

Table 1
Investment required to upgrade slums and provide alternatives to slums by 2020

Note: Numbers in table may not sum to totals due to rounding.

Source: Task force estimates calculated based on data from UN-HABITAT 2003a; Flood 2004; World Bank 2003a; FISE 2004.

Intervention	Target population (millions)	Average cost per person (\$)	Total (\$ billions)	Source of investment (\$ billions)		
				Donors	Governments	Slum dwellers and future low-income urban residents
Upgrading slums	100	670	67	23	37	7
Providing alternatives to slums	570	400	227	78	126	22
Total	670	440	294	101	163	29

example, the costs of providing for adequate alternatives to slum formation cover mainly infrastructure and assume that the shelter costs are covered by the dwellers themselves.

These estimates suggest that overall investment for achieving target 11 is roughly \$18 billion a year over the next 16 years.

There is ample evidence that the continuation of inadequate policies that exclude the urban poor from development processes will result in severe social and economic costs. In contrast, significantly improving the lives of at least 100 million slum dwellers by 2020 and introducing the measures needed to ensure that there are alternatives to slums for all future urban populations will secure great economic and social “savings” for people directly affected and the community at large.

Nonetheless, as modeled above, substantial funding for progressive projects and policies are still required. Most resources will be domestic in origin. However, all actors have a role to play in meeting these costs:

- Community groups need to mobilize their own resources and contribute to the construction or improvement of their own dwellings.
- National and local governments need to budget for slum upgrading and new infrastructure development while also providing enabling policy environments for public and household financing instruments.
- Formal and informal private service providers, developers, and domestic financial institutions will be needed to reach scale.
- Donors (including the many that currently provide little or no support for urban poverty reduction) need to commit to allocating a larger share of resources to leverage domestic resources. The need for assistance varies greatly by context, but additional resources will be required. Donor resources, and the development of new funding mechanisms, need to support the local processes outlined in this summary and described in more detail in the main report.

The dimensions of the problem

Official attention to the slum dwellers of the world has been largely a matter of inaction, inappropriate action, or insufficient action. The most common government policies over the past 40 years have been to ignore slums or, when they are on valuable land, to bulldoze them.

Since the late 1960s various alternative approaches have been tried. The most common were slum upgrading and housing finance systems. Slum upgrading was usually limited in extent and seldom maintained over time; it was rarely implemented on a scale that helped more than a few slum dwellers. Housing financing systems often included inappropriate financial conditions for slum dwellers. Forced evictions remained common (UNCHS 1996).

Since the early 1990s major infrastructure and redevelopment projects in many cities have increased eviction risks for tens of millions of slum dwellers—usually with no prospect for resettlement (Douglass 2002). The number of slum dwellers continues to grow. In the face of official neglect, they are usually left to design and plan their survival by themselves. This widespread and official neglect needs to be transformed into policies and plans to markedly improve the plight of the more than 900 million slum dwellers in the world.

The task force's concern with the conditions of slum dwellers lives has been reinforced by its own meetings, by its interactions with the UN system, and by its discussions with policymakers from high-, middle-, and low-income countries. These meetings led the task force to conclude that this neglect stems not from indifference but from a failure to understand the challenge of urbanization—its magnitude and unique characteristics; the connection between the lives of the urban poor and the prospects for a vibrant, equitable, and productive urban system; the contribution of urban development to development as a whole; and the centrality of target 11 to achieving the Millennium Development Goals.

**Almost one of
three urban
dwellers already
lives in a slum**

The urban population of the world is growing

By 2007 the world’s population will be predominantly urban for the first time in human history. UN projections suggest that over the next 30 years, virtually all of the world’s population growth will occur in the urban areas of low- and middle-income countries.

The world’s urban population is projected to grow by more than 2 billion by 2030, while the rural population will stabilize and then decline by an estimated 20 million (UN-HABITAT 2003a, d). Ninety-four percent of this urban population growth will be in less developed regions, and by 2030 the urban population will have far surpassed the rural population (figures 1.1 and 1.2). This means that virtually all the additional needs of the world’s future population will have to be addressed in the urban areas of low- and middle-income countries.

Increasing numbers of the world’s poor will be city dwellers. Poorer families consistently have higher birth rates (due in part to inadequate reproductive health services), and most rural-urban migrants are poor. This implies that the percentage of the poor in the cities and towns of low-income countries will increase. But even if the percentage of slum dwellers in these cities remains

Figure 1.1

Urban growth is projected to be highest in the least developed countries

Average annual rate of change in share of urban population, 2000–30 (%)

Source: United Nations Population Division 2004.

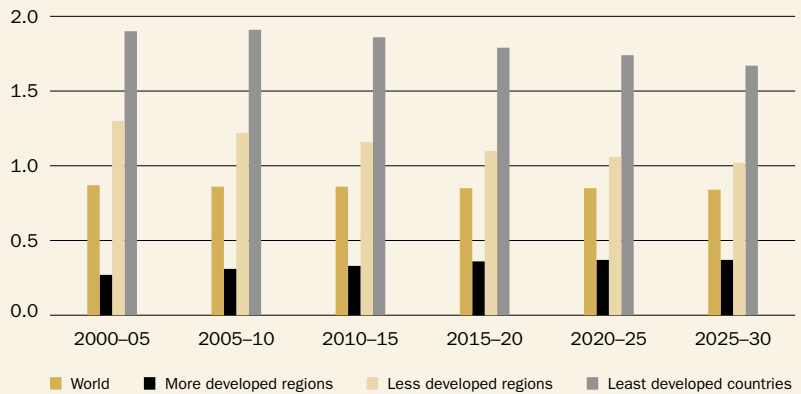
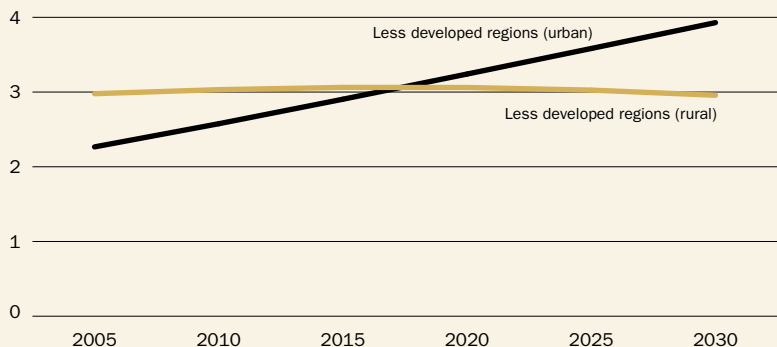


Figure 1.2

Urban population will surpass rural population in less developed regions

Population (billions)

Source: United Nations Population Division 2004.



Urban poverty remains largely unaddressed

the same, by 2030 almost 1.7 billion of the expected approximately 3.9 billion urban dwellers in low- and middle-income countries will be living in slums. According to this pessimistic no-action scenario, the slum population in low- and middle-income countries is likely to double in less than 30 years.¹

More than 900 million people live in slums

More than 900 million people can be classified as slum dwellers, most living under life- and health-threatening circumstances (UN-HABITAT 2003a, d). Almost one of three urban dwellers—one of every six people worldwide—already lives in a slum.

As a result of the adoption of the “slum Goal” in the Millennium Declaration and its subsequent incorporation as target 11 of Goal 7, it was necessary to reach a consensus on an operational definition of “slum dwellers.”² “Slum households” were defined as a group of individuals living under the same roof lacking one or more of the following necessities: access to improved water, access to improved sanitation facilities, sufficient living area, structural quality and durability of dwellings, and security of tenure.

Based on the detailed definitions of these conditions, more than 1 million household records from 2001 household survey data were examined.³ This allowed for estimates of the number of slum dwellers by country, and in turn, for regional and global estimates.

The validity of such an exercise is, of course, debatable. It is likely to improve in the future, as the reliability of statistical definitions and methods improves. Much greater effort must be made at the international, national, and local levels to quantify the nature, extent, and special characteristics of urban poverty.

This definition and the subsequent enumeration generated an overall global figure of 924 million people living in slums. Some 874 million of these people live in low- and middle-income countries (figure 1.3).

The largest number of slum dwellers is found in Asia, with the largest clusters found in the two largest countries in the region, China and India (figure 1.4).

Figure 1.3

Most urban slum dwellers are in Asia

Number of slum dwellers by region (millions)

Source: UN-HABITAT 2003.

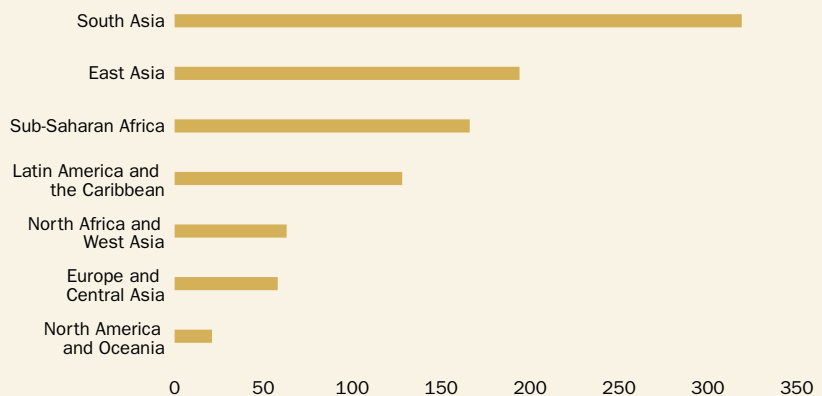
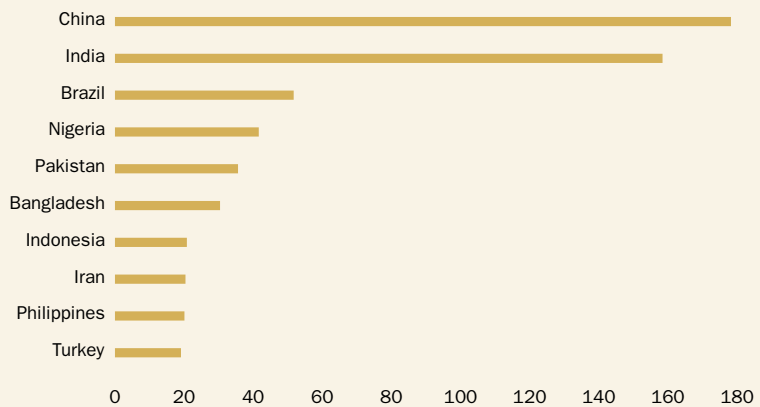


Figure 1.4**China and India have the greatest number of slum dwellers among the top 10 countries***Number of slum dwellers by country (millions)**Source: UN-HABITAT 2003.*

But the world's slum dweller population is dynamic. Although many countries have relatively small urban populations and concentrations of poverty in rural areas today, small- and medium-size cities and towns worldwide are witnessing some of the most substantial urban growth, frequently reflected in both the physical and numerical growth of slums (UN-HABITAT 2003d).

Urban poverty is severe, pervasive, and largely unacknowledged

Many countries do not welcome urbanization, and urban poverty remains largely unaddressed. This despite the fact that, according to the latest Global Report on Human Settlements, 43 percent of the urban population in developing regions live in slums. In the least developed countries, about 78 percent of urban residents are slum dwellers (UN-HABITAT 2003a).

The pervasiveness of urban poverty is well documented. Although the quality of housing and services varies greatly in different regions of the world, almost every city and town in the world has slums. In the North as well as in the South, segments of the urban population have higher rates of unemployment, lower educational attainment, higher morbidity and mortality, worse environmental conditions, and isolation and exclusion from social integration and economic opportunity. Rapid population growth places additional demands on the availability of affordable shelter and other amenities. These problems are compounded by the even higher absolute and relative growth of poverty in the cities and towns of the South. Gender, age, class, ethnic, and religious identity often affect the severity with which these problems are experienced.

Many low- and middle-income countries have reacted to the scale of these problems by adopting anti-urban policies and by viewing urbanization as a problem rather than an opportunity. Development and poverty reduction strategies, particularly in the least developed countries, still focus largely on rural poverty (Mitlin 2004), in the hope that accelerated rural development will create viable livelihood opportunities for rural populations and discourage migration to urban centers.

Urban development is not inimical to rural development—quite the contrary. No country in the world has achieved sustained economic development without urbanization (figure 1.5). The reduction in the percentage of the workforce gainfully employed in agriculture is an unavoidable trend. Therefore, countries should be better prepared to face urbanization and to accept it as an unavoidable phenomenon that can accelerate economic growth and human development.

The lack of acceptance of urbanization has had the most severe impact on the urban poor. Too often poor urban residents, particularly the most recent waves of rural-urban migrants, are treated as a temporary presence on the urban landscape. There is a reluctance to regularize informal patterns of settlement, provide infrastructure and services, or provide alternatives to the ever-present threat of forced eviction.

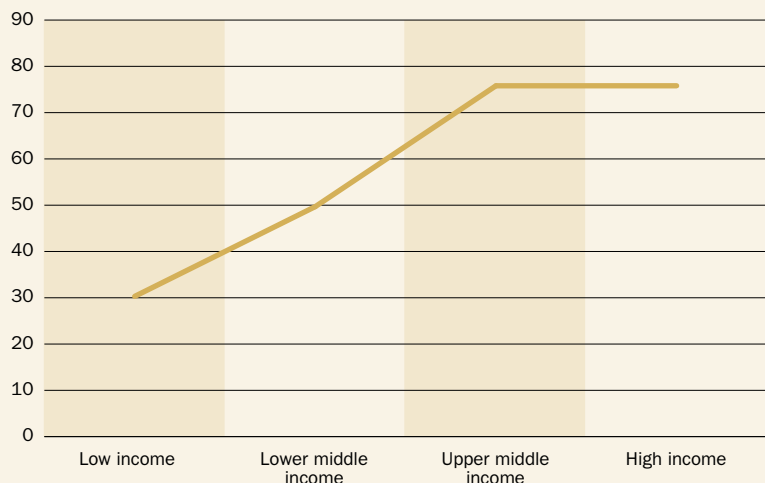
These fundamental problems must be seen against the background of the correlation between the proportion of urban populations living in slums and the level of economic development. In 2001, 6 percent of the urban population in high-income countries but more than 78 percent of the urban population in the lowest income countries was estimated to live in slums (UN-HABITAT 2003d). Many of these countries are also those that find it most difficult to adopt pro-urbanization and pro-poor policies.

Slum dwellers are excluded from urban life in many ways

The common approach to measuring poverty is to apply income-based poverty lines that make little allowance for nonfood costs.⁴ These numbers do not tell the whole story. Slum dwellers are excluded from many of the attributes of urban life that are critical to full citizenship but that remain a monopoly of a privileged minority. A bundle of essential components for adequate urban living includes both quantifiable and unquantifiable factors, including political voice,

Figure 1.5
Higher income countries have the highest share of urban dwellers
Urban share of population (%)

Source: World Bank 2004c.



**The urban poor
suffer from
the stigma
associated with
living in a slum**

secure and good-quality housing, safety and the rule of law, good education, affordable health services, decent transportation, adequate incomes, and access to economic activity and credit. Differences in class, gender, age, ethnicity, and religion can affect slum dwellers' access to and control over these amenities.

The sense of exclusion is amplified by urban slum dwellers' proximity to but inability to attain the many benefits of urban life. Good hospitals and good schools can be around the corner, but slum dwellers rarely have access to them. Good medicines may be available, but they are unaffordable. Decent water is often plentiful and cheap, but it does not reach the slums. All citizens are equal before the law, but city hall is unresponsive.

Average urban incomes are higher than average rural incomes, but the earnings of most slum dwellers are low enough to guarantee no more than mere subsistence in places where median incomes are much, much higher. In their daily interactions, women, men, and children living in slums come into contact with people who have vastly different opportunities and lifestyles. The urban poor suffer from a stigma unknown to the rural poor, the stigma associated with living in a slum, often lacking even the most basic attribute of citizenship, a street address.⁵ The public spaces that are so important when housing densities are high and that many take for granted—play areas, green areas, shade-giving trees, spaces that encourage a public social life—are usually deficient or absent as well. Research from around the world has reported that children are acutely aware of their waste-strewn, dilapidated surroundings and the absence of trees and basic services and that they see these physical conditions as a humiliating reflection of their own worth (Chawla 2002).

Urban poverty is often underestimated

While the majority of the poor in many low- and middle-income countries continue to live in rural areas, official statistics tend to systematically underreport urban poverty due to lack of cost-of-living adjustments in income poverty estimates, the lack of disaggregation within urban areas, and inadequate definitions of access to water supply and sanitation, adequate shelter, or other infrastructure variables. The conventional wisdom is that urban areas are better off than rural areas and that urban slum dwellers live better lives than their rural counterparts. Because of the concentration of most new investment and employment opportunities in urban areas, higher average incomes are possible in cities, and revenues for basic services can more easily be raised. The concentration of people in urban areas also reduces the unit costs of such basic services as water, sanitation, drainage, healthcare, and transport.

This "urban advantage," however, does not extend to all urban dwellers. In the absence of adequate investment, and without competent local government, cities can become life-threatening environments and the locus of poverty on a scale that equals or exceeds that in the poorest rural locations (UN-HABITAT 2003e). In many countries—including Bolivia, Colombia, Ecuador, Haiti,

**Improvements
in the lives of
poor people
in urban areas
affect the lives
of rural people**

Honduras, Madagascar, Malawi, Mozambique, Niger, and Zambia—more than half the urban population lives below the poverty line (World Bank 2003c).

Given that most middle- and upper-income groups live in urban areas and that there is an urban bias in the provision of infrastructure and services, one would expect infant mortality rates in urban areas to be considerably lower than those in rural areas. In fact, according to the Demographic and Health Survey, 25 of 53 low- and middle-income countries for which data are available since 1990 had urban infant mortality rates that were less than 25 percent lower than rural rates.⁶

Given these facts, why does urban poverty continue to be represented as less of a concern than rural poverty? The scale of poverty in urban areas is underestimated and misunderstood for several reasons, including the inadequacy of data and built-in biases in assessing the problems of the urban poor.

- *Inappropriate definitions of poverty.* The use of one income-based poverty line makes no allowance for the higher monetary cost of necessities in most urban areas. Housing, fuel, water, sanitation, education, and transportation all tend to be more expensive in urban areas. Poverty lines also fail to recognize the many nonincome aspects of poverty, such as overcrowding, insecure tenure, and the time that can be spent getting to work in urban areas.
- *Inaccurate assessments of infrastructure and service provision.* The access of urban dwellers to basic services is often overstated. Many of those classified as having “improved provision” of water and sanitation may be sharing facilities with hundreds of people. The UN agencies that collect the water and sanitation data acknowledge that the criteria for improved provision are inadequate to ensure protection from insufficient or contaminated water. Assessments of provision based on proximity may also fail to take account of access: poor urban groups can live next to water mains or hospitals without having access to them.
- *Overreliance on aggregate data.* Perhaps most important is the misleading quality of aggregated urban statistics, which hide the scale or depth of deprivation among poor urban populations. Because middle- and upper-income groups are concentrated in urban areas, urban averages inevitably show that the population as a whole is better off. But where figures are available for poor areas, it becomes clear that urban disparities may be enormous (box 1.1). In Kenya, for example, under-five mortality rates in the informal settlements in which half of Nairobi’s population live are more than twice the average for Nairobi (APHRC 2002).

The benefits of the urban economy reach beyond city boundaries

Improvements in the lives of poor people in urban areas affect the lives of rural people in several ways. Many rural-urban migrants—men, women, even children—use the city as an opportunity to earn income and send remittances

Box 1.1
Aggregate
statistics conceal
the problems of
slum dwellers

Examining aggregate statistics can conceal important differences across segments of the population. In Kenya statistics on the prevalence of serious diarrhea in children under age three showed little difference between Nairobi and rural areas, because they concealed the fact that the prevalence of serious diarrhea in the informal settlements in which half of Nairobi's population lives was more than three times the average for Nairobi and for rural areas. The prevalence of diarrheal disease among the inhabitants of slums in Bangladesh's two largest cities was also significantly higher than the average for all urban areas or for all rural areas, although the scale of the difference was less dramatic than in the above example for Kenya.

A review by the International Food Policy Research Institute (IFPRI) suggests that childhood stunting, underweight, and mortality are generally lower in urban areas than in rural areas, whereas acute malnutrition or wasting (as measured by low weight-for-height) and morbidity from infectious diseases are often higher in urban areas. But there is considerable heterogeneity in poverty, morbidity, mortality, and nutritional status in urban areas, and the intraurban differences in these measures are generally greater than the rural-urban differences (Ruel and others 1998). Demographic and Health Survey data revealed that children's height-for-age was greater in urban than in rural areas in all but one case (Uzbekistan), but the urban advantage for weight-for-age was smaller and for six countries weight-for-age was higher in rural areas than in urban areas (Montgomery and others 2003). There are likely to be gender differentials in nutritional levels as well (World Bank 1991).

to relatives in rural areas. These remittances, however small, are vital in improving livelihoods (supplementing food intake, helping send children to school, improving shelter) and supporting farming activities (buying seeds, cattle, and tools). Over time remittances often allow rural people to save enough to extend their plots or buy additional plots elsewhere.

Much more is known about the scale and impact of the remittances of international migrants than those of internal migrants. A recent study indicates that in 2001, remittances from migrant workers abroad to low-income countries were \$72.3 billion, more than total official flows and private flows other than foreign direct investment (Ratha 2004). Considering that internal migrants far outnumber international ones,⁷ it is safe to assume that the overall impact of the internal remittances economy is considerable, even though domestic wages may be lower than those abroad. A recent regional conference—the Conference on Migration, Development, and Pro-Poor Policy Choices in Asia, held in Dhaka, Bangladesh, in June 2003—concluded that internal migration is a strong contributor to pro-poor development.

The development of urban functions in predominantly agricultural regions can help promote rural development. The importance of market centers is well known. They extend the range of opportunity for would-be rural-urban migrants, provide vital commercial and social functions, and offer intermediate-level health and educational services that are not usually found in sparsely populated areas. They demonstrate the positive symbiosis between urban and rural economies and lifestyles.

The urban context is critical to meeting all of the Goals

If the urban context of poverty is not directly addressed, it will be impossible to achieve the Goals. Improving the lives of slum dwellers helps combat HIV/AIDS, improve environmental sustainability, and address gender inequality. As the world becomes more urban, the Goals can most effectively be addressed through the kind of integrated and synergistic attention that is possible in densely populated slum settlements.

Components of “full citizenship” are to some extent captured in the formulation of the Human Development Index (HDI), which measures longevity and educational attainment as well as such economic indicators as GDP per capita. There is a strong relationship between urban slum prevalence and low scores on the HDI, a proxy for human well-being or quality of life (figure 1.6). This suggests that the challenges faced by slum dwellers parallel the overall challenges in human development. In other words, slum prevalence is not an isolated concern but is closely related to the overall development trends and concerns addressed by all of the Goals and targets (table 1.1).

Specific actions must be taken to meet target 11

The problems of urban slum dwellers have not been given the attention they deserve. Without significant action and reforms, they will worsen. Inaction may exacerbate social instability, urban violence, and crime. At the same time, neglect of these problems risks losing the opportunity to benefit from urban growth and wealth creation.

The general public is, at best, familiar with the Goals only under their broad headings. Furthermore, the fact that target 11 is embedded under the environmental sustainability Goal makes it virtually invisible. To many, this is a sad reflection of the real-life invisibility of slum dwellers in cities, except when they are the objects of relocation or, far more rarely, improvement initiatives. This definitional problem is related to the difficulties in monitoring

Figure 1.6
Slum prevalence is closely related to overall development trends
 Share of slum dwellers in Africa, Asia, and Latin America (%)

Source: UN-HABITAT 2003.

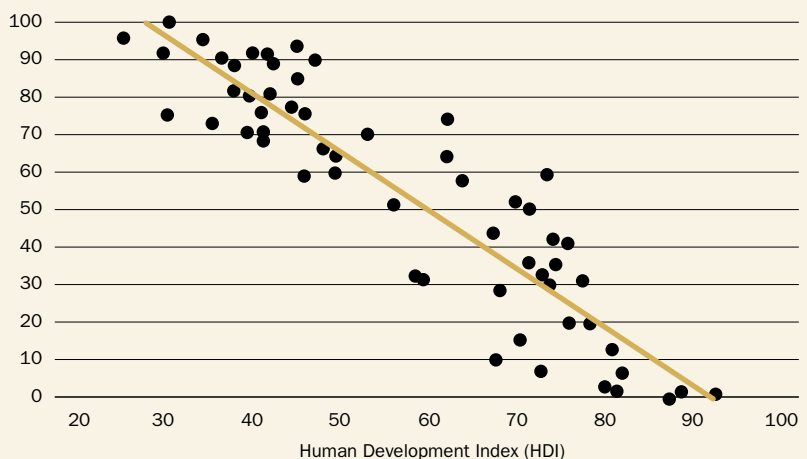


Table 1.1
Tackling the Goals in
the world's slums

Goal	Impact on slum dwellers
Goal 1 Eradicate extreme hunger and poverty	<ul style="list-style-type: none"> Secure tenure for women and men slum dwellers allows them to invest in their own housing and economic opportunities.
Goal 2 Achieve universal primary education	<ul style="list-style-type: none"> Inclusive policies, including adequate public transport, allow children to attend school. Children do better at school when they have a more secure home life and access to essential services, such as water, sanitation, and electricity.
Goal 3 Promote gender equality and empower women	<ul style="list-style-type: none"> Girls are less likely to be kept out of school if adequate services reduce household workloads. Providing women with secure tenure and access to credit is key to improving household stability and income generation. Access to reproductive health information and services can extend girls' education and provide opportunity and agency to women. Such services are often lacking in periurban, slum, and informal settings.
Goal 4 Reduce child mortality	<ul style="list-style-type: none"> Inclusive policies ensuring adequate housing and access to basic health services (including prenatal, delivery, and postnatal care; family planning services; and prevention of sexually transmitted infections) reduce health risks for mothers and children.
Goal 5 Improve maternal health	
Goal 6 Combat HIV/AIDS, malaria, and other diseases	<ul style="list-style-type: none"> A variety of diseases can be prevented by reducing overcrowding, improving the provision of water and sanitation, and implementing proper drainage and control of disease vectors. Slum dwellers are at high risk of contracting tuberculosis and HIV/AIDS. Inclusive policies improve access to treatment.
Goal 7 Ensure environmental sustainability	<ul style="list-style-type: none"> The provision of good-quality water, sanitation drainage, and solid waste management has an immediate impact on the urban environment. Tree planting and open space programs improve climate control, comfort, and health in slums. Solar technology programs—supported by local, national, and international assistance—benefit slum dwellers and the wider city by increasing economic and environmental sustainability.
Goal 8 Develop a global partnership for development	<ul style="list-style-type: none"> Partnerships between slum dwellers, the private sector, and local government lay the foundations for sustainable local development. Slum dwellers, local governments, and other partners can best be supported by international development assistance provided on a programmatic, long-term basis.

progress toward the target.⁸ A casual reading of the Goal and its indicators could imply that eradicating slums (by implication, worsening the situation of the urban poor) would somehow be good for the environment. It is important to understand this target as more integral to the larger poverty reduction aim of the Goals than to the specific concerns of the environmental sustainability Goal. This understanding must shape the way in which the major challenges of this Goal are identified and addressed.

Target 11 states: “By 2020, improving substantially the lives of at least 100 million slum dwellers.” This formulation did not adequately reflect the letter and the spirit of the target set in the Millennium Declaration or in the UN Secretary-General’s *We the Peoples* proposal to the General Assembly. The urban challenge dictates a broader, more ambitious approach. In addition to slum upgrading, the provision of adequate alternatives to new slum formation must become core business for local and national governments alike, supported by international development agencies. A variety of challenges must be met (table 1.2).

Table 1.2
Challenges and actions required to achieve target 11

Challenge	Actions
Recognize that the urban poor are active agents and not passive beneficiaries of development	<ul style="list-style-type: none"> • Work with local communities to upgrade slums. • Negotiate planning decisions and the use of public resources.
Improve governance	<ul style="list-style-type: none"> • Recognize the “Right to the City” (see chapter 3). • Plan for development. • Adopt local strategies.
Support and enact local pro-poor policies	<ul style="list-style-type: none"> • Enact legislation banning forced evictions and provide security of tenure. • Take action on land issues. • Provide adequate and affordable infrastructure and services. • Enable community contracts and partnerships. • Build and maintain public transport systems and services. • Enact building codes and regulations that reflect the needs of communities. • Plan for adequate alternatives to the formation of new slums. • Involve the private sector. • Create jobs citywide.
Mobilize resources and investments	<ul style="list-style-type: none"> • Mobilize financial, land, and human resources.
Empower local action	<ul style="list-style-type: none"> • Develop and strengthen networks. • Support international initiatives. • Adopt Millennium Cities strategies and launch campaigns (see chapter 6).
Monitor progress toward target 11	<ul style="list-style-type: none"> • Link local actors and local knowledge with global monitoring.

As of September 2000, target 11 read: “By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers as proposed in the *Cities Without Slums* initiative.” The target, drawn from the *Cities without Slums Action Plan*, called on governments to:

Start with the mobilization of political and financial commitment to slum upgrading and gear up the capacity to support large-scale actions (2000); initiate 20 citywide and nationwide programs in five regions to change the lives of 5 million urban poor (2001); up-scale the approach over the 2006–2020 period with 50 national programs with slum improvement as a central element of urban development strategies in most countries, resulting in the provision of basic services to 100 million slum dwellers and slum formation stopped. (UN Secretary-General 2000, pp. 29–30)

While immediate steps must be taken to meet the 100 million target by 2020, these initial efforts must be accompanied by incremental actions aimed at reducing the current rate of slum formation. These two actions would provide a necessary shift away from decades of single-dimensional urban upgrading projects, which did little to prevent the formation of new slums. The dual approach of immediate and incremental upgrading and planning can effectively achieve the target of improving the lives of 100 million slum dwellers while also providing adequate alternatives to new slum formation.

**The urban poor
can provide the
central impetus
for change
toward good
governance**

If no remedial and preventive action is taken, some 1.4 billion people are projected to live in slums in cities in low- and middle-income regions by 2020.⁹ If it were possible to prevent the formation of new slums, this number could be considerably lower. If the lives of 100 million of the current 900 million slum dwellers were significantly improved, this would leave 800 million slum dwellers. If no further slum formation took place, this slum population could remain static, rather than increasing by another 600 million. This would align target 11 with the level of quantitative improvements set by most other targeted objectives.

The task force suggests improving the formulation of the target to read: “By 2020, improving substantially the lives of at least 100 million slum dwellers, while providing adequate alternatives to new slum formation.” This formulation changes “detering slum formation,” as suggested in the task force’s interim report, to “providing adequate alternatives to new slum formation.” This formulation stresses that preventing new slum formation, as advocated in the original Cities Without Slums initiative, cannot be interpreted as an endorsement of the failed policies of the past, such as preventing urban migration or bulldozing newly formed informal settlements. The formation of new slums needs to be prevented by taking proactive, participatory measures to accommodate the new settlement needs of low-income urban populations.

There is also a substantive rationale for aligning target 11 to the Millennium Declaration formulation. It makes no sense to ameliorate a problem without making sure that all possible actions are taken to avoid its recurrence in the future. As evidence from ongoing programs suggest, anticipating the problem and planning before informal settlements develop is less costly socially and economically than taking action after a slum emerges. Thus in addition to improving the conditions for 100 million present slum dwellers, the task force urges that adequate investments be undertaken from all actors concerned to ensure that about 600 million new urban dwellers are offered the opportunity and the assistance required to find housing solutions that are adequate and affordable in locations that are accessible, secure, and environmentally sound.

Ample evidence over the past 20 years cited in this report shows that the urban poor can provide the central impetus for change toward good governance. Governments, especially local governments, have also demonstrated that they can develop the capacity to use their mandates and resources for sound and participatory urban development policy, if such policies are rooted in a political leadership that is committed to a democratic and equitable vision of civil society in all spheres of government. What is needed is the vision, the commitment, and the resources to bring all actors, especially slum dwellers, together in order to create political and economic opportunity, improve services and the quality of public space, plan for future needs, expand local sources of revenue, and attract investment.

Recognizing the urban poor as active agents of development

Addressing urban poverty calls for a fundamental redefinition of the political relationship between government and all citizens, particularly the urban poor. It means that governments must work with local communities to upgrade slums and negotiate planning decisions and the use of public resources with those whom these decisions affect.

A basic prerequisite toward this end is that governments acknowledge organizations of the urban poor wherever they exist and work with their strategies. These organizations are crucial advocates for the needs of poor women and men. Solutions are best found through negotiated agreements between local governments and slum dwellers. Provincial and national governments, as well as the private sector and domestic capital markets, also have important roles to play in bringing these solutions to scale.

The task force recognizes that the foundation of almost any solution to the problems of the urban poor lies in their potential to organize themselves, to make effective decisions, and to negotiate and collaborate with local government and other partners.¹ Such self-generated empowerment is often the best jump-start for a broader local and national democratic transformation. In addition, organizations of slum dwellers are usually far more efficient at using outside resources, often including their own “sweat equity,” than are large-scale contractors or government agencies in constructing housing or upgrading slums. The work of these organizations should be recognized and supported.

This chapter discusses the work of some organizations of the urban poor. It also examines the federations of the urban poor and homeless that have emerged in countries around the world over the past two decades.

Federations of the urban poor are making a difference

Federations of the urban poor are made up of community-managed savings and credit groups that provide their members with quickly accessible emergency

Almost any solution to the problems of the urban poor lies in their potential to organize themselves

loans and develop upgrading programs or new housing programs, often in partnerships with government agencies. Many of these federations have large-scale programs, some of which have improved housing or access to basic services for hundreds of thousands or even millions of people. Some have changed the policies of city and national governments.

In Cambodia and Thailand federations of the urban poor work with national and city government in designing and implementing programs to improve the lives of slum dwellers on a national scale. In India federations have changed the way city and national governments support improved provision of sanitation for slum dwellers. In Namibia, the Philippines, and Zimbabwe, federations have changed the way city governments work with the urban poor in developing land for housing and providing infrastructure. The federations provide governments not only with potential partners but with representative organizations that can negotiate on behalf of their members.

The federations have high standards with regard to internal democracy, participation, inclusion, and accountability to their members. All strive to ensure that the solutions they promote serve the poorest groups and those facing discrimination. They strive to keep down unit costs in order to stretch limited resources. Federation programs are typically less costly than conventional government programs and many include significant cost recovery. Their upgrading and new housing projects are not intended to replace government projects but to demonstrate what can be achieved through federation-government partnerships. Each federation has hundreds or thousands of local savings groups, indicating a significant potential for these partnerships to go to scale.

Federations of the urban poor or homeless are currently operating in 12 countries. Savings groups that have the potential to form federations are developing in many others (box 2.1).

Community-led work in slums draws on a variety of mechanisms

The specific approaches employed by federations vary with location. But all federations operate savings and credit groups, innovate and refine their programs, conduct surveys and mappings in order to assess their situations, construct model housing, and exchange information with other federations. These community-driven processes have involved slum dwellers much more than most conventional government or international agency-funded initiatives do. They include representatives of the poorest groups and give scope for women to take on leadership roles at all levels. They also allow slum dwellers to influence the scope and nature of their participation.

Savings and credit groups are the “glue” that holds federations together

Most federations are formed by savers and a large group of individuals or households who work with and support the federations but are not active savers. All savers save every day. There is no minimum amount; what is important is the daily

Box 2.1
Federations of
the urban poor
are making a
difference around
the world

Source: ACHR 2001, 2004; Dialogue on Shelter newsletters 2004; Mitlin and Mueller 2004; Patel, d’Cruz, and Burra 2002; Baumann, Bolnick, and Mitlin 2001; Chitekwe and Mitlin 2001.

In Cambodia the Solidarity for the Urban Poor Federation is active in half the informal settlements in Phnom Penh and in 10 other urban centers through community-based savings and credit schemes. The Federation has helped poor communities pool their resources and work out solutions to problems of land security, houses, toilets, basic services and access to credit. Federation groups are implementing many pilot projects and are involved in an ambitious program in Phnom Penh launched by the prime minister to upgrade 100 slums a year over five years.

In India the Alliance of the National Slum Dwellers Federation and Mahila Milan (savings and credit groups formed by women slum and pavement dwellers) has more than 750,000 member households. With the support of a local NGO (the Society for the Promotion of Area Resource Centres [SPARC]), they work in more than 50 cities. In Mumbai more than 90 housing projects have been built or are underway, providing houses to more than 35,000 households. More than 20,000 of these households had lived beside the railway tracks. The project demonstrated how community-managed relocation was possible. Smaller scale new housing and upgrading programs are underway in many other urban centers. The Alliance also designed, built, and manages about 500 toilet blocks, which serve hundreds of thousands of slum households in Pune and Mumbai. It is developing comparable programs in several other cities.

The Kenyan Urban Poor Federation has more than 25,000 members and savings groups in nine different urban or periurban areas. Working with a local NGO (Pamoja Trust), it is involved in several upgrading schemes. It is also working with the railway authorities to develop an alternative to mass eviction for people settled close to the railway tracks. It is drawing on the experience of the federations in India in community-managed resettlement.

The Shack Dwellers Federation in Namibia has 10,000 member households in 197 savings groups. Most live in informal settlements or backyard shacks. The Federation is supported by a local NGO (the Namibia Housing Action Group). By 2002, 31 savings schemes had acquired land for infrastructure and housing development. The Federation’s national loan fund, composed of member savings and funding from the Namibian government and external donors, offers members loans for infrastructure, housing, and income generation. The loans are available once the member secures land.

The Homeless People’s Federation in the Philippines has 39,000 members and housing projects underway in many cities. With support from a local NGO (VMSMI), it mobilizes communities, encourages savings-based financial strategies, and engages with government. The federation prioritizes settlements in high-risk areas (on dumpsites and river banks, along railway tracks, on land subject to flooding, on land under bridges, in areas at risk of eviction) and works with their inhabitants to build the financial and technical capacity to identify needs and prepare plans for upgrading or resettlement.

The South African Homeless People’s Federation is a national network of 1,500 autonomous savings and credit groups with more than 100,000 member households in 700 informal settlements, 100 backyard shack areas, 3 hostels, and 150 rural settlements. Working with a local NGO (People’s Dialogue), it has supported the construction of 12,000 housing units, loans for another 2,000 houses, infrastructure for 2,500 families, land tenure for 12,000 families, and hundreds of small business loans. It has also set many precedents for what the urban poor can do. The federation has built good-quality four-room houses for the same price that contractors charge for serviced sites. It has also established a partnership with the Durban city government for a program that includes upgrading for more than 15,000 households.

Box 2.1
**Federations of
the urban poor
are making a
difference around
the world**
(continued)

In Thailand the government set up the Urban Community Development Office to support community organizations with loans, small grants, and technical support in 1992. The office also supports community organizations in forming networks to work together and collectively negotiate with city or provincial authorities. By 2000, 950 community-savings groups were active in 53 of Thailand's 75 provinces. In 2000 the Urban Community Development Office was merged with the Rural Development Fund to form the Community Organizations Development Institute (CODI), which supports networks of community organizations that work with local governments in implementing an ambitious national program for secure tenure and slum upgrading.

The Zimbabwe Homeless People's Federation has 45,000 member households in 1,600 community-based housing savings schemes in 27 different local authority areas. Most live in holding camps, squatter settlements, backyard shacks, hostels, or as lodgers. The Federation supports daily savings and a loan fund that supports land purchase, housing, infrastructure, emergency loans, and income generation. Supported by a small local NGO (Dialogue on Shelter), it is working with local authorities to produce housing and infrastructure at much reduced unit costs.

ritual of giving something to the community representative who collects the savings. These daily savings arrangements were first developed in India by very poor women pavement dwellers. Their cooperatives currently have 300,000 members.

Women are almost always the leaders of these associations. They are particularly attracted to the quick access to crisis credit that the savings groups provide. The associations also often offer savings accounts that help fund housing improvement or new housing and loan facilities for income generation. Women find that their participation in savings groups transforms their relationships with the community. The daily contact between each saver and the collector acts as a constant source of information on people's difficulties and how they can be addressed, difficulties that are discussed and analyzed during the regular meetings of the savings' collectors. When people want access to credit, the collector has personal knowledge of family circumstances and can vouch for them. These savings do not generate large resources quickly, but they create discipline and social cohesiveness among members. When circumstances permit, savings groups also work together to plan for new housing or other initiatives.

The local savings groups are the building blocks on which the larger city-wide, national, and global foundations stand. Pooling the funding from local savings groups creates collective power, which is strengthened by the contact between groups as they work together and learn from one another. Savings and credit groups build the capacity of community organizations to manage finance collectively, which helps develop their capacity to handle larger projects.

Federations craft solutions through a process of innovation and refinement
Poor people know what their problems are and generally have good ideas for solutions. But they lack the resources and capacities to implement solutions.

Repeated interaction with a community establishes rapport and creates a knowledge base

Organizations of the urban poor support their members in developing solutions; some solutions work so well that they are adopted and adapted by other groups (as in the community-managed upgrading in Phnom Penh or the community-designed and managed toilet blocks in India). Some set precedents that allow changes in rules and procedures to be negotiated and more support to be negotiated from governments or international agencies. Some fail, but failure is also part of the learning cycle; the lessons from failures are widely shared.

Once a crude solution has been developed, many groups within the federation visit it to see what has been achieved and to learn how it was organized and what it cost. Another group tries out similar actions. Refinements emerge as other communities go through the process. Progress is made, despite external factors that frequently cause delays. Once a refined solution has been established, it is explored with local government officials who come to visit it. These pilot projects set precedents that can promote changes in official policies, practices, or standards. The learning is shared with other federation groups and city officials through exchange visits.

Surveys and mapping help communities evaluate their situations

Community-directed household, settlement, and city surveys, or enumerations, help communities look at their own situation, consider their priorities, strengthen their organization, and create the capacity to articulate their knowledge to government agencies and other external organizations. The surveys also give each person and household an official identity, as their occupation of land and housing is recorded, often for the first time. Detailed records of each household, its housing, and its plot boundaries are also valuable to governments and international agencies. This information base is difficult and expensive for governments to produce using conventional means. These surveys help generate interest from governments. Having these data allows community organizations and their federations to go into negotiations with government agencies well prepared with detailed facts and figures. A community-directed survey in Dharavi, one of Mumbai's largest slums, revealed that there were 800 people per toilet. On the basis of these figures, the federation was able to negotiate with local government for a new sanitation strategy. Today there are 50 people per toilet (d'Cruz and Satterthwaite 2004).

The information gathering process for a slum enumeration often begins with a hut count. During this initial visit, men and women from the federation talk about their work and why they have come. Questionnaires and other survey methodologies are discussed with community members and modified as necessary. All data collected are fed back to community organizations (especially the savings groups) to be checked and, where necessary, modified. The repeated interaction with a community through hut counts, household surveys, and settlement profiles establishes rapport and creates a knowledge base that the community owns and controls.

**As communities
secure land,
they are eager
to build good
housing**

These slum enumerations provide the organizational base from which to plan upgrading and new housing development. The Huruma enumeration in Nairobi provided the basis for a settlement-wide upgrading program that accommodated both landlords and tenants. This experience allowed the Kenyan federation and its support NGO to undertake enumerations in more problematic settlements. In Korogocho a strong association of landlords, fearing this would threaten their control of land and housing, opposed the enumeration through death threats to NGO staff, court orders, and false rumors about the NGO's intentions. But the federation had learned how to avoid difficulties, and over a 10-day period, 18,500 household forms were completed. More than 60 enumerations have now been completed, helping create detailed citywide information on slums (Weru 2004).

***House modeling exercises help communities refine their house designs—
and attract politicians' attention***

As communities secure land, they are eager to build. To do so, they need to develop many skills, in construction, materials costing, and the management of external professionals and bureaucratic procedures. Cost estimates for different house sizes and designs are often explored through house modeling exercises, which operate as follows:

- Federation members meet to discuss plans, identify the features they want in their houses, and determine what they can afford to pay each month.
- Small groups construct model houses out of cardboard and present them to the whole group. After different models have been discussed and refined, the most appropriate design in terms of size, use of space, and cost is identified.
- A full-size model house is constructed, usually using a wooden frame with fabric attached to show walls and roof, and a detailed costing is prepared.²
- The model is used for further discussions with urban poor groups and to attract the attention of local government staff and politicians. Exhibits of the models are usually public events.

The federations also organize other similar events. The start and completion of each new housing project or toilet block, for instance, is an opportunity to invite politicians and city administrators and professionals to see what has been achieved and to publicly honor those who helped. These events often attract hundreds or thousands of people—and few politicians can resist the invitation to take part.

Exchanges link federations in different communities

A key characteristic of the federations is the development of links among them for mutual contact, support, and learning. Exchange visits between the community organizations that make up the federations serve many ends:

**Exchange
visits between
community
organizations
serve many ends**

- They spread knowledge—on how to set up savings schemes, manage savings, manage loans, collect and manage household and housing data, and cope with land management, building management, and relations with local authorities, for example.
- They support local reflection and analysis, enabling the urban poor to own the process of knowledge creation and change.
- They enable the poor to develop a collective vision and collective strength.
- They help create strong personal bonds between communities that share common problems, presenting them with a range of options to choose from and negotiate for and assuring them that they are not alone in their struggles.

In India there has been a constant process of exchange between slum and pavement communities since 1988. Representatives of women pavement dwellers groups in Mumbai were the first to travel to other settlements in their own city and later to other cities in India. They shared their knowledge about the savings and credit groups they had developed and managed themselves, finding many people who were interested in acquiring their skills. These exchanges become a routine part of federation work. During 2003 more than 100 city-to-city exchanges took place in India.

Hundreds of international exchanges have also taken place. Community organizers from India have regularly visited other countries (including Cambodia, Kenya, the Lao People's Democratic Republic, South Africa, Thailand, and Uganda), and organizers from these and other countries have visited slum and pavement communities in India. Within Africa the well-established federations in Namibia, South Africa, and Zimbabwe have held frequent exchanges. A community enumeration was conducted in Victoria Falls (Zimbabwe) in 1998, after a community exchange from South Africa showed local savings scheme members how to develop a questionnaire, go from house to house collecting information, and collate the information. The Zimbabwean federation provides support to the emerging networks in Zambia. Strong federations have also emerged in Kenya and Swaziland, supported by exchanges with the three southern African federations. In several other countries in the region, including Lesotho, Madagascar, Malawi, Tanzania, Uganda, and Zambia, savings groups are developing as a result of exchange visits with other federations.

Although the primary goal of community exchanges is to strengthen and support community organizations, they have also proved useful learning exercises for many professionals. Organizations of the urban poor and their federations often invite key professionals from municipal or national governments to join them in community exchanges or to come to meetings in their cities as part of an exchange. The minister of land in South Africa went on an exchange with the South African federation to India; the secretary of housing for the city of São Paulo accompanied community leaders from São Paulo on an exchange

**Precedents
are rooted in
demands made
by urban poor
organizations**

with South Africa. International community exchanges can attract considerable attention within a city from local governments and the media. They can become events that senior politicians and bureaucrats want to attend, often to learn about innovations in their city that they had not been aware of before the exchange.

The organizations and federations of the urban poor and their support NGOs use innovations in one location to promote discussion among professionals in others. The innovations in flexible standards for plot sizes and infrastructure implemented in Windhoek, Namibia, helped stimulate many international exchanges. During 2002 and 2003 communities and officials from Windhoek visited or were visited by federations and local governments from Victoria Falls, Bulawayo, Asvingo, Mutare, and Harare (Zimbabwe); Nairobi (Kenya); Cape Town and Port Elizabeth (South Africa); Karachi (Pakistan); and Mumbai (India). The federations' umbrella organization, Slum Dwellers International, profiled Windhoek's policy at the World Urban Forum in Kenya in 2002, and Windhoek hosted the launch of the Global Campaign for Secure Tenure, a campaign in which representatives of the federation from India, Madagascar, Nepal, the Philippines, South Africa, Thailand, and Zimbabwe work with UN-HABITAT.

A particularly significant international exchange was the visit to Mumbai by senior officials from Kenyan Railways and senior planners from Nairobi in April 2004 to see how the resettlement of the people who lived next to the railway tracks had been organized. The visit to Mumbai showed the Kenyans the possibilities of community-managed resettlement, which benefits those who are resettled and clears the tracks for faster train service. Many other federations are struggling to fight evictions; the precedents set in India and visits to see how they were implemented can help change approaches in other countries.

Actions by federations are setting precedents and changing standards

Precedent setting begins with the assumption that the strategies of the poor are probably the most effective starting point for meaningful improvement. Community organizations within each federation are supported to try out pilot projects and then refine and develop them within the learning cycle described above. When these efforts work well they become widely supported and can easily be scaled up.

Precedents are rooted in demands made by urban poor organizations. For instance, in 1985 the women pavement dwellers in Byculla demanded that SPARC help them do something about eviction notices. They did not want to fight; they wanted to avoid the violence that their men were moving toward. They sought a long-term resolution to their problems. Following discussions, a community-managed enumeration set a precedent for how such surveys can provide the information base from which community-driven solutions (and

Many precedents contravene official rules and standards

partnerships with local governments) can be developed. When the immediate threat of evictions was over, the women demanded that something be done about their inability to get alternative housing.

From this developed the savings and credit schemes, the collective leadership, the house modeling, and, later, the survey of vacant land to demonstrate that there was land available for their housing. Intercity community exchanges began when the women were discussing building materials that might reduce housing costs; they wanted to see people in houses made from the materials suggested. One such material was the funicular roofing precast tablet developed in Kerala. To see the material, in 1986 a group of pavement dwellers made the long trip to Kerala. These women also created the concept of a house model exhibition to demonstrate publicly and visibly what they wanted. The strategy was a smart one, as risk-adverse bureaucrats are more likely to accept a new idea if they see it working in practice (Patel 2004a).

In Zimbabwe despite the immense difficulties faced by all low-income groups and all local governments in recent years, increasing numbers of municipalities are allocating land to federation groups and requesting additional applications; local authorities have already committed 5,334 plots of land (d’Cruz and Satterthwaite 2004). Savings schemes set up in Victoria Falls (inspired by the experience in South Africa) were everything the official party structure was not—participatory, self-reliant, accountable, and dominated by women rather than men. After a long process of negotiation, in 2000 they succeeded in getting 565 land plots, which they developed with community participation in infrastructure installation, with acceptance by the local authority that one-room houses might be all that is affordable in the near future (Mitlin and Mueller 2004). In Harare the council sold a land plot to the federation that is now being developed for 233 houses, and the federation is negotiating for other plots. These actions set precedents for partnerships, and in many cases, for standards.

Many precedents contravene official rules and standards. But by demonstrating to officials what is possible, negotiations on rules and standards have become much easier. Changing formal rules to accommodate informal processes leads to simplified procedures, appropriate standards, and affordable costs (Yu and Karaos 2004). In Zimbabwe perhaps as important as the negotiations for these sites are the innovations and changes in official rules that the federation is developing with local authorities in Harare, Mutare, and Victoria Falls. These changes are cutting unit costs and ensuring that the poorest groups can afford the federation’s housing solutions. Such changes involve long and difficult negotiations with local politicians, planners, and engineers; careful documentation; and visits by local authorities to locations where these innovations have worked.

In Windhoek, Namibia, only a small proportion of people living in informal settlements could afford plots with household connections to water mains

A key role of the federations is to learn and to avoid repeating mistakes

and sewers, which the city government provided at cost. In response, the government developed two new options: small rental plots serviced with communal water points and gravel roads and group purchase or lease of land with communal services and smaller plots permitted. These changes in standards lowered the unit cost of secure tenure and services dramatically: the cost per plot with community development and individual connections is less than half that of a conventional plot, and the cost of communal services is a fifth to a third of a conventional plot (Mitlin and Mueller 2004).

Many criticisms of community-driven processes are unfounded

One criticism of community-driven processes is that they absolve national or local governments of their responsibilities. This is not the case: a key feature of the work of urban poor organizations and their federations is to show the potential of partnership between government and community organizations. These groups do not lighten the pressure on political and bureaucratic systems, they show how bottom-up pressures can promote pro-poor changes in government. The work of such groups and networks also reduces dependence on international aid, as they mobilize local resources (including their own resources), keep down unit costs, and demonstrate solutions that require far less international funding.

Another worry is that introducing any new civil society actor within poor communities can be divisive. In fact, the organizations and federations highlighted here are open to people of all political parties and religions.

There is also the issue of scaling up. Where local and national circumstances permit, the federations make innovative efforts to gear up to reach everyone. Total coverage has not yet been achieved, but the unit costs realized by the federations are generally far lower than those of government or international agency-driven alternatives. When given the opportunity, the federations have demonstrated considerable success in going to scale. Where they have had more limited impacts, this is related mostly to lack of support from external agencies—be they local or international NGOs, different levels of government, or official donors.

The organizations and networks of communities certainly face difficulties. Projects fail, community organizations cease to function, repayment schedules for loans are not maintained. These problems are inevitable. A key role of the federations is to learn from these examples and to avoid repeating mistakes in the future.

Nongovernmental organizations, governments, and international agencies can support organizations representing the urban poor

The experiences documented here grew out of a great deal of effort and dedication on the part of the urban poor to organize themselves, often in response to threats posed by eviction, displacement, or other communal needs. The work

**Support for
community
organizations
can be as simple
as creating
a common
neighborhood
space**

of supporting NGOs and governments, as well as the international agencies that encourage them, has been critical in enhancing the working environment of such groups. Where organizations of the urban poor do not exist, all actors in the development process can play a part in creating a supportive environment for their development.

Such support can be as simple as creating a common neighborhood space for community meetings and activities. SPARC was started in 1984 by social workers and other professionals to explore the potential of partnerships with the urban poor. Their intent was “to create a physical, emotional, and social space for people to pool their human resources and facilitate learning.”³ Because of the space SPARC created, the National Slum Dwellers Federation and Mahila Milan were able to work together to achieve mutual objectives.

Sometimes professional groups can provide similar impetus. In 1989 teachers of planning and architecture at Dawood College in Karachi, Pakistan, started an Urban Studies Forum focused on social issues in urban planning (Hasan 2004). Within six months the forum became an urban resource center and expanded its work to include advocacy on development projects of interest in Karachi. The urban resource center has been able to support local community organization against displacement due to large-scale infrastructure projects.

Governments, too, have provided supportive environments for community organization. In Santo André, Brazil, the municipal Integrated Social Inclusion Program includes an interdepartmental team that develops guidelines and monitors activities; a technical team, made up of officials, experts, and civic leaders, responsible for implementing and coordinating activities and projects; and a local team, led by community leaders and stakeholders, involved in operationalizing activities (Serageldin, Solloso, and Valenzuela 2003). Community organization and participation in decisionmaking, execution, and operation of activities is the cornerstone of the program. Residents help develop many of the activities, including slum upgrading, recycling, vocational training for entry into the workforce, and microcredit and capacity building for informal sector workers. The program was first implemented in four pilot *favelas* (squatter settlements), reaching 3,540 families. Regular meetings of residents, local teams, and technical teams are held to discuss operation of programs, and periodic meetings of residents and elected officials are held.

International agencies can do their part. UN-HABITAT has launched two global campaigns to raise awareness and commitment to challenges in urban governance and securing tenure. The Global Campaign for Secure Tenure has an operational framework that “delegates responsibility and authority to local actors, supports the efforts of local actors, and ensures the centrality of women and organizations of the urban poor are given institutional expression” (UN-HABITAT 2003c). Such international recognition of the organizations and federations of the urban poor is important, not only in terms of opening of

**Supporting
community-
driven
processes
allows the
urban poor to
be an effective
developmental
force**

funding avenues (a topic addressed in chapter 5) but also because of the leverage provided by UN recognition.

Conclusion

Supporting community-driven processes initiated and managed by slum dwellers in every slum allows the urban poor to be an effective developmental force at the level of districts and cities, as well as nationally and internationally. The foundation of these community-driven processes is local savings groups that are representative and accountable to their members.

This combination of community-driven processes at the neighborhood level and linked community organizations at the city level has demonstrated a capacity to promote changes within government systems that address the most difficult structural issues, such as the allocation of land (or tenure) and infrastructure to urban poor organizations, changes in official norms and standards, and changes in the ways that government agencies work with poor and homeless groups. This may be the single most important aspect of the work of these networks and federations of urban poor organizations with regard to achieving large-scale results. The slum dwellers target will not be reached without these kinds of changes.

Five steps must be taken to achieve target 11:

1. *Support the “rights plus” approach.* The “rights plus” approach supports the right of the urban poor not only to housing but also to influence the process by which they obtain it. This approach strengthens the knowledge of urban poor groups and builds the solidarity that enables them to develop solutions that work for them and that are negotiable with government agencies (generally local authorities). These groups do not just seek state resources for poverty reduction or an acknowledgment of their right to housing. They seek solutions that realistically address their needs and the external support to implement these solutions on a large scale. By developing their own solutions and seeking state support for them, they promote a “rights plus” approach: citizens’ rights for a citizens’ agenda.
2. *Support learning and foster solidarity.* The horizontal learning and interchange between communities allows community organizations to learn from one another. This generates a process that is itself developmental and that can have collective influence at the city and national scales.
3. *Transform NGOs.* Community-driven processes have redefined the most appropriate roles for local NGOs. With the emphasis on the centrality of the poor in defining and implementing responses, the development process is reversed, with urban poor groups taking the lead and NGOs playing support roles.
4. *Transform local (and national) government.* Urban poor groups need a collective voice to make the policies of city and national governments

more pro-poor. The federations' methodologies encourage the transformation of traditional relationships between community organizations and local governments and politicians. Federations and networks that represent community organizations drawn from different settlements and different urban centers have more legitimacy to speak on behalf of the urban poor. As their membership expands, they are likely to be taken more seriously by city, provincial, state, and national governments. Their potential can be seen in the influence they have on city-wide processes in Phnom Penh, Windhoek (Namibia), and Durban (South Africa) and in many Indian and Thai cities, and on national processes in Cambodia, India, South Africa, and Thailand.

5. *Change donors' approaches.* National federations are part of a regionwide and international movement working for more accountable and effective local organizations to address both their members' specific local needs and changes in international agencies that will increase support for their work.

Reaching the target through improved governance

Over the past few years, a consensus has emerged that improved governance is central to the sustainable achievement of development goals. Unfortunately, this basic concept often founders when operational definitions are sought. Nowhere is this more apparent than in the tensions that typically emerge between low- and middle-income countries, and donors and international financial institutions. Many of these countries lament the insistence on “good governance,” imposed as a precondition for flows of official development assistance and often translated into stringent macroeconomic measures that, in the opinion of many recipient governments, cause a deterioration of the very conditions that are meant to be addressed, in particular inequity and poverty.

This report does not address this larger issue, except by arguing that governance and aid must proceed hand in hand. Many countries welcome assistance in managing their financial, physical, and human resources in more efficient, participatory, and sustainable ways. But assistance should not dictate policy. The imposition of conditionalities is ultimately self-defeating, because it ignores the fact that many countries lack the resources to strengthen the basis of governance—government itself. At the same time, controversies over the interpretation of “good governance” blur the consensus shared by all—that improving governance is a good thing.

Fortunately, these controversies are less acute with regard to the concept of good urban governance. Consensus in this area has been growing, particularly since the second United Nations Conference on Human Settlements (Habitat II). The Habitat Agenda defines equity, efficiency, transparency, and accountability as components of good urban governance. This task force stresses in addition other principles subscribed to by the community of nations: subsidiarity, civic engagement and citizenship, and the security of individuals and their living environments. Taken together, these attributes define governance that is close to

Country experiences illustrate the practical possibilities—economic, political, social, and cultural—for globalizing good urban governance

all citizens, promotes the active participation of all in the city's political life and in the decisions that affect them, and ensures living conditions for all, secured by law, that guarantee a safe, pleasant, humane, and livable environment.

Experience has shown that improved urban governance is not simply a question of improved management at the local level. All governments, including central governments, need to commit themselves to the application of these internationally recognized principles. Countries that have made progress in improving urban governance have done so in all spheres of government. Those that have been most successful have captured pioneering experiences at the community, city, and regional levels and translated them into national policy.

The normative principles subscribed to here respond to a shared aspiration, but they draw legitimacy from reality and experience. Specific country experiences illustrate the practical possibilities—economic, political, social, and cultural—for globalizing good urban governance.

Countries around the world are adopting good urban governance practices

Good urban governance means involving organizations of the urban poor as equal partners in urban political and economic life, including budgeting decisions, financing practices, and the participatory upgrading, planning, and design of basic public services. A number of examples show how such practices are improving lives today (box 3.1).

The Thai example provides evidence that a national government-led initiative can provide a supportive environment for good urban governance. The process is being replicated in Cambodia and broadly championed by networks of the urban poor in other regions. Similar outcomes can result from initiatives led by other institutional actors (box 3.2).

Practices such as social-interest financing and participatory budgeting succeed best where there is a deeply rooted tradition of community-based organization and local democracy and strongly motivated leadership, attuned to the needs of the weakest and most vulnerable members of society. These conditions are lacking in many countries and localities, where corruption, mismanagement, and waste of public resources abound. What can be done in such circumstances? One answer comes from the capital of Bolivia, La Paz (box 3.3).

Community-driven initiatives for people-centered urban governance have also been key in changing the relationship between citizens and governments, moving toward better urban governance. The Homeless People's Federation in South Africa exemplifies the strides such initiatives are making in improving governance, demonstrating the central role of the urban poor in development (box 3.4).

The South African example is significant because it indicates that the problem of reaching the urban poor with significant improvements is not only a matter of political will and resources but a question of how politicians and

Box 3.1
National initiatives are supporting good urban governance in Thailand

Source: d’Cruz and Satterthwaite 2004.

In 1992 the government of Thailand set up the Urban Community Development Office (UCDO) to address urban poverty. Government policymakers recognized that Thailand’s economic success during the 1980s and early 1990s had brought little benefit to the poorest groups. Indeed, housing conditions for many had deteriorated, and they were at ever greater risk of eviction, because land prices and demand for central city sites had increased. Policymakers also recognized the need for more participatory models of support for low-income groups and the potential of community-based savings and credit groups in this regard. Various local and international NGOs working in Thailand had demonstrated the possibility of improving housing by working with poor communities and networks of communities.

UCDO recognized that for pro-poor development to take place, relations between low-income groups and the state had to change. Critical to that change was the establishment of representative and accountable local citizens organizations. From the outset, UCDO sought to bring together different interest groups. Its board included senior government staff, academicians, and community representatives.

The government provided UCDO with a capital base of about \$50 million to allow it to make loans to organized communities for a range of activities relating to housing and income generation. Initially, loans were available to community-based savings and loan groups for income generation, revolving funds, housing improvement, and other housing-related costs (such as allowing communities threatened with eviction to purchase slum land or land elsewhere and develop housing there). Any community could receive these loans, provided it could show the capacity to manage savings and loans. Loans could be used to respond to the particular needs of each group. Through this loan program, UCDO developed links with a wide range of community organizations, savings groups, NGOs, and government organizations. Loans had much lower interest rates than those of the other sources that poor households could turn to, although they were high enough to sustain the initial fund and cover administrative costs.

As the savings groups became larger and more numerous, UCDO found it more difficult to provide them with sufficient support. This difficulty in scaling up encouraged UCDO to link individual savings groups into networks or federations; loans could then be provided to these networks, which on-lent to their member organizations. The emergence of large-scale community networking brought immense change to community-led development processes in general and to UCDO in particular, and it increasingly became the means through which funds were made available to low-income groups.

In 2000 UCDO joined with the Rural Development Fund to become the Community Organizations Development Institute (CODI). With support from CODI, community organizations in cities and provinces join together to form networks to negotiate with city or provincial authorities, influence development planning, or simply work together on shared problems of housing, livelihoods, or access to basic services. There are networks based on occupations (for instance, a taxi cooperative), pooled savings, and cooperative housing. There are also networks based on shared land tenure problems (for instance, networks of communities living along railway tracks or under bridges). Because these networks manage loans, the decisionmaking process is decentralized and closer to individual communities, able to respond rapidly and flexibly to opportunities identified by network members.

bureaucrats, and their political and administrative structures, perceive poor people and their roles and rights. As a rule, the poor are seen as “clients” or “beneficiaries.” Only rarely are they seen as the agents whose own community

Box 3.2
Participatory
budgeting has
transformed
lives in Porto
Alegre, Brazil

Source: Interview with André Passos Cordeiro, Coordinator of the Planning Office of the Municipality of Porto Alegre, March 2004.

At the end of 1989, the newly elected mayor of Porto Alegre, Brazil, Olívio Dutra, found himself confronted with a seemingly impossible task. Ninety-eight percent of the municipal budget had been earmarked for salaries—one of the last acts of the outgoing administration. No resources were left for the improvements in infrastructure and housing that were expected by the city’s low-income population as a result of the political change brought about by the new election.

The mayor’s first decision was to tell the population what the state of municipal resources was. He indicated that efforts would be made to mobilize new resources with which to improve the living conditions of the poor and upgrade basic services citywide, and he promised that decisions on the use of these resources would be made by the people themselves.

The new administration discovered that the most direct and immediate way to increase municipal resources on a sustainable basis was through local property tax reform. Once resources were available, citizens and neighborhood associations talked about a new kind of participation based on real commitments and concrete resources, where people make decisions and local government “participates.” This was literally a revolution: the roles of decisionmakers and participants were reversed. To this day, decisions on a substantial portion of the municipal budget are made by citizens, according to geographical (district) and thematic criteria (environment, infrastructure, transport, and so forth). The role of the municipality is to inform, facilitate the process, execute decisions—and be held accountable if implementation does not match the decisions made.

The number of citizens engaged in the participatory budgeting process has grown steadily in Porto Alegre. The results go beyond the more effective use of resources. Though the city was one of the fastest growing in the world over the past 40 years, life expectancy is 74 years—7 years longer than the national average in Brazil. What is most important is that poor people, many of them previously accustomed to occasional handouts, showcase projects, and paternalistic procedures, develop a permanent identification with their city, an essential change in their transition from resident to citizen.

Participatory budgeting has been replicated in many Brazilian cities as well as elsewhere in Latin America and all over the world. It is an exemplary practice of the globalization of good urban governance.

processes can, with appropriate support, improve their lives. Only when the urban poor are recognized as active agents of development and full citizens do we see the essence of good urban governance.

People have the “right to the city”

In every country in the world, significant communities are excluded, whether by active policy or passive acceptance, from fully belonging to the city, its life, and services. The concept of the right to the city has been developed to counter this structural process of exclusion. Increasingly, legislation in low- and middle-income countries recognizes the consolidated rights of squatters and slum dwellers in settling urban land and creating communities. These rights must be more widely recognized and protected by law for men and women alike. Barring exceptional circumstances, such as those stemming from irreversible environmental hazards, informal settlements must be protected from

Box 3.3
The mayor of La Paz was able to root out much corruption

Source: Klitgaard, McLean-Abaroa, and Parris 2000.

In 1985 Ronald McLean-Abaroa became the first elected mayor of La Paz. He quickly found that as a result of local government reform cities were financially on their own—a classic case of decentralization without resources. The monthly payroll was equivalent to 120 percent of the city's revenues. Despite this situation, his salary would be the equivalent of \$45 a month. The professional staff of the municipal administration earned an average of \$30 a month.

Corruption was rampant. Tax collectors used techniques akin to extortion. Property taxes were particularly vulnerable to collusion between taxpayers and corrupt officials. When a new assessment became necessary because of hyperinflation, a legion of municipal functionaries was ready to “negotiate” with property owners a property value far below the true value. This meant a tax saving for the property owners, particularly the rich, and bribes for colluding functionaries, but it left the city unable to provide services. The city was a manual of corruption techniques: petty extortion, renting out of municipal equipment, selling of gasoline and machinery spare parts.

With the help of administrative experts he knew from his studies abroad, the mayor found an organizing principle for his newly assigned goal to reinvent city government, what he called the formula of corruption:

$$C (\text{corruption}) = M (\text{monopoly power}) + D (\text{discretion by officials}) - A (\text{accountability})$$

Then came a long list of radical actions—firing the all-powerful city bureaucrat, the symbol and centerpiece of corruption; streamlining the municipal workforce; and hiring competent and decently paid professionals in all areas of municipal planning, development, and management. These measures were all governed by the same principles—the introduction of competition, the reduction of bureaucratic discretion and leeway, and a new emphasis on accountability.

An interesting example was the application of the “corruption formula” to construction permits. Unnecessary permits were abolished and procedures for the necessary ones simplified. The authority to grant building permits was contracted out to the professional association of architects, who would train members and certify them to perform this function, against the deposit of a bond to safeguard the city against malpractice. The role of the city's urban development department changed from one of permit granting to oversight of contracted procedures, performed by a far lower number of officials, all competent and well paid.

Mayor McLean-Abaroa went on to a second successful term, and La Paz became a more efficient and less corrupt city. The efforts of many individuals around the world as dedicated and committed as McLean-Abaroa created the basis for a global movement, Transparency International. McLean-Abaroa was one of the first vice-presidents. Today Transparency International is a well respected international entity, exposing corrupt practices and offering examples of good practice and practical prescriptions for combating corruption. It is routinely called upon in international and intergovernmental forums to offer advice and illustrate the results of its work.

forced evictions and regularized with the active consent and participation of the interested populations. Future migrant populations must be enabled to find adequate shelter in accordance with the principles and definition of adequate shelter enshrined in the Habitat Agenda.

A recent articulation of the right to the city has been developed to counter structural processes of exclusion.¹ Until a few years ago, even freedom of

Box 3.4
South Africa's
Homeless People's
Federation is
improving housing
in townships
and informal
settlements

Source: d'Cruz and Satterthwaite 2004.

When the African National Congress was elected as South Africa's first democratic government in 1994, it recognized that housing was a priority for people living in the townships and informal settlements and promised to build 1 million units within five years. The government introduced a capital subsidy program for low-income households of up to R15 for the purchase of land, infrastructure development, and housing. (By 2004 the maximum subsidy was R28,279.) This was a mechanism for making housing built by large-scale commercial contractors affordable to low-income households—and it was the housing developer that was funded. Much of the housing developed was located far from income-earning opportunities and was poorly designed, poorly built, and too small. These houses provoked such comments as “when you sleep your feet come out of the house” and “Mandela promised me a house, but he built me a closet for my clothes.” Many of these contractor-built houses have been abandoned or (illegally) sold for a fraction of their cost.

The South African Homeless People's Federation pressed the government to allocate the subsidies directly to low-income households. Several thousand Federation members built houses funded by this program, demonstrating that they could produce good-quality four-room houses for the same cost that contractors charged for tiny core houses. In response, the Department of Housing issued a grant of R10 million to the Federation's uTshani Fund, and the government introduced the People's Housing Process, a self-help development option for its housing subsidy program. The benefits of community-managed housing developments are increasingly recognized, in terms of both the process they support and the quality, size, and cost of the houses constructed.

Despite these successes and a strongly committed national government, the South African Federation has faced many difficulties. National and local political structures distrust any movement that is not within the ruling party, politicians work through patron-client relationships and do not want to be challenged by community organizations, and the national housing subsidy program provides surprisingly little support to Federation schemes. Even with the introduction of the People's Housing Process, only a small proportion of housing subsidies go directly to low-income households. Contractor-built housing is still the main response to housing problems from national, provincial, and local governments. A 2004 speech by the minister for housing put more emphasis on the role of “business, the banking sector, and ordinary professionals” for housing than on the “people's housing process.” The speech highlighted the fact that established housing contractors are deserting the low-cost housing market because of low profit margins, and it emphasized the need to support emerging small contractors.

movement within one's country was not universally recognized, and it still remains severely constricted in many countries. Rural-urban migration in search of better sources of livelihood is one expression of this right. But freedom of movement is only the first step in the process. Also critical is the right to adequate housing, with all its implications for security and services, as elaborated within the 1996 Habitat Agenda (box 3.5).

Brazil has rebuilt its whole urban governance policy around the concept of the right to the city. Its experience is critical in at least four respects.

First, few other countries have witnessed such a remarkable coming together of all the actors critical to improving the lives of the urban poor: national and local legislators, central government, local government, professionals, learning

Box 3.5**What is “adequate shelter”?**

Source: UN-HABITAT
1996b.

Central to the “right to the city” is the definition of the right to adequate housing, adopted by all UN member states in the Habitat Agenda. Member states affirmed their commitment “to the full and progressive realization of the right to adequate housing, as provided for in international instruments” and recognized in this context “an obligation by Governments to enable people to obtain shelter and to protect and improve dwellings and neighborhoods.”

The Agenda defines “adequate shelter” as “more than a roof over one’s head. It also means adequate privacy; adequate space; physical accessibility; adequate security; security of tenure; structural stability and durability; adequate lighting, heating and ventilation; adequate basic infrastructure, such as water supply, sanitation and waste management facilities; suitable environmental quality and health-related factors; and adequate and accessible location with regard to work and basic facilities, all of which should be available at an affordable cost. Adequacy should be determined together with the people concerned, bearing in mind the prospect for gradual development. Adequacy often varies from country to country, since it depends on specific cultural, social, environmental, and economic factors. Gender-specific and age-specific factors, such as the exposure of children and women to toxic substances, should be considered in this context.”

and research institutions, civil society, civic and business leaders, and the urban poor themselves. Government has distilled the wide variety of experiences in various cities and the mutually reinforcing processes of involved actors to build a national platform of support for progressive urban reform and development.

Second, Brazil, whose cities are motors of change, innovation, and experimentation in social policy, bears witness to the fact that measurable improvement in the lives of slum dwellers depends largely on the convergence of policy and action of a variety of actors in the direction of effective decentralization and community empowerment.

Third, Brazil is a mature developing economy that has gone through the stages younger economies in other regions of the world, particularly in Africa, are now embarking upon. These stages include high population growth, rapid urbanization, industrialization, exposure to international economic competition, and macroeconomic growth accompanied by growing inequality. The lessons that can be learned from Brazil are important for the rest of the world.

Fourth, and most important, the Brazilian case reminds us that there is no automatic correlation between rapid, sustained economic growth and improvement in the living conditions of the urban poor. Brazil’s economic boom coincided with strong migration from stagnant regions and urban hinterlands to urban and metropolitan growth poles. Even at the height of this prosperity, *favelas* and inner-city slums mushroomed unabated, and little was done to accommodate the growing numbers of the urban poor. Today some of these growth poles face industrial decline. Jobs are diminishing, or not growing at the same pace as the numbers of jobseekers, particularly in large urban centers. It is increasingly difficult for the unskilled and marginalized to find sustainable livelihoods. While economic booms may provide relief for some sectors

**Brazil harbors
all the promises,
challenges, and
contradictions
of our global
society**

and segments of the population, Brazil's experience reveals that when benefits are not widely distributed, potential profits are lost and development stagnates. Brazil has also shown that economic decline and change have the most severe effects for the most vulnerable members of society.

Brazil harbors all the promises, challenges, and contradictions of our global society. It is characterized both by highly developed and lagging regions. Its cities highlight these contrasts, with their gleaming business districts and tightly guarded residential areas surrounded by slums. The persistence of these contrasts reminds us that there is no structural incompatibility between opulence and poverty, modernity and traditional forms of subsistence and settlement. Today Brazilian cities, supported by the progressive city statute (box 3.6), struggle to remedy the mistakes and omissions of the past, to seek better, more sustainable solutions to the challenges of the new millennium: reducing poverty, safeguarding the environment, and ensuring sustainable economic growth. Legalization and regularization of informal settlements in areas suited for settlement have become standard policy. People settled in environmentally protected or risk-prone areas are being cooperatively relocated to better suited areas nearby. Participation has taken concrete forms, largely through the diffusion of a Brazilian innovation: participatory budgeting.

Planning for development can prevent slums from developing

Slum upgrading is a remedial measure made necessary by the inaction of past governments and the failure to adopt or implement adequate and efficient

Box 3.6

**Federal legislation
on urban policy
in Brazil is bold**

Source: Instituto
Pólis 2004.

In 1988 a remarkable provision was inserted into the new Brazilian Constitution in the chapter entitled "On Urban Policy." Its first article reads: "Urban development policy, carried out by public municipal powers in conformity with general directions established by law, has as its objective to regulate the full development of the social functions of the city and guarantee the well-being of its inhabitants." Specific provisions include the identification of master plans as the basic instruments for urban development and expansion policy; recognition of the social function of property; the exercise of public domain for just compensation; measures for the utilization of unbuilt on or underutilized urban land, ranging from progressive taxation to expropriation; and titles of use or occupancy, under certain conditions, for those who have occupied a plot for at least five years.

This chapter was written into federal legislation in the city statute. The first purpose of urban policy, as defined in this statute, is to "guarantee the right to sustainable cities, understood as the right to urban land, housing, environmental sanitation, urban infrastructure, transportation and public services, to work and leisure for current and future generations." A fundamental dimension of the statute concerns the need to democratize the local decisionmaking process and legitimize a new, socially oriented urban legal order. The instruments to be used include urban policy councils at the national, state, and municipal levels and the right of popular initiative for proposed laws and plans, programs, and urban development projects. Participative budget management is introduced as an official tool of urban policy.

**Urbanization
is projected
to continue
unabated for at
least the next
20–30 years**

national and urban policies. Planning can prevent slums from forming. Cities need to apply the principle of planning before development, focusing on the future needs of low-income populations. The pervasiveness of precarious and informal settlements in cities demands a comprehensive approach that can be ensured only by citywide development strategies and participatory planning.

As reformulated, target 11 calls for providing adequate alternatives to new slum formation, in addition to improving substantially the lives of at least 100 million slum dwellers. The rationale for this objective is obvious. It makes no sense to create the conditions for improving the lives of existing slum dwellers without also acting on the causes that permit slums to form in the first place.

Urbanization is projected to continue unabated for at least the next 20–30 years. According to official estimates by the United Nations Population Division (2004), virtually all future population growth is likely to occur in the urban areas of developing countries, and many of these new urban dwellers will be poor. In the absence of deliberate policies and actions, it is reasonable to suggest that the urban poor will continue to have no choice but to pursue the same range of options that led to present settlement conditions.

A first option is to find shelter in existing informal settlements and inner city slums. This will add stress to the factors that define a settlement as a slum, particularly in terms of density and the inadequacy of basic infrastructure and services.

A second option is to occupy vacant land. This happens, and will continue to happen, on tracts of public land totally unsuited for settlement (for example, along busy transport corridors and railway lines); on open land reserved for infrastructure improvement or the provision of urban and community services (schools, hospitals, and green and recreational space); and on land earmarked for environmental protection purposes (wetlands, water catchment areas, and the like). These settlements create a host of new problems in terms of personal safety and social and environmental sustainability, and they contravene all the norms a city is mandated to enforce according to the rule of law. The challenges of legalization and regularization follow. The best cases result in negotiated resettlement, as in the case of Mumbai's residents resettled from along the railroad tracks. In the worst cases, the result is forced eviction and the relocation of "the problem."

A third option is semilegal settlement, as in the cases of the *loteamentos* in Brazil, in illegal subdivisions that exist, under different names, in virtually all countries. This option is out of reach for the poorest of the poor, as it involves cash payments to private landowners for a plot in a tract of land lacking infrastructure and services and often zoned for other purposes. Legalization problems occur in these cases as well. As these settlements consolidate, the municipality often has no option but to provide ex post facto regularization, often at costs far higher than it would have had to bear had planning and development been orderly.

**Planning can
allow cities to
avoid the high
cost of slum
upgrading**

All of these options represent development before planning. In all of them, the virtuous circle followed in “normal” circumstances is reversed: first, there is occupancy; second, construction; third, “informal” planning; fourth, normative regularization.

In many cases planning can allow cities to avoid the high cost of slum upgrading. Citywide development strategies and participatory planning are central to operationalizing the concept of “good urban governance.” What obstacles prevent the wide application of the principle of planning before development?

Virtually all local governments in low- and middle-income countries have a physical planning department and procedures for the designation of land for housing, amenities, industry, infrastructure, and services. But their staffs are poorly paid, poorly trained, and poorly motivated—part of the more general predicament for sound urban governance. The inadequate remuneration of public employees is a root cause of corruption, which undermines any attempt to plan and manage a city in the interest of all citizens, particularly the urban poor. The work of planners is particularly vulnerable to corruption, given the impact of planning decisions on land values, land markets, and physical development. A fundamental of good urban governance is ensuring that city officials and employees receive decent remuneration. Foreign aid grants could be used for this purpose, as long as procedures are transparent and accountable.

Training is another important factor. All governments recognize the obstacles associated with limited capacity at all levels of government, in particular in the poorest countries. “Technological and institutional capacity” can mean many things. An efficient computerized cadastral system, for example, is necessary for transparent land management systems, the sound management of the property tax base, and improved collection of property taxes. But these systems have to be managed by competent and motivated professionals, attuned to the new paradigms of people-centered planning and management.

What is needed is an in-depth revisiting of the theory and practice of urban planning, which is often regarded as a top-down, technocratic, and cumbersome exercise, divorced from reality and oblivious to the present and future needs of lower-income citizens. This judgment, like all blanket generalizations, is unfair. Recent experience with the city of São Paulo’s Strategic Master Plan, prepared within the framework of an extensive consultative process, indicates that planning can work in the interests of the poor if it is backed by good legislation, implemented by competent professionals, and supported by a committed administration.² Most critically, it must work with the poor as partners.

The concept of planning for development is not limited to physical planning. Central to urban development is the human development dimension, in which the sense of identification of urban residents with their own city—well expressed by the Spanish term *ciudadanía*—is strengthened by the planning process and vice versa. The poor should be enabled to assume a central role in

**Appropriate
tradeoffs
can be found
to reconcile
economic
growth,
environmental
protection, and
social equity**

the practice and implementation of urban development strategies—of which physical planning constitutes an important part.

This report documents the positive results achieved by the urban poor and their organizations in several countries in negotiating with local, provincial, and central government authorities in order to avoid forced evictions, improve basic sanitation, and advocate more cost-effective and participatory use of government subsidies for low-income housing. Fundamental to good urban governance, and to planning for development, is ensuring that the potential for such negotiations is facilitated and institutionalized.

As these experiments evolve and expand, it may be possible to count on a strong new global force that can be an inspiration to cities not just to solve local problems and work out local solutions but to offer imaginative solutions to demands regarding the rights to the city tomorrow. In chapter 5 this report calls on professionals, including designers and planners, to join forces with this movement, so that achievement of the target can evolve from reaching a milestone to becoming the everyday business of cities.

While this situation evolves, cities are confronted with the problem of how to prepare for demographic growth and an increased demand for adequate and affordable housing. The Cities Alliance has developed the concept of the city development strategy (see chapter 6), a participatory action plan to achieve the objectives of cities without slums. In several applications around the world, this concept has been adapted to local circumstances. Some cities have focused on citywide strategic planning, while others have underlined the economic development dimension. All agree that the objective of improving current slum situations and finding alternatives to new slum formation can be addressed only at the city scale. At this scale, the bottlenecks of poor financial and human resource management can be removed and appropriate tradeoffs found to reconcile economic growth, environmental protection, and social equity.

In the future cities in the same metropolitan area will also have to find joint solutions to common problems. Many middle-income economies reveal a worrying phenomenon—a decrease in manufacturing activities in great metropolitan centers, as both old and new industries locate to outlying urban settlements. It is more efficient for domestic and foreign-controlled industries to locate in smaller centers, where proximity to the metropolitan core is coupled by lower costs of land and labor, as well as attractive locational and investment incentive packages. This, in turn, engenders informal settlements, created by those attracted by the informal activities generated by industrial development.

In many cities the metropolitan core has a lower percentage of slum dwellers than the surrounding municipalities. Alternatives to new slum formation, including the identification of cheaper land for low-income settlement in the metropolitan periphery and the resettlement of urban populations located in risk-prone and ecologically fragile areas, will have to be shared through some kind of metropolitan coordination and cooperation mechanisms.³

**Taking the Goals
to the local
level means
developing
participatory,
homegrown
solutions**

Local strategies for improving slum dwellers' lives can address all the Goals

Achieving the Goals in urban areas requires the close involvement of national and local governments and communities. While global support is crucial to sustaining this effort, taking the Goals to the local level means developing participatory, homegrown solutions inspired by common ethical and operational principles. For this reason a bottom-up approach must be stressed. Cities need to set local Millennium Development Goals targets and adopt citywide strategies for achieving them.

The target of “improving significantly the lives of at least 100 million slum dwellers by the year 2020” is related to the implementation of all other Goals. Granting security of tenure and providing adequate sanitation, the two indicators officially adopted for measuring progress toward the target, do not tell the whole story. “Significant improvement” means improvement across the wide spectrum of factors that constitute poverty in an urban context and that together can be described as exclusion—exclusion from sustainable livelihoods and from access to adequate housing, adequate infrastructure, adequate services, adequate health, and education.

The Goals and targets coincide with the agenda of any good mayor who wishes to improve his or her city: reducing poverty and unemployment; increasing access to education and health services; combating inequality, including gender discrimination; improving the lives of the poorest residents; enhancing the quality of infrastructure and services; and protecting the environment. Many mayors may not realize that the new global organization of cities, United Cities and Local Authorities, is launching a global Millennium Cities and Towns campaign in support of the Goals or that the Millennium commitment can be a unique opportunity to marry good governance with stronger flows of external grants and technical cooperation. But cities around the world have started independently committing themselves to the Goals.

In the end, realization of the Goals will be the result of myriad local actions—many of them going on right now. Urban people everywhere are struggling to get out of poverty, to find decent jobs, to send their children to school and give them decent place to live. They are designing and building houses, toilets, and sewers; turning out ingenious crafts, products, and solutions; and inventing new forms of employment and income generation. The first Millennium Development Prize, if there ever is one, should go to the world's poor, who are already striving to reach the targets set by their heads of state four years ago.

If the Goals are not seen as ends in themselves but as a means to help nations out of poverty, it stands to reason that the centerpiece of the work ahead is the localization of the Goals and the development of local poverty reduction strategies designed and implemented directly by those who know best: the poor themselves. Myriad model strategies conceived and implemented

by the poor, assisted and supported by governments, the private sector, and the international community, could provide a powerful boost for the implementation of the Goals. Substantive participation in the monitoring of progress by the poor would indeed revolutionize governance.

Supporting and enacting local pro-poor policies

The substance of municipal management—housing tenure, infrastructure, transport, land use and building code regulation, urban planning, the role of the private sector, and job creation—changes little with place and time. But in almost every area of concern there is more than one way to approach a problem, and differences from place to place reflect the values of those making the policy decisions. For too long policy approaches designed from the vantage point of the urban poor have been missing from the urban management field.

This chapter outlines a set of pro-poor urban policies. Such policies ensure that the urban poor have a meaningful say in their design and implementation, which are key to their success.

Land regulation and transparency in private land transactions are critical to ensuring secure tenure

The forced demolition of urban slums has never reduced poverty; it creates poverty. Forced evictions have never reduced slums; they simply move slums elsewhere. Provision of secure tenure in existing informal settlements with the participation and contribution of residents is crucial to the process of slum upgrading. Two necessary first steps are establishing a system of effective land regulation to ensure the future supply of well located land as cities grow and ensuring that private transactions in the land market are based on transparent information.

Forced evictions are increasing

Forced evictions—the result of development projects, discrimination, urban redevelopment schemes, gentrification, urban beautification, and land alienation—are a growing problem for the urban poor. Between 1988 and 2000 alone more than 4 million people are estimated to have been forcibly

**Insecure tenure
has multiple
ramifications
for poverty**

evicted from their homes. In 2001–02 some 6.7 million people were evicted, and an equivalent number were under threat of eviction (COHRE 2002).

Adequate resettlement after forced eviction is the exception; evictees usually find accommodation in other slums (contributing to further pressure on those settlements) or more often rebuild far from their previous sites and sources of livelihood. Forced eviction creates poverty by destroying capital assets, vital sources of income, and precious links of solidarity and mutual assistance. It often imposes new hardships in hostile and alien situations. Except in the most exceptional circumstances, it is an expression of policy failure.

Evictions, which the United Nations has recognized as a gross violation of human rights, continue to take place under a number of pretexts. Many governments, aware of the political risks of evictions, have adopted anti-eviction laws. These laws may provide little protection for the poor if legal aid is not cheap and accessible, however (UN-HABITAT 2003a).

The best protection against forced eviction is security of tenure

Households can be said to have secure tenure when they are protected by the state from involuntary removal, based on an agreement underwritten by a known and justiciable (legally enforceable) set of rules. Eviction in exceptional circumstances can take place only by means of a known and agreed on legal procedure, which must be objective, applied equally to all, contestable, and independent (UN-HABITAT 2003a, b).

“Security of tenure” describes a continuum of formal and informal legal arrangements ranging from full land titling to local customary rights of tenure. Insecure tenure can range from total illegality, as in squatter settlements, to semilegal forms of occupation, as in unauthorized land developments or occupation legitimized by customary land delivery practices.

Unauthorized and informal settlement on private land can offer some protection, depending on local official perceptions of the illegality of the settlement. Even when an area is developed in breach of regulations, occupants can often produce a property title for the land they occupy. In such situations, middle-income groups are generally protected against eviction because of their political influence and capacity to regularize their situation. Squatter settlements are more vulnerable, especially those on private land in prime locations that are subject to high market pressures and those on hazardous sites. The situation of tenants in informal settlements—unauthorized developments, squatter settlements, or dilapidated buildings in city centers—is by far the most precarious. In these cases, ad hoc, exploitative, and unregistered forms of tenancy compound the insecurity linked to the legal status of the settlement itself.

Insecure tenure has multiple ramifications for poverty. Legal tenure at the settlement level is often a prerequisite for the provision of basic services. Without security of tenure, newly serviced settlements are vulnerable to market pressure.

**Ensuring
security of
tenure is an
effective tool
for alleviating
poverty in slums**

Lack of tenure hinders most attempts to improve shelter conditions for the urban poor, undermines long-term planning, and distorts prices for land and services. It has a direct impact on investment at the settlement level and reinforces poverty and social exclusion. Its effects are most destructive for women and children (Durand-Lasserve 2003). From the point of view of governments, insecure tenure also has a negative impact on local taxation on property and economic activities. Cost recovery for services and infrastructures is also difficult or impossible without proper identification of beneficiaries. For all these reasons, ensuring security of tenure is an effective tool for alleviating poverty in slums.

The delivery of individual freehold or leasehold titles for the poor can raise numerous problems. The difficulty of finding legal forms of regularization that are compatible with constitutional rules and the legal framework, acceptable to the actors concerned, and in compliance with existing standards and procedures constitutes a major obstacle. As UN-HABITAT (2003a) notes, large-scale, rapid tenure reform can paradoxically lead to a loss of secure tenure by underestimating record-keeping requirements, placing excessive pressure on already weak administrations, and passing conflicting pieces of land legislation that complicate formal land delivery and the clarification of uncertain title or deeds. Massive titling campaigns are likely to have the same impact. The most vulnerable groups are the urban poor.

Secure tenure can be provided through arrangements that give preference to the consolidation of occupancy rights rather than to provision of property/freehold titles; give preference to collective rather than individual interests; and integrate customary land delivery practices (Durand-Lasserve 2003).

Consolidating occupancy rights and proceeding incrementally. There is increasing emphasis on secure rather than formal tenure. Such an approach does not require the provision of freehold individual title, instead making use of other simple legal and regulatory measures that protect against forced evictions. Increasing numbers of cities provide de facto protection against forced evictions through measures that constitute implicit recognition of informal settlements (provision of basic services, registration of slum populations, voter rolls, street numbering, issuance of identity cards).

Some of these approaches emphasize an incremental process, in which the initial secure right is simple and affordable but may be upgraded according to what residents and governments need and can afford at any given time. Through an innovative pilot project in Namibia in the late 1990s, for instance, residents were allocated a simple, affordable “starter title” that could be upgraded to a “landhold title” and then to a “freehold title” as needs and resources dictated (Christiensen, Hoejgaard, and Werner 1999). Approaches that can lead to formal tenure regularization allow government to build technical and administrative procedures over time, ensuring the institutionalization of the new approaches.

**Individual titling
is costly and
time consuming
for low-income
groups**

These approaches are also compatible with the interests of the poor. For people living in informal settlements, the three main objectives are not to be evicted or harassed, to have access to basic urban infrastructure and services, and to have the right to sell or transfer the land and house they occupy. None of these objectives requires a property title, except where access to formal mortgage finance is required. Secure tenure through individual property titles is not necessarily efficient or equitable without a host of concurrent measures. If not implemented incrementally, accompanied by appropriate actions at various levels, and backed by community action at city and settlement levels, it may accelerate social exclusion and segregation.

Incremental measures give communities time to consolidate their settlements. Improvements to the economic condition of households, the emergence of legitimate community leadership, the identification of right holders, the resolution of conflicts within the community and between the community and other actors involved all form part of this progressive consolidation process. This also gives households time to save or raise funds for the next step in the tenure upgrading and regularization process. These measures reduce market pressures on the settlement and limit market evictions. Such an approach can be used on vacant land and for regularizing irregular settlements.

In many cases where tenure regularization and in situ upgrading are chosen over demolition and forced relocation, the tendency has been to “rehabilitate” the settlement and then transfer it to beneficiaries. In these instances, excessively high conventional standards for infrastructure, internal road networks, community services, building materials, and construction techniques are usually adopted. The “showcase project” or “model slum” approach tends to thwart the more effective but gradual and participatory strategies that alone can guarantee economically viable and socially sound outcomes. This means that the potential involvement of the slum dwellers themselves is lost.

A better procedure is first to regularize the tenure situation in consultation with the community, by surveying the property and occupancy situation and determining the consolidated rights of settlement. It is then possible to move to physical upgrading, with all residents contributing to identifying the priorities. This approach establishes a cycle of gradual upgrading, mobilizing the full resources of residents.

Promoting community ownership and group titling. Individual titling is costly and time consuming for low-income groups, as it involves full surveying and registration. A way forward is to use group registration, blocks, and some form of individualized lease rights managed by groups in conjunction with local authorities. An example from Kenya is the community land trust. The basic principles of the trust are as follows: Land is kept under one title held by trustees. Community efforts are targeted toward mobilizing resources, acquiring land, obtaining official permits, and getting the government and municipalities

Many basic services can be provided at rates affordable to the poor

to provide infrastructure. Land acquisition costs are reduced by doing away with title surveys for individual plots. Communities are encouraged to create governance structures that allow full participation in settlement affairs. Allowing members to hold leases from a group title makes it possible to control transfers and discourage speculation. The community land trusts are run by local organizations within a policy framework established by the Ministry of Local Government in a consultative process (Payne 2002).

Recognizing customary land delivery practices. Customary land delivery systems are common in many countries. They are the main provider of land for housing the poor in much of Sub-Saharan Africa. In order for these transactions to provide security, they must be formally recognized, regulated, and recorded by the state.

Cities can provide adequate, affordable infrastructure and services to the poor

Many basic services can be provided at rates affordable to the poor through appropriate design and innovative structures of tariffs and subsidies. Large savings and improved access can be gained by involving the communities concerned in infrastructure development for rehabilitation, upgrading, and relocation.

The ability of cities to function depends critically on their infrastructure and the services that flow from it. These projects involve large initial capital investments and ongoing financing to sustain services and maintain plants. There is no one right way to undertake these ventures. Much depends on the physical, historical, and institutional characteristics of each location and the depth of service coverage. The goal in all cases must be to provide efficient and equitable services, taking the pressing needs of the urban poor into consideration.

Pushed by international financial agencies and several international donors, over the past two decades many developing countries attempted to impose private operation in inappropriate circumstances, often with dire consequences for the poor. The belief was that private operation would ensure efficient services and that users, including the poor, would pay the lowest possible prices while covering costs with little or no public subsidy. While there have been successful cases, too often privatizations have had disastrous consequences and have had to be reversed at great cost.

When innovation takes into account the nature of each service, the subsidy needs of the poor, the regulatory capabilities of local governments, and the capacity of local communities to participate in service delivery, there are many ways in which needed infrastructure and vital services can be effectively provided. Some public services (such as telephone service) lend themselves to private markets; others (such as electric power) have a mixed record. Electric

**For
subsidization
to work the
government
must have
the capacity
to regulate**

power has been provided by private companies in high-income countries, where the universal availability of the service permits the high fixed costs of infrastructure creation to be spread over the entire population. In lower income countries, limited coverage leads to higher relative costs. Especially in the lowest income countries, per user costs for infrastructure are high (Sclar 2004); for the poor they often place services beyond reach or create heavy cost burdens (ActionAid International 2004). Experience shows that it is generally unwise to attempt purely market-based service provision with the poor, especially in extending trunk lines to unserved or underserved areas.

Direct subsidy from government or donors or cross-subsidy from higher income users does not preclude regulated private operation. For subsidization to work, however, the government must have the capacity to regulate effectively and in the interests of the poorest citizens—and the record on this account is not reassuring (World Bank 2004b).

One of the best ways to lower the costs of network infrastructure services is in the “last mile” (or the link from the trunk line to the consumer) through partnerships, often linking formal and informal actors at different geographical levels and relying on different technologies.¹ In Benin, for example, Cotonou’s Program for the Protection of the Environment has built successful partnerships, integrating informal actors in the delivery of services to unserved and outlying settlements to provide garbage collection, recycling, and an improved water distribution system organized and facilitated by the Partnership for Municipal Development. The inclusion of scavengers in waste management in the North West Province in South Africa and the community-based women-oriented initiative in the state of Kerala in India illustrate similar approaches.

Many other community-driven processes have worked with or sought to influence government to improve the provision of water and sanitation. In Luanda, Angola, a local NGO (Development Workshop Angola) has supported the construction and management of 200 standpipes, each serving about 100 families. Locally elected water committees manage these standpipes in collaboration with the water utility and the local authority. Half the funds from users are retained by the committees for operation and maintenance, 30 percent goes to the water company, and 20 percent goes to the local authority. Despite difficulties (getting regular supplies to some standpipes, getting support from local authorities), local organizations are handling the “retail” part of water provision. Where local (public or private) water agencies are too weak to extend provision to unserved, low-income communities, this kind of partnership can be valuable (Cain, Daly, and Robson 2002).

In South Africa the Municipal Infrastructure Grant Program, a partnership between the national and provincial government, municipalities, and communities, addresses the lack of basic services in the country. It offers grants to poor households and funds infrastructure projects. As of 2003 it had completed 2,323 infrastructure projects, and another 910 are under construction. Given

**Some nonprofit
organizations
have worked
within market
models of
service
provision**

the magnitude of the challenge, the government redefined the program's scope to focus on upgrading and rehabilitating existing systems and reinforcing links with local economic development. In view of its impressive performance, the program's budget was increased to R2,357 million in 2003/04, making it one of the largest programs of its kind in the world.

Amid widespread violence and civil strife, Colombia has addressed issues of urban poverty through programs and partnership linking central and local actors. The Housing and Environmental Improvement Program (established in 1994 and funded by the Inter-American Development Bank) funds infrastructure, community facilities and public services, land regularization, and the production of core housing and serviced lots for marginalized settlements. Provincial authorities and municipalities provide cofinancing. Families receiving subsidies must make contributions in cash or in kind amounting to at least 5 percent of the value of the project components requested by the community.

The work of the Orangi Pilot Project, which mobilized local people to improve sanitation, health, housing and other aspects of their communities, is well known (chapter 5) (Hasan 1997a, b; Zaidi 2000). Another example from Karachi of the role of community organizations is the *awami* (people's) tanks in Orangi. These community-managed public water tanks in areas far from water mains are built by community organizations or local philanthropic bodies and supplied with water by commercial water contractors (Ahmed and Sohail 2003).

The British NGO WaterAid has supported many examples of community-managed water and sanitation provision. It views these projects as ways of encouraging and supporting local water and sanitation agencies to become more effective. One program in Bangladesh works in 150 slums in Dhaka and Chittagong, with support managed by seven local NGOs. The program provides for water points supplied through connections to the metropolitan water authority lines, installs tube wells (where connections were not possible); builds sanitation blocks, community toilets with septic tanks, household water-seal pit latrines, and footpaths; improves drainage; manages solid waste; and provides hygiene. Most facilities are provided on a full cost-recovery basis, with users repaying construction costs in installments. The funds recovered go to additional slum projects.

In some of these examples, nonprofit organizations have worked within market models of provision, with payment required for water or use of sanitation facilities and community-management focusing on cost recovery. The advantages of this approach are that a larger scale can be achieved, maintenance is easier, and less reliance is needed on external funding. The advantages over private provision are that profit maximization is not the key mission (although full cost recovery may be). Instead, there is a commitment to reaching the unserved, and the local organization has to be accountable to local users. More

**A successful
tool is the use
of community
contracts**

attention should be given to the role of local nonprofit organizations working within market frameworks, in systems managed by private water utilities or as private water utilities themselves.

Community contracts are a good way to involve slum dwellers in improvement projects and raise their income

Whenever feasible, local improvement projects must be open and accessible to low-income communities, cooperatives, and slum dweller organizations as partners or contractors. This may require that contracts be small enough to be managed by community-based contractors. Such arrangements will generate much needed income, improve skills, create a sense of ownership and civic pride, internalize profit margins, and improve transparency in the use of municipal resources.

A successful tool in community-driven approaches is the use of community contracts, in which a community group enters into a contractual agreement with local government in order to undertake work that leads to improvements in local living conditions. The use of one or more contractual agreements facilitates progress toward a clear goal-oriented division of tasks (Snoer 1995). Both parties may be assisted in the process by a development project or NGO. Combining community contracts with labor-based approaches yields many advantages in terms of community empowerment, job creation and income generation, and capacity-building and partnership development. Such arrangements also create a sense of ownership and civic pride, internalize profit margins, and improve transparency in the use of municipal resources. Comparative studies have shown that community contracting is cost-effective and that using local resource-based methods can generate savings (Tournée and van Esch 2001).

Two features distinguish the contract approach from conventional community-based activities. The first is a process of negotiations to arrive at a mutually beneficial agreement or contract. The second is the formalization of the partnership through a contract defining responsibilities and obligations of all partners.

Negotiations with the target community are critical to the process. For the community to engage meaningfully in negotiations, it has to marshal all information necessary (including technical options, type and amount of community contribution, wages, use of contractors, implementation modalities, supervision, maintenance) to make informed decisions. The introduction of a negotiation process in formerly unorganized and disadvantaged communities provides them with the opportunity to discuss not only their economic and social interests but also their individual and collective rights and duties. These negotiations between public administrations and community groups provide the basis for a more equal form of partnership, strengthening the collective capacities of the poor to act as partners in development and enhancing the accountability of public administrations.

**Community
organizations
need legal
standing**

For community contracting to be applied on a large scale, community organizations need legal standing, enabling them to interact effectively with external parties. Official registration is usually necessary for organizations to receive public funds and thus to enter into a contract with public authorities. Sri Lanka was one of the first countries to adopt community contracts as a standard procedure in urban upgrading. To be eligible to participate, community organizations had to have democratically elected representatives, a constitution, documentary proof of active socioeconomic development work for the community for at least one year, and a bank account in the name of the organization.

From the point of view of the community groups, there are many advantages to having formal status. Formal status increases these groups' credibility in voicing concerns and needs and improves their access to financial services, assistance from government departments, and contracts with private and public entities, all of which increase their empowerment. The development of strong community organizations will often lead to additional local initiatives and to follow-up joint action with the municipality or local ward, sustaining the organizations' role in local development. However, there are many examples where community organizations have been hindered by bureaucratic obstacles, and in many countries community organizations may need external assistance in registering themselves.

In projects of community interest, especially where the community is expected to be responsible for operation and maintenance, it makes sense to opt for the most participatory procedures possible, putting the community in the driver's seat of its own project. Private sector involvement should then reflect community priorities and needs, giving preference to businesses from the area and to temporary laborers from the community. Private enterprises may be contracted directly by the community organization for works requiring particular technical skills.

Evidence shows that using local community contractors, who tend to be cheaper, more flexible, and more aware of the community's problems, makes sense (de Silva 2000). Funds for upgrading are best utilized by the communities themselves, since this results in lower costs, better quality work, and quicker implementation. Allowing communities to use the funds themselves also binds communities together and empowers them. Community contracting may also be used to develop small businesses and cooperatives within the area.

Community-driven development in urban upgrading is a gradual process; communities and other stakeholders need time to learn to participate and collaborate in development projects. Scaling up and replicating interventions that adopt community-driven approaches are more likely to succeed if the rules for effective collaboration are defined within an enabling institutional framework, which will often include strengthening of governance structures at various levels (World Bank 2004a).

**Safe,
convenient, and
reliable mobility
is necessary
for routine
activities**

Improving public transportation can expand options for the urban poor

Transportation and land use are closely linked. Good systems of urban transportation can expand the range of housing and livelihood options for the urban poor. Facilitating nonmotorized modes of transportation and giving priority to public transportation help reduce transportation costs and protect the urban environment. The accessibility needs and safety of the poor should be given a high priority in urban transportation planning.

Slum dwellers generally walk, bike, or use collective modes of transit. Sometimes even bicycles are out of reach. Lack of capital to buy shelter equipped with running water, sewerage, and pavement, in a location near jobs and public services, translates into a perpetual mobility burden. Safe, convenient, and reliable mobility is necessary for routine activities of daily living, such as traveling to work or shopping areas, as well as during crises, such as accessing emergency obstetric services during childbirth. A significant proportion of maternal deaths and injuries result from transport delays to appropriate levels of care. Travel time burdens also limit the ability of children to get an education.

Because slum dwellers are usually pedestrians, they are more often the victims of road traffic accidents, which globally claim more than 1.2 million lives a year (Hook and Howe 2004). In low-income countries victims are primarily elderly and young pedestrians and cyclists from low-income families. Because roads are rarely designed to facilitate safe cycling, the poor are forced to use more expensive or slower modes, such as paratransit or walking. Studies indicate that the urban poor in Indonesia are more dependent on motorized vehicles for trips of up to 3 kilometers than are residents of Germany (Hook and Howe 2004).

Historically, the majority of donor efforts to alleviate poverty through transport sector interventions have focused on road construction. But from a poverty alleviation perspective, this is rarely the priority. Because most slum dwellers do not own motor vehicles, most have to walk to the nearest bus or paratransit line. Free access to road space constitutes a hidden subsidy to the wealthy at the expense of the poor. In an urban setting, investment in roads without prioritizing access for public transit and nonmotorized vehicles will do little to improve the lives of slum dwellers—and may make their conditions worse, since new urban road projects frequently lead to the forced relocation of large numbers of slum dwellers. Paving roads in slum areas without implementing proper traffic calming also tends to increase vehicle speeds and compromise road safety. Streets in slum areas are used primarily for walking, as public space for residents, and as play space for children. They should be designed accordingly.

Interventions to alleviate the mobility burden of the urban poor should focus on interventions that can directly reduce their commuting time and cost burden at the lowest cost per beneficiary. Reducing commuting time increases the time that can be spent earning income, attending school, or caring for children. Reducing commuting costs also directly increases disposable income.

**Investments in
mass transit
systems can
also benefit
the poor**

The best way to ensure that the benefits of new road investments or road rehabilitation are not captured by upper-income beneficiaries is to use public investment to build bus lanes, bicycle lanes, and sidewalks. Revenue for these investments should come from road users, in the form of congestion charges, which have been demonstrated to increase bus speeds and decrease bus operating costs, benefiting lower income commuters (Hook and Howe 2004).

Investments in mass transit systems can also benefit the poor. The difficulty is determining the conditions under which public investment in collective transport can stimulate urban development and how the public sector can stimulate private investment in the sector. Metro systems and elevated light rail are self-financing only where population density is extremely high and incomes are moderately high (Hook and Howe 2004). They are likely to impose a permanent financial burden on municipal and national governments at the expense of other priorities while doing little to address the problems of congestion and basic mobility. Except in extremely high-density cities, virtually all of the benefits of metro systems can be achieved at lower cost through bus-based mass transit systems, sometimes called bus rapid transit. In Latin America, even in fairly low-income countries, all bus rapid transit systems cover their operating expenses entirely from passenger revenues at the same fare level as normal buses, and in most of the systems private bus operators cover the cost of buses (Hook and Howe 2004). The construction and maintenance of infrastructure is generally paid for by public funds.

In Bogota, Colombia, 37 percent of bus rapid transit passengers are classified as poor, 47 percent as moderate income, 13 percent as middle income, and only 3 percent as wealthy. On average TransMilenio passengers save \$134 and 325 hours a year over their previous travel cost and travel time. These benefits are weighted in favor of the poor, who live in the peripheral areas and are well served by the single fare policy.

The introduction of bus rapid transit systems has also been used to regulate private bus operators and formalize labor practices. By creating the conditions to ensure long-term profitability in the bus sector, municipalities are in a position to demand higher quality service, higher levels of investment in modern vehicles, and reasonable labor practices from private bus operators. In such situations public investment can create a stable, profitable environment for sustainable private investment in the transit sector.

Transport can also constitute an important source of employment for slum dwellers in other ways, including road construction, bus operation, cycle rickshaw operation, *boda-boda* operation, and truck driving. But pro-poor regulations and policies are important. The deregulated nature of bus and paratransit operations, for instance, means that bus operators are often exploited by bus owners, and bus owners are exploited by bus enterprises, or government officials (like the police). Working 12–16 hours a day with no benefits is typical for bus drivers. Given the need for public investments to subsidize the networked

Private investment in the vehicle sectors of very poor countries will reduce local vehicle costs

infrastructure that private operators need, governments have a legitimate right to expect decent wages and working conditions in the transit industry.

Involvement by the public sector or development institutions in vehicle supply interventions should also be considered. Per dollar of public investment, the economic and poverty alleviation benefits of subsidizing bicycle ownership (or the provision of piped water) are likely to be far higher than subsidizing road infrastructure in slum areas. A project to modernize the Indian cycle rickshaw reduced the weight and improved the quality of the vehicles. Increasing the popularity of this mode directly improved the income of more than 100,000 cycle rickshaw operators by roughly 20 percent a year (Hook and Howe 2004). Buyers' cooperatives of independent bicycle dealers are also showing promise in bringing down the cost and improving the quality of bicycles in Africa (Hook and Howe 2004). Ultimately, it is private investment in the vehicle sectors of very poor countries that will reduce local vehicle costs.

Health services need to reach poor urban dwellers

High barriers to accessing good-quality water, sanitation, health services, and emergency services, especially for slum dwellers, often make it difficult for poor urban residents to prevent and treat debilitating health problems. Policy-makers should immediately work to coordinate and focus the wide array of potential health systems, specifically for service providers to reach slum dwellers and the urban poor, integrating them with improved provision for environmental health.

While urban residents in developing countries have better health outcomes on average than their rural counterparts, these averages often hide large intra-urban inequities in disease and injury burdens and premature death. In some cities the urban poor may fare worse than residents of rural areas (Bradley and others 1992; Montgomery and others 2003). In most cases the urban poor shoulder a double burden of communicable and noncommunicable disease that is not shared by wealthier urban residents. In Dhaka infant mortality rates are higher in urban slums than in rural areas (Harpham and Tanner 1995; Montgomery and others 2003). In São Paulo 1992 infant mortality rates in municipalities ranged from 18 to 60 per 1,000 live births, with slums and poorer communities experiencing the worst outcomes (Stephens and others 1994). A comprehensive 1998 survey of Nairobi slums found that residents who lacked basic services, adequate housing, and health services and who lived among similarly disadvantaged people had worse health outcomes in almost every dimension than other Nairobi residents, rural Kenyans, and Kenyans overall (APHRC 2002). This survey also showed that under-five mortality rates in Nairobi's slums were 151 per 1,000 live births—much higher than the average for Nairobi (62) or the average for rural areas (113). The very poor living conditions in slums, including the lack of provision for water and sanitation and high levels of overcrowding, contribute much to disease, injury, and

Violent crime is also a serious problem in many poor urban areas

premature death. So, too, does the fact that adequate health services to prevent and treat such illnesses remain inaccessible to these communities, because of price, quality of care, and treatment-seeking behavior.

Injuries, violence, and depression are common in urban slums

Injuries (both intentional and unintentional) have a major impact on health and well-being, especially in overcrowded and poor urban areas of the developing world. In 1990 injuries in 15- to 44-year-old men accounted for 55 million disability-adjusted life years (DALYs) lost—one-third of the total (Zwi and others 1996; Montgomery and others 2003). Accidental injuries in the home are a significant health burden (Bartlett 2002).

Violent crime is also a serious problem in many poor urban areas of the developing world, most notably in Latin America. Latin America has the world's highest homicide burden—more than double the world's average of 3.5 per 1,000 people. In São Paulo, between 1991 and 1993, 15- to 24-year-old men in low-income urban areas were five times as likely as their high-income counterparts to be a victim of homicide (Barata and others 1998; Grant and Slowing 1999; Montgomery and others 2003). Women living in poor urban areas are also at risk of violence, often in the form of rape and physical and mental abuse.

The harsh physical and social conditions of day to day life in urban slums can also lead to sustained and chronic stress. Community-based studies of mental health in developing countries show that depression affects many urban adults, with poor urban residents suffering most (Blue 1999; Montgomery and others 2003).

Communicable diseases are widespread among the urban poor

Almost half of the urban population in Africa, Asia, and Latin America is suffering from one or more of the main diseases associated with inadequate water and sanitation provision, including diarrheal diseases and worm infections (WHO 1999). High levels of overcrowding also make poor urban residents vulnerable to contracting communicable diseases, such as tuberculosis, acute respiratory infections, and meningitis, the spread of which is often facilitated by low resistance among the population due to malnutrition. Vaccine-preventable childhood diseases (measles, diphtheria, whooping cough) also spread more rapidly in overcrowded urban areas, where the number of nonimmunized people is high. Inadequate provision for drainage can increase the risk of malaria, as its mosquito vector breeds in swamps and ditches. Inadequate provision for sanitation often increases the risk of urban dengue and yellow fever, as the vector breeds in latrines, soakaway pits, and septic tanks (UN-HABITAT 2003e).

The anonymity of city life, the more permissive social and sexual norms, the presence of sex workers, and other factors have contributed to the high

Urban health services are typically provided by a patchwork of entities

prevalence of sexually transmitted diseases and HIV/AIDS in urban settings. Studies of pregnant women in Sub-Saharan Africa have found very high HIV/AIDS rates in urban settings in Botswana (31 percent), Rwanda (32 percent), and Malawi and Zambia (27 percent) (Stanecki and Way 1999; Montgomery and others 2003). In Asia HIV rates continue to rise in urban settings (except in Bangkok). In Phnom Penh, for example, HIV prevalence among sex workers increased from 10 percent to 42 percent between 1992 and 1996. HIV transmission rates are increasing in Latin American cities as well (Stanecki and Way 1999; Montgomery and others 2003). A growing population of urban adolescents—street children, orphans, and sex workers—is also at high risk of communicable diseases. Too little research attention has been devoted to how to best address their health needs.

Sexual and reproductive health indicators for poor urban women are weak

Poor urban women have worse sexual and reproductive health outcomes than other urban women, and their outcomes rival those of rural residents in some settings. Poor urban women have much higher fertility rates than other urban women, and in many regions these rates are similar to those of rural women (table 4.1). Fertility behavior of urban adolescents is poorly documented, but out-of-wedlock teen births seem to be increasing in Sub-Saharan Africa and Latin America. Poor urban women are much less likely to use contraception than other urban women, and in Southeast Asia their usage rates resemble those of rural women. When poor urban women give birth, they are less likely than other urban women to be attended by a healthcare provider. Poor urban women are also at high risk of contracting sexually transmitted diseases, including HIV/AIDS (Montgomery and others 2003).

Intervention strategies can help address these problems

Urban health services are typically provided by a patchwork of entities, including public hospitals and clinics, private physicians, laboratories, pharmacies, and NGOs. To prevent and treat diseases, governments should design health-care delivery systems, or more specifically health services and public health infrastructure, with the explicit intention of reaching the urban poor and increasing the number of slum dwellers who use healthcare facilities. Health

Table 4.1
Ratio of urban to rural fertility rates for nonpoor and poor women, by region

Source: Montgomery and others 2003.

Region	Urban poor	Urban nonpoor
North Africa	0.89	0.78
Sub-Saharan Africa	0.92	0.85
Southeast Asia	1.11	0.93
South, Central, and West Asia	0.97	0.82
Latin America	0.93	0.80

Building codes and regulations should be realistic and enforceable

education programs should target issues particularly relevant to the urban poor, including injuries, violence, mental health issues, sexually transmitted diseases, HIV/AIDS, and sexual and reproductive health issues. Intraurban data on morbidity and mortality, which are generally unavailable, should be systematically collected. Such data are important for better directing health resources to the neediest groups. More research is also needed to learn more about treatment-seeking behavior of the urban poor, the quality of various urban health services, and perceptions of such care by users.

A variety of intervention strategies can help address these concerns:

- Improve health information services (preventive, curative, reproductive, and environmental).
- Increase access to health service delivery points, by locating facilities closer to poor people and adjusting hours of service to address the constraints of the working poor.
- Encourage community involvement in setting health delivery priorities.
- Target information and service delivery to populations at highest need.

Building codes and regulations need to meet the needs of the urban poor

Building codes and regulations should be realistic, enforceable, and reflective of community lifestyles and culture. In particular, they should reflect the special needs of the urban poor with respect to minimum plot size, incremental construction, and home-based economic activities.

When the high standards of citywide building bylaws and zoning regulations are applied to slum upgrading processes, many homes often have to be demolished and households relocated, often far from residents' work places. A major issue is the required width of the roads (to allow for fire- and health-related emergency services), which low-income communities often consider to be excessive. Bylaws and regulations invariably cater to automobiles. Since there are few automobiles in low-income settlements, such roads serve little purpose and adversely affect community social life. People have coped well with lower standards in slums, sometimes for more than three generations, without being adversely affected.

Regulations related to density and open space also adversely affect communities. The integration of open spaces and streets without through traffic can overcome the problem of open spaces to a considerable extent, especially given that slum communities often use streets as places for social gatherings, recreation, and children's play.

Many regulatory codes ban settlements in ecologically "dangerous" zones from being considered for upgrading and regularization. A sizable minority of poor communities live in such zones, most of them locations prone to flooding. Experience has shown that once such settlements have been removed, the area is often made safe by the building of embankments, after which it is used for

**Communities
can live
comfortably
in small plots
and houses**

higher income housing. Only settlements that cannot be made safe in this way should be restricted from upgrading.

Road width is an issue in new settlements, raising the cost of land and infrastructure for poor communities. Many countries also specify the minimum size of a plot of land or housing unit. This can make housing unaffordable for many poor communities. Studies have shown that communities can live comfortably in far smaller plots and houses, provided they are laid out in a rational manner.

Building bylaws for new settlements prescribe materials and forms of construction that the poor cannot afford. As a result, these laws are violated. To prevent demolition or fines, poor communities have to bribe building inspectors of local governments. The use of appropriate technologies and (traditional) local building materials is more likely to be affordable for the poor and to create employment opportunities for unskilled or semiskilled people (CIDB 2004). In order to optimize employment opportunities, information should be available to developers, architects, engineers, and project planners on technologies, construction methods, and materials that are labor intensive, cost effective, and appropriate with regard to environmental quality. This requires country-specific studies on the comparative advantages of different materials and technologies (as done in South Africa by the National Housing Forum) and promotion of the use of these materials through reform of building codes and regulations.

Building bylaws and zoning regulations seldom cluster communities with infrastructure and shared open space. Appropriate planning could contribute to developing community-provided infrastructure and increasing community cohesiveness.

Most bylaws and regulations promote the concept of segregated land use. But poor households often set up shops and workplaces within their homes. Much of this activity is in the informal sector, although it may serve formal sector enterprises. In the absence of other options, this is the only means by which most slum dwellers can make a living. These violations make poor communities vulnerable to corruption and police violence. Mixed land use should be legalized in low-income settlements and investment promoted for economically productive activities and the development of skills.

City planning bylaws and zoning regulations in low-income countries are derived mainly from experience in developed countries. As such, they are anti-pedestrian, anti-street, and anti-mixed land use—in short, against all the things that are compatible with the priorities and realities of low-income groups. It is necessary to develop bylaws and regulations that cater to the needs, security, comfort, and economic activity of pedestrians and commuters.

In planning middle- or higher income settlements, the needs of the lower income people that serve these settlements are seldom catered for. Housing is not made available for them, and space is not provided for small retail outlets,

Evictions can also occur as a result of badly conceived rehabilitation and infrastructure projects

which crop up in the open spaces and streets in these settlements. These businesses are forced to rely on bribes to avoid being removed.

Procedures for regularizing and upgrading slums and acquiring land for housing are lengthy and cumbersome, particularly since officials often view the poor with suspicion and hostility. These procedures often involve visiting different government offices, far away from one another. They also involve considerable expense for paper work and official and unofficial payments, as well as loss of time and wages. The problem has been overcome in some places by making the entire process a one-window affair by posting government functionaries at the upgrading or building sites in the evening (when people come back from work). Instead of people going to officials, officialdom comes to the people.

Building bylaws for new construction should support the incremental process through which poor people build their homes over time. There should be maximum flexibility to allow use of any (preferably locally created) materials, provided the structure is safe and has sufficient light and air, sanitation, and water facilities, all of which can be improved over time.

To get hold of prime land, many politicians, developers, and bureaucrats take advantage of weak or nonexistent legal protection against forced evictions and the lack of appropriate dispute-resolution procedures. Putting appropriate legislation and procedures in place would reduce evictions considerably and strengthen the legal position of slum dwellers. Evictions also occur as a result of badly conceived rehabilitation and infrastructure projects, often funded by international funding institutions. Criteria for these projects need to be developed, along with laws and regulations for implementing them, through a process of public hearings and the involvement of communities and academia.

The eviction of hawkers in many cities has become a serious issue, adversely affecting the lives of tens of thousands of families. Yet these hawkers can be set up without adverse environmental effects in the same locations where they operate today. Principles for such rehabilitation, followed by rules and regulations, need to be established.

The evidence leads to the following recommendations:

- Bylaws and zoning regulations should be developed for the upgrading process, based on the needs and concerns of the communities living in them. This calls for participatory research into the living conditions in low-income settlements and working partnerships (box 4.1).
- The planning of new low-income settlements has to establish an optimum relationship between resources (financial, human, land); standards; and immediate requirements, recognizing that all three will change over time.
- Measures to encourage prospective homeowners and landlords to use appropriate technologies and local building materials could include creation of a building materials bank, which could also provide assistance to residents on construction techniques, design, and the choice

Box 4.1
São Paulo is making efforts to improve slums and integrate them into the city

Source: Fact-gathering mission to São Paulo, Brazil, April 2003.

Inequities in access to land and services in São Paulo, Brazil, have led to the proliferation of squatter settlements and the marginalization of vulnerable groups. The Slum Action Plan introduced by the Secretariat for Housing and Urban Development (SEHAB) coordinates programs undertaken by different municipal, state, and federal governments and relies on community participation and empowerment. The Bairro legal program aims to improve slums and deteriorated areas and integrate them as neighborhoods in the city with secure land occupancy, adequate access to services and community facilities, improved urban environment and landscaped open space and recreation areas. Priority is given to the designated special zones of social interest, 600 of which have been delineated in the context of the new strategic master plan for the city.

and use of (local) building materials; assistance to residents and their associations on the hiring of small contractors (model contracts could be developed with the association); and training of small construction contractors and engineering consultants to enable them to use local building materials more effectively.² Above all, it is important that the public sector make it an explicit policy to use local resources in general and local building materials in particular in publicly funded construction and public works projects, whenever these options are cost-effective and technically feasible. Without this commitment, private investment is unlikely to change its ways, and the tendency will always be to use imported materials and resources, which are perceived as more durable and prestigious.

- Procedures for regularizing, upgrading, and acquiring new land and housing units should be compatible with the concerns of low-income households and should aim at overcoming the constraints they face in the process, even if it means making changes in the manner in which officialdom functions.
- City-level planning should be pro-public space, pro-pedestrian, pro-informal space, pro-mixed land use, and anti- eviction.
- These recommendations can be implemented only with appropriately trained professionals to carry out research, turn it into appropriate bylaws and zoning regulations, and develop the tools to make them operational. This calls for major changes in the curriculum of planning, architecture, engineering, legal, and medical professions—a topic considered in chapter 5.

Policymakers need to provide alternatives to prevent new slums from forming

Managing the ongoing process of urbanization to provide viable alternatives to the formation of slums requires making available land and trunk infrastructure for the construction of low-income housing as well as devising strategies

The planning structure must be participatory

for providing healthcare, education, access to employment opportunities, and other social services in these areas. The integration of residential and income-earning activities is essential in planning new low-income neighborhoods.

Slum upgrading is a reactive endeavor, responding to a pressing need. Such after the fact action is not an efficient or effective approach to the anticipated expansion of the global urban population in the coming decades, especially in the poorest countries. To address this problem, cities and local authorities need to create policies and plans to create viable alternatives to slum formation. They need to expand the absorptive capacity of cities to accommodate the growing poor populations that will be attracted to them.

There are two elements to an effective planning process, the planning structure and the substantive elements in the plan. The planning structure must be participatory: citizens of a city or urbanized area must participate fully along with the private sector and the civic and political leadership. This participation can take many forms, depending on local culture and local history, ranging from the participatory budgeting of Porto Alegre to the community planning boards of New York. The form is less important than the substantive voice that the process grants to citizens. Pro forma consultations in which testimony is taken but no real input results are not sufficient. The structure must also be one in which the political jurisdiction of the planning entity and the spatial configuration of the planning challenge coincide. City or small-area planning entities faced with regional environmental challenges are inadequate.

The substance of planning for alternatives to new slum formation entails making sites available to accommodate the expected demographic expansion and establishing the trunk infrastructure to make these viable places for the construction of decent low-income housing. Ensuring that the poor have adequate housing in locations central to their places of work and other vital urban services and amenities is also critical. Left to their own devices, markets price out the poor or force them to live at the densities that create slums. Good planning and public regulation of land use created with broad-based citizen participation is the most effective solution to this urban challenge.

Plans are also needed for providing comprehensive public and social services to poor urban residents, including police and fire protection, transportation, healthcare, and education. Private enterprise expansion must be accommodated to provide work for these new urban populations and opportunities for small-scale entrepreneurship. Across the developing world, planning laws are incongruent with the practices of the millions of people who make a living at home. In planning for future urban expansion, land use regulations must not discourage this.

The essence of urbanization is the dense, efficient, mixed use of closely compacted locations. When demand for land expands, those who control the land can extract rents that far exceed their costs. Even in transparent land markets, planning and regulation are needed to ensure compatibility of uses

**Urban growth
can be
channeled
into efficient
processes
of spatial
expansion**

and access to locations for all urban residents. Properly done, this lowers the economic and social costs of urban growth; without proper planning and regulation, it is almost impossible to capture the broader scale economies and social promise of urbanization.

Urbanization cannot be stopped. But urban growth can be channeled into more or less efficient processes of spatial expansion, depending on policy and planning choices. It is less costly in economic, political, and social terms to prepare urban spaces ahead of demand for them than it is to attempt to catch up later.

Cities need to create regulatory and policy environments that encourage private sector participation

Cities have to develop the urban infrastructure (roads, communications, power, transport services, water and sanitation, serviced areas) that can attract and sustain productive investment. For this to happen, they need to offer a regulatory and policy environment that encourages private sector endeavors (from small efforts to large-scale ones) and public-private partnerships.

A key to creating economically sustainable cities capable of overcoming the complex social, political, and economic challenges associated with deepening and expanding urban-based poverty is a vibrant private sector economy—one in which businesses of varying scales operate side by side in a complementary and growth sustaining relationship. Fostering such an economy means encouraging both long-term foreign investments and domestic entrepreneurship.

Successful cities are characterized by a social infrastructure that rests on a three-legged stool of strong local and accountable government, vital civil society organizations, and a dynamic business leadership. Public-private and civil society partnerships are crucial to the efficient management of public resources and the improvement of services. It is a local government responsibility to protect the interests of its community, especially its poorest residents, when dealing with the private sector. Only when such sustainable political and social institutions of accountability are in place can the physical infrastructure needed to increase private productivity follow easily.

How can this process be initiated? The first step must come from government. Local governments should be encouraged to create regulatory and policy environments that are inviting to outside investors and supportive of local entrepreneurs. The active participation of private enterprise depends on the ability of municipalities to engage the business sector and convince business leaders that the resources they provide will be well managed. In Latin America private enterprise is starting to take a more active role in local economic development, with creative approaches to integrating poverty reduction and social inclusion in strategies for local development. The experience of the local development fund in Nejapa, San Salvador, supported by the Swedish International Development Cooperation Agency (Sida), demonstrates the resource

**Business
associations
can perform
delegated public
functions**

mobilization potential of these promising mechanisms (Serageldin, Solloso, and Valenzuela 2003).

The success of local economic development strategies is often linked to the involvement of representative organizations of entrepreneurs and workers, whether in self-help groups for income generation (often registered as NGOs or community-based organizations), cooperatives, small business associations, chambers of commerce, sector-based employers' organizations, or trade unions. Although the origins and motivation of such organizations differ widely and are not always aligned, it is essential to strengthen their voice and participation in economic planning processes and their role in service to their members. The right set of policy incentives, good governance, and regulation is needed to prevent the patronage, clientelism, and rent-seeking behavior that are intrinsic to all social institutions.

Business associations can perform delegated public functions, such as tax collection among members, as they do in Ghana. Such experiences highlight the positive role these economic associations, cooperatives, and enterprise networks can play in supporting and complementing markets, with beneficial outcomes for the poor.

In parallel to these business and labor-based organizations, local organizations of the working poor can do a great deal to foster social capital and mobilize the savings of their members (see chapter 2). New and dynamic entrepreneurship cannot be fully realized without building on the (often extralegal or informal) networks of people and collectives. Recognizing, trusting, and empowering these structures is fundamental to building viable local economies.

The context created by national governments matters greatly

National governments must provide stable macroeconomic policy, transparency in decisionmaking, a willingness to decentralize resources and responsibility to local governments, and resources to overcome local revenue shortfalls. They must be willing to engage in public-public partnerships by offering special incentives to lagging regions when needed and providing leadership for the creation of intragovernmental agencies and authorities that allow provincial and local governments to act on regional challenges that spill over municipal borders. Absent these steps, nothing proposed here is likely to succeed. Sound macroeconomics and national growth policies create a context for broadly shared prosperity, but they do not ensure it.

Local governments need to establish dialogues with local organizations, streamline regulatory processes, and foster social inclusion

At the local level, the efficient use of the opportunities that good national governance provides is essential. As a first step, local governments have to recognize and value the potential of their local population and their organizations. Establishing a dialogue between local government and local economic

**Programs
promoting
development
must also foster
social inclusion**

organizations allows practical, effective regulations to be created more efficiently. These regulations could address a range of issues that would help create an enabling environment for more productive development and gradual integration of informal economy actors. Local government also needs to streamline the regulatory processes if local small businesses are to thrive (see below).

Where decentralization is recent or ongoing, municipalities can be reluctant to delegate authority or share revenue with other entities, making it difficult to collaborate on initiatives. In poor regions bypassed by development, programs promoting development must also foster social inclusion. Intermunicipal initiatives can significantly enhance the effectiveness of these efforts. In the State of Rio Grande do Sul, Brazil, the action plan of the 25 municipalities of the Missões region to address economic development and alleviate poverty provided the coherent and focused framework needed to mobilize multistakeholder support (Serageldin, Solloso, and Valenzuela 2003).

Partnerships between the public and private sectors, and with nongovernmental and community-based organizations, can improve service delivery

Working with the private sector has long been standard practice for local government. Except in China, major public works contracts are generally awarded to private firms. Recently, there has been an emphasis on partnerships between local governments and large multinational firms in the field of infrastructure construction and operation. While network construction has always involved public tendering, operation has been more mixed. Most service provision has been carried out directly by the government. The goal behind the public-private partnerships is to expand the role of private providers to providing services in order to improve quality, extend coverage, and lower rates.

Recent evaluations by the World Bank and NGOs indicate that many of these arrangements do not meet the needs of the urban poor (ActionAid International 2004; World Bank 2004b). While operational efficiency can be enhanced through private provision, the private sector can undertake the financing of infrastructure projects only if users can pay the full cost of service delivery. In many poor countries, this is not the case, and public subsidies are required for full coverage.

NGOs and community-based organizations have emerged as key partners in delivering services. Pervasive difficulties within local government in securing financing for capital investments, outreach, and community organization has been the driving force behind a shift toward partnerships with NGOs and community-based organizations (box 4.2).

In general, the private sector is better able to provide services for which the market is competitive (such as telecommunications) and in which competitive prices can cover full costs than it is to provide services in industries that involve a high degree of natural monopoly (such as water, sanitation,

Box 4.2
The Slum
Networking Project
(Parivartan) is
improving the
quality of life for
slum dwellers in
Gujurat, India

Source: Serageldin,
 Solloso, and
 Valenzuela 2003.

In the mid-1990s the Ahmedabad Municipal Corporation (AMC), in Gujarat, India, initiated the Slum Networking Project (Parivartan) to provide infrastructure to slums, where 41 percent of the city's population lived. The AMC sought assistance from the Self-Employed Women's Association (SEWA), an NGO that empowers low-income women working in Ahmedabad's informal sector (which employs 96 percent of employed women) by extending microcredit for housing and economic activities. Within five years, Parivartan reached 9,435 families—56,610 people—in more than 40 slums, and the program is being expanded to include 59 more slums. Enhanced ability to generate income and access to employment opportunities has increased families' monthly expenditures by 33 percent. Access to reproductive health information and services has also been a consistent element of SEWA's empowerment priorities.

and electric power).³ In industries in which many firms operate, markets self-regulate through competition. In contrast, in industries characterized by natural monopoly, a high degree of regulation is required if the industry is privatized. Stripped of ideology, the policy question is simply whether it is more efficient to effectively regulate prices and outputs of the private provider or to provide the service directly? Whether the services are provided by the public or private sector, the key to effectiveness is the quality of the regulatory system. The lack of such effectiveness makes both direct provision and tendering problematic in most low- and middle-income countries (World Bank 2004b).

While the advisability of such public-private partnerships can be assessed based on experiences in other settings, it must be determined locally, according to local situations and strategies. It is important for local governments and citizens to be well apprised of the advantages and pitfalls of privatizing public services and to possess the capacity to make judgments not only on capital financing for initial investments but also on operations and maintenance costs and long-term burdens and benefits, particularly for the poor. In few other fields of urban governance are transparency and accountability as vital.

Local government partnerships, multisectoral strategies, and integrated initiatives in which NGOs and communities have a strong role are key features of programs developed in the past decade. The range of partners has grown in parallel with decentralization and the prevalence of partnerships with private enterprises and community-based organizations. The best governed local authorities are making bold decisions, negotiating with communities and social movements and advocacy groups, entering into agreements with strategic partners, and instituting innovative practices.

Private sector development should explicitly seek to avoid having negative socioeconomic impacts on the urban poor

One of the greatest fears of many concerned with the urban poor is that campaigns to stimulate the private economy have too often become a “race to the bottom,” in which cities compete to attract private financial investment,

**Access to
sustainable
sources of
livelihood needs
to be increased**

regardless of the social or economic costs. Based on experience during the 1980s, structural reforms designed to reduce regulation and social spending created at least as many costs as benefits. A striking result was the often sharp disconnect between the experiences of urban elites and the urban poor, who suffered greatly. In many cases the expansion of local urban economies was correlated with the expansion of urban slums (UN-HABITAT 2003a). There was nothing inevitable about this outcome. Policy mattered greatly. The structural adjustment process placed a heavy emphasis on attracting foreign direct investment by essentially shifting social costs to the poor. These programs are not the same thing as sensible regulation and balanced social policy.

The net result of structural adjustments on cities has been mixed at best. Ocampo (2004) estimates that in the three decades before structural adjustment, annual per capita GDP growth in Latin America averaged 2.7 percent. In the 13-year period from 1990 to 2003, growth averaged just 1.0 percent. Foreign direct investment rose, but that had more to do with the cyclical nature of the global business cycle than the positive effect of structural adjustment.

The experience of São Paulo mirrors the experience of Latin America as a whole. Over the two decades of structural adjustment, the city experienced both large increases in cyclically driven foreign direct investment and an expansion of its slum population. Today the city and region are grappling with the pollution, congestion, and poverty that the rapid expansion of the recent decades set loose but failed to address. The reformist national government of President Luiz Inácio Lula da Silva is acting to redress the situation. It established a new ministry of cities (Brazil, Ministry of Cities 2004), which seeks to foster the expansion of the private sector while stimulating the development of the other two legs of the three-legged stool, which have been underdeveloped. The new policy renounces the notion that cities should compete with one another, instead fostering cooperation among cities, states, and regions.

The point is not that we need to go from deregulation back to regulation. Rather, we need to understand the context in which markets operate. It is still necessary to unburden the private sector from unnecessary regulation. A recent World Bank report noted that poor countries make it twice as hard as rich ones to start new business enterprises and that a decrease in regulations would add as much as 2.2 percent to the rate of GDP growth (World Bank 2004b). Countries have to examine their regulatory environments to determine which regulations serve an effective function and which do not. Municipal governments can do much to stimulate business formation that can work for all.

Access to employment increases inclusion, reduces poverty, and helps the poor afford adequate housing and essential services

Access to sustainable sources of livelihood (through formal, informal, or self-employment) needs to be increased, and the importance of the informal economy needs to be acknowledged. To enable slum dwellers to take advantage

**A vibrant,
integrated
city economy
is critical**

of employment opportunities, cities need to eliminate restrictions and unreasonable burdens on local enterprise development. This includes reducing the costs and increasing the benefits of formalization (by enhancing security, for example, and increasing access to public procurement and relevant information on market opportunities and business development support). Finance, business development services, education, and skill training are vital to creating an enabling environment for job creation.

Unemployment and informal employment are disproportionately high among slum dwellers, especially youth, and the quality of their jobs is often low. Breaking the cycle of poverty requires local wealth creation, in which step-by-step progress toward more and better jobs and social inclusion are mutually reinforcing (ILO 2003). Meeting target 11 will require explicit actions to improve urban employment and income opportunities. Sustainable sources of livelihood are critical, as well as an acceptance of the importance of the informal economy (ILO 2002).

A vibrant, integrated city economy is critical to reducing poverty among slum dwellers. Urban authorities have little, if any, influence on the national economic parameters that affect urban economies, but they can pursue policies and develop programs that affect local economic parameters, including employment opportunities for the poor. The challenge is to apply a consistent pro-poor approach.

The scope for action is broad: identifying sources of inward investment; marketing the municipality; providing the physical infrastructure for business development and job creation, including home-based enterprises; adopting pro-poor procurement and labor-based methods when creating and maintaining infrastructure and providing basic services; easing the regulatory and fiscal burden for start-up and growing enterprises; and facilitating financial and business support for local enterprises. City authorities can also engage in consultative, local development approaches.

Much of this agenda is relevant for all cities around the world. Two avenues for action stand out as explicitly pro-poor and pro-employment: optimizing the employment impact of upgrading strategies and promoting the creation of quality jobs in the local small-scale private sector. Both imply mobilizing and maintaining firm partnerships with civil society and the private sector.

Infrastructure is key to improving the living conditions and economic opportunities of slum dwellers

Lack of infrastructure hinders private sector development, deterring the establishment of new enterprises, hampering the productivity of existing ones, and harming potential employment creation. The process of infrastructure provision is as important as the end product. Employment-intensive and local resource-based techniques can be applied to a wide range of infrastructure works, including roads, sidewalks, low-level bridges, drainage, on-site sanitation, water and

Most of the urban working poor are part of the informal economy

sewerage reticulation, land development, electrification, and building works. These methods are particularly well suited to infrastructure solutions in densely built up slum areas. The procurement system can be used as a pro-poor tool to enhance the social and economic benefits of urban upgrading investments. Even a minor shift toward more employment-intensive technology options in infrastructure investment can have a major impact on aggregate employment creation, given the capital inflows involved.

Stimulating small enterprises can spur local economic development

Enabling frameworks and promotional policies for local small-scale enterprise development are another important avenue for spurring pro-poor economic development. Most of the urban working poor are part of the informal economy. They work in low-paid, low-productivity, and low-security jobs. Informality has high costs to both informal workers and the municipality. Informal workers lack security, access to markets, finance services, and other types of business support. The municipality suffers in terms of the negative externalities created when a large share of the city's economic activities are outside the formal arena (reduced tax income, difficulty securing formal outside investment, and so forth).

The costs of formalization and the local tax burden inhibit many entrepreneurs from formalizing their businesses (Van der Ree and Kuiper 2004). However, local authorities can lower these costs and increase the benefits of formalizing. They can also help small enterprises upgrade skills and increase their access to productive resources and market opportunities. A long-term vision on increasing the general tax base should prevail over short-term efforts to capture part of the business revenues through levies and fees.

Examples of good practices abound. When municipalities in Bolivia and Peru simplified the bureaucratic steps and reduced the processing time for registration, many more entrepreneurs decided to register. As an incentive, some municipalities established business advisory offices for incoming entrepreneurs (ILO/PROMDE 2002). A more positive, enabling attitude on the part of local authorities can significantly enhance business security, market opportunities, and access to financial services (box 4.3). In Curitiba, Brazil, the local government is attempting to stimulate enterprise development for the poor by creating an incubator. The Curitiba incubator, called Employment Line, consists of warehouses and training facilities located in a low-income section of the city. Microenterprises are exempt from municipal taxes for the two years they are permitted to remain in the incubator. The goal of the program is to create new skills, income-generation capacity, and employment opportunities for the urban poor.⁴

Entrepreneurs operate in rapidly changing markets. Their need to access information, skills, and business advice increases constantly. As markets become more global, smaller enterprises struggle to cope with these challenges. Faced

Box 4.3**Durban's vision for the future includes a policy on the informal economy**

Source: Correspondence with ILO; www.ilo.org/seed.

Recognizing the need for a comprehensive, inclusive policy on the informal economy, the city of Durban, South Africa, embarked on a consultative process backed by solid research. The vision adopted was one of Durban as a city with many employment opportunities, that is safe and attractive to investors, in which people live in a healthy and well managed environment. This vision had to include the actors in the informal economy. The outcome of this consultative process is a policy with the following major components:

- Promotion of diverse economic opportunities along the spectrum from informality to formality.
- Area-based management combined with sector-based support to small enterprises.
- Integration of the functions of management and support for enterprise development and regulation.
- Simple registration procedures.
- An integrated approach to environmental, occupational, and public health.
- Capacity building of organizations of informal workers.
- Promotion of safety and security through local action.
- Securing the participation of formal businesses.
- Integrated and inclusive institutional structures.
- Monitoring and evaluation mechanisms.
- Pilot projects.

The policy, adopted in 2000, is based on the recognition that the challenge of governing the city has to include enterprise development. It also acknowledges that management and support of the informal economy is a task that can be undertaken through consultation with stakeholders and the provision of incentives.

The Durban initiative has sparked similar consultations in other South African cities, notably Johannesburg. With the support of StreetNet (an NGO), and the International Labour Organization, capacity building in organization and representation will accompany the process of collective bargaining that has started.

with intense competition, a race to the bottom may seem the only viable option, leading to increased pressure on wages, working conditions, and workers' rights. Access to effective business advisory and support services, and the capacity to deliver them, are critical in tackling this situation. Such services should be designed to meet the needs of microentrepreneurs and the self-employed operating in the informal economy, as well as modern small-scale enterprises.

Solutions that progressively blend competitive advantage and higher value products with improvements in job quality are strongly advocated. Support services should help increase productivity and competitiveness and identify market niches, while ensuring that decent work becomes a productive factor.

A special approach is required to address street trading, a livelihood for many poor and vulnerable residents. Recognition of the value of street trade for the poor—as both workers and purchasers of low-priced goods—should guide policies, as jobs are more easily destroyed than created. Street traders' organizations can become important partners and coregulators if local governments are willing to work with them. Home-based enterprises should also be supported rather than obstructed (box 4.4).

Box 4.4
Home-based enterprises are a significant source of income for the poor

Source: Tipple, Coulson, and Kellett 2001.

A study examining home-based enterprises in four cities in Bolivia, India, Indonesia, and South Africa found that home-based enterprises take a range of forms. The most common is a small outlet selling daily household necessities for people without refrigerators or much storage space. Home-based production enterprises are often in the food processing and clothing sectors. Other enterprises range from TV tuner assembly to cricket breeding (essential for feeding ornamental fish and songbirds, which are much prized in East Asia).

Home-based enterprises greatly increase employment opportunities, particularly for women. They account for 50–75 percent of all household income for participating households.

These businesses occasionally pose threats to health and safety, but most operators are well aware of risks and take action to minimize dangers. Home-based enterprises do not, as is often claimed, bring extra traffic into residential areas. They are associated with better living conditions, including more indoor space.

The planning of new residential areas in developing cities should reflect the needs of these small-scale entrepreneurs. Access roads, electricity grids, water supply, waste collection, and sewerage facilities should be commensurate with light industry. Planners need to recognize that slum areas are not single-use districts. Policymakers must allow locally managed regulation of home-based enterprises in collaboration with community representatives; provide infrastructure such as water, sanitation, and electricity with home-based enterprises in mind; and allow space for home-based enterprises when allocating plots in newly created residential areas. Women in particular stand to benefit from such forward-looking land use policies, because of their dual roles as income earners and homemakers.

Developing and supporting small-scale construction reduces building costs and creates employment for the poor

The construction sector and building materials industry have immense potential to increase employment through the use of local materials, local technologies, and local small-scale enterprises. Manufacturing technologies that involve small-scale, labor-intensive building materials have large multiplier effects, creating local employment while reducing transport costs. However, small-scale enterprises are rarely used for large-scale projects, for several reasons, including market distortions favoring imported materials, building regulations that are often inappropriate or incompatible with their products, and consumer resistance to the use of local materials (ILO/UN-HABITAT 1995).

In South Africa construction of a masonry house generates about 3.5 times more person-hours of employment than an equivalent precast concrete house (at about the same cost) (CIDB 2004). In Santafé de Bogotá, Colombia, small-scale units use 10–20 times more labor per unit of production than large-scale plants. For the same capital, 100 times more jobs can be created in small-scale, labor-intensive brick manufacturing than in large-scale mechanical plants, and small-scale plants were shown to be able to produce bricks at one-third to one-half the cost of large-scale plants in Colombia (ILO/UN-HABITAT 1995).

The choice of technology also determines who will benefit from this employment. Appropriate technologies and (traditional) local building materials are

**The resources
of the poor
can be put to
productive use**

more likely to provide employment opportunities for unskilled or semiskilled people (CIDB 2004). In Burkina Faso the use of *banco* bricks as the basic building material in 100 low-cost dwellings minimized construction costs, provided small-scale *banco* brickmakers with income, and ensured the survival of artisans skilled in brick-laying. The large-scale use of this material has also helped reduce the rate of urban unemployment.

Organizations and community groups need to be empowered to participate meaningfully in planning

Underlying these pro-employment policies is the fundamental principle of empowering organizations of economic actors and community groups to participate meaningfully in planning, budgeting, and implementing employment-focused urban poverty reduction strategies (box 4.5). This principle holds for community-driven infrastructure creation and private sector development alike. Residents organizations (especially those of slum dwellers), cooperatives, small business associations, chambers of commerce, local trade unions—these are the institutional partners needed for a representative urban dialogue. The resources of the poor can be put to productive use if they are recognized and reinforced as genuine development partners.

**Box 4.5
Supporting
women micro-
entrepreneurs and
their associations
is improving
lives in Benin
and Ethiopia**

Source: Correspondence with ILO; www.ilo.org/seed.

Despite the important contribution of women microentrepreneurs, municipal authorities seldom take their concerns into account. Usually, these women must count on their own efforts and ingenuity in developing their activities, with the assistance of their families and relatives. Some development organizations have provided support to small and medium-size enterprise development as a means to reduce poverty.

In Cotonou, Benin, the International Labour Organization (ILO) has pursued an integrated approach that combines financial and nonfinancial assistance. Based on existing savings and credit systems, a mutual guarantee fund was established, boosting loan facilities for groups of women entrepreneurs. Capacity building for association building and collective initiatives underpinned the approach. A self-managed center was established with the support of the municipality. More than 2,000 women have benefited directly from the initiative. Their groups now have well functioning relationships with local banks and the municipal authorities. Their success and visibility has led to the replication of the approach in other cities in Benin.

In Amhara, Ethiopia, associations of women microentrepreneurs have been strengthened through ILO-supported training. After analyzing their needs and prioritizing their actions, the women held a pilot trade fair exhibiting their products in a central location in town. The commercial success of the one-day fair—sales at which represented more than normal monthly turnover—sparked interest in joining and increased membership contributions. In consultation with the city authorities, one of the central road junctions has now been designated for holding trimonthly trade fairs.

Mobilizing resources and investments

All factors of production, including financial capital, human capital, and land, need to be mobilized to improve the lives of the urban poor. Financial investment alone implies an “enclave economy”—one that creates jobs and wealth for those within it but does little to spread beneficial impacts to the larger population. When conditions are no longer favorable, resources are quickly withdrawn and sent to more promising venues, leaving poverty in their wake. To anchor financial capital and gain the most from its presence, investment policy and plans must be harnessed to enhance human capital and land resources. This chapter highlights the policy issues on each of these three fronts and the roles for different development actors.

Land and finance are the main material resources for improving the lives of the urban poor. But the central thesis of this chapter is that human resources have to be mobilized before material resources can be harnessed. This principle applies to all actors and institutions in urban development. Financial resources and investments cannot be mobilized at a scale commensurate with the task without capable and responsible financial institutions. The urban poor themselves are an important resource, one that can best be called on by supporting the capacity of the organizations that represent their interests. The people who work in government are also crucial—the quality of their performance determines the credibility of a city, both with its own citizens and with the funding and financial institutions on which urban development ultimately depends.

Most of the funding for improved housing will come from local sources

The task force assumed that over the long term, a considerable amount of the required investments for achieving the Millennium Development Goals targets at the urban level will have to be based primarily on domestic capital, including

The urban poor themselves are the key resource

tax revenues from property taxes, savings, and productive investments. The more competent and transparent national, local, and community-level institutions are, the more efficient and viable local financial markets become.

Although there is a pressing need for more external financial aid to poor countries, such aid will make a difference only if it leverages local financial resources, which are recurrent and critical to long-term development goals. These resources include the resources local authorities can raise through taxation. Three sources of resources should be considered: local communities, domestic financial and banking systems, and international agencies.¹

It is always important to distinguish the challenges that low-income countries face from those faced by middle-income countries. Low-income countries desperately need external financing in the form of grants, not loans, at this early stage, no matter how well they are able to mobilize resources internally. In contrast, middle-income countries can handle many of their challenges through loans, internal financing mechanisms, and improved public policies. To the extent that this report focuses on improving internal financing mechanisms, middle-income countries are in the foreground. In the long term, these financing options may be relevant to today's low-income countries as well.

Countries around the world have successfully mobilized community resources

Numerous cases documented in this report and elsewhere show how important communities' contributions are to their own housing.² With the support of aggregated communal funds, communities can leverage a variety of sources of domestic and international funding, with significant multiplier effects.

At the most local level, the urban poor willingly contribute their own resources to upgrade their homes and communities and create new shelter and services, particularly when some secure form of tenure exists. Their contribution creates direct and leveraged financing that would not otherwise be available, and it lowers housing and upgrading costs, thereby decreasing the financial resources required.

Funds of urban federations of the poor are currently operating in 10 countries (see chapter 2). Community-based collectives place part of their savings in these funds, which are used to help members acquire land, build homes, and develop livelihoods. Governments and external agencies can also use these funds to channel support to federation activities. Most funds are run by boards, on which federation members make up the majority. The amount of member savings mobilized by these funds can be considerable (box 5.1).

There are some common misconceptions about the ability of the urban poor to repay the full costs of housing development or slum upgrading. One is that they finance their housing through microcredit. Microcredit can certainly be valuable for urban poor groups, providing members with emergency credit

The challenge is for governments to match the considerable efforts of the urban poor

and short-term loans that are fully recovered. It cannot be used to finance the much greater costs of new housing or upgrading. If the urban poor had sufficient income to take loans that covered market prices for secure, good-quality housing, achieving target 11 would be relatively simple. Going to scale would involve little more than vigorous promotion of self-help savings schemes and other vehicles for microcredit, and the need for external credit would be reduced or eliminated. In fact, slum dwellers live in slums because of the gap between what they can afford to pay for housing and the market cost of the cheapest adequate, legal home on a site with infrastructure and services that is also close to income-earning opportunities.

Another misconception is that the organizations of the urban poor fund their new housing solutions through loans from which all costs are recovered. This is unrealistic. The federations recognize that “solving” their members’ housing problems through loan finance can impose impossible loan repayment demands on them.

The crucial challenge is therefore for governments, particularly local governments, to match the considerable efforts and investments of the urban poor by allocating more resources within their budgets, and from other sources available to them, to slum upgrading and affordable low-income housing. Governments must institute practices that narrow the gap between the cost of adequate housing and what very poor people can afford to pay without compromising on their other needs.

Box 5.1
Federations of the urban poor have amassed significant funds

Source: d’Cruz and Satterthwaite 2004.

Federation funds in Cambodia, India, Namibia, the Philippines, South Africa, Thailand, and Zimbabwe have raised hundreds of thousands, even millions, of dollars for use in helping the urban poor:

- In Cambodia the Urban Poor Development Fund was set up with \$103,000 contributed by the federation, the municipal government, the Asian Coalition for Housing Rights and MISEREOR, a German NGO. It now has \$365,000, including funds from the Prime Minister’s fund.
- In Namibia the Twahangana Fund has \$300,000 in member savings and support from government and international donors.
- The Urban Poor Development Fund in the Philippines has \$700,000 in federation members’ savings and \$1.7 million in funds from the Philippine government and international agencies.
- The uTshani Fund in South Africa was initially capitalized with a R4 million grant from donors, followed by a grant of R10 million from the South African government’s Department of Housing (\$1 = R6.15). It currently has R48 million and has generated an estimated R350 million worth of net benefits.
- In Zimbabwe the Gungano Fund has \$242,000 in member savings, a loan from a South Africa federation, and grants from donors.
- In India and Thailand much larger funds support community-driven development. In Thailand this is a combination of savings and government support (\$13.8 million); in India, it is a combination of savings and international donor support.

**Restrictions
on public
expenditures
for capital
investments
must be
alleviated**

Federations' activities are based on the following principles:

- Avoid forcing slum dwellers to move from good central locations; spare them the many costs of relocation. When direct construction costs, trunk infrastructure extension costs, and the individual time and money costs of travel to work are taken into account, community-managed upgrading often turns out to be much cheaper than building comparable new housing units in outlying locations. In Bangkok low-income households threatened with eviction initially relocated to secure sites and new homes supported by the government; now their networks encourage them to secure the right to upgrade their existing homes, because relocated sites are too far from income-earning sources (Boonyabancha 2003).
- If new housing is the best approach, seek all means to keep down the cost of adequate housing—through self-help; smaller plot sizes; cheaper, locally available materials and bulk buying; modified infrastructure standards; and community involvement in installing infrastructure.
- Obtain land cheaply in good locations. Local governments may claim they have no land to allocate, but surveys of vacant land by the federations (described in chapter 2) have often shown that suitable sites exist.
- If government subsidies are available, have them allocated to support community-driven processes rather than contractor-built houses. In many of the federations, community-driven processes have shown that they can produce infrastructure and good-quality housing for a fraction of the prices charged by contractors (Mitlin and Mueller 2004; Baumann, Bolnick, and Mitlin 2001; VMDSFI 2001).
- Use credit carefully, recognizing the limited repayment capacity of low-income households and their difficulties when faced with shocks (the death, illness, or injury of an income earner) or stresses (rising prices, falling incomes, higher interest rates). The lower the unit costs, the greater is the potential for community-generated credit to handle repayment.

The federations and their support NGOs and funds recognize that good practice should help people avoid taking out loans or allow them to take out the smallest loans they can rather than maximizing the size and number of loans—the conventional measure of “success” applied by international agencies.

Domestic financial and banking systems can provide funds for housing

Responsible public sector borrowing in financial markets at both the national and subnational levels and private sector banking systems for household loans can prove useful at both small and large scales. Macroeconomic constraints and restrictions on public expenditures for capital investments must also be alleviated to improve the lives of slum dwellers and achieve other Millennium Development Goals targets.

Sound economic policy and sound social policy are not incompatible

Responsible public sector borrowing and a consumer loan market for household loans presumes the existence of commercial banks and other financial institutions with the capacity to service social investment capital needs and an interest in reaching the poor. Local finance options hold the most promise for the democratic, flexible deployment of capital resources and investments embodied in community funds. Financing large urban development investments will depend in part on strong domestic municipal capital markets, small business lending, and domestic housing finance that can provide the kind of recurrent, institutionalized, self-regulating funding markets that are key to both public and private sectors for sustainable economic growth.

There are two prerequisites for the emergence of this kind of domestic system: macroeconomic policy that balances fiscal and social concerns and a well regulated and administered banking system. In practice, it is impossible to develop one without the other.

Balancing needs in macroeconomic policy. In many low- and middle-income countries, important social and physical investments have been constrained by stringent and fiscally conservative macroeconomic policies encouraged (or required) by international lending agreements. These countries walk a policy tightrope—striving to be “fiscally responsible” to satisfy international finance interests while providing for the scale of social investments required by sound development policy and the Goals.

For urban poverty reduction investments, this dilemma has been particularly acute. In a fiscally tight environment, social investments have not typically been prioritized at the local or national government levels.³ Furthermore, in an era of decentralization, municipal or subnational government agencies often face new responsibilities without sufficient capital transfers or statutory rights to mobilize local revenues.⁴ Limited investment in administrative efficiency has created additional development obstacles, particularly in the realm of tax and land administration and in the establishment of an institutional regulatory framework for local bank and finance systems. In response to financial resource constraints, municipal governments have at times engaged in a race to the bottom by creating inefficient, unsustainable tax incentives to compete for foreign investment as compensation for the lack of forthcoming domestic capital. Yet local and national government budgetary commitment are critical to a scaled-up effort at working with the urban poor to improve lives today and providing alternatives for the future.

A reevaluation of macroeconomic guidelines is overdue. Sound economic policy and sound social policy are not incompatible, though their time scales can often be quite different. Economic policy is typically measured in quarters and years; social policy can take years to make its impact felt. When poverty reduction is a target for both policies and there is political will to carry the joint policy forward, social and economic imperatives are easily reconciled.

**It is always
easier to defer
investments
than to
postpone
current services**

For example, the government of Brazil is aware of the need to reconcile social and economic policy. It is doing much to mobilize actors and create a new platform for serious and open discussions of how to better strike the balance described here. For the Brazilians the connection between tight fiscal policy and its national urban crisis is obvious. The Brazilian Ministry of Cities recently noted that “since the 1990s, the predominant model . . . [had been one of] tax adjustment policies, and the stability of financial resources of the States at different levels, based on guidelines stated in international agreements. . . . [This] had a direct impact on the Brazilian sanitation crisis. This contradiction reached its peak in 2000, 2001, and 2002, when financial investments dropped drastically, and certain restrictions were imposed on the public sector, which operates 95 percent of the sanitation services” (Brazil, Ministry of Cities 2004, pp. 56–57). Sanitation investments in Brazil during this period dropped from 0.4 to about 0.07 percent of GDP—with resulting service disasters.

The International Monetary Fund (IMF) is beginning to recognize this unnecessary contradiction between economic and social service imperatives. A recent staff paper points out that cuts in public investments were on average more than three times as large as cuts in current spending during periods of fiscal adjustment in the 1980s (IMF 2004). It is always easier to defer investments than to postpone current services. Given that roughly 70 percent of all infrastructure investments in developing countries during the 1990s was financed by governments or public utilities, policy constraints on expenditures had particularly significant impacts (DFID 2002). This is of particular concern in sectors such as water and sanitation. The IMF staff paper cites estimates showing that half the fiscal adjustment in Argentina, Bolivia, Brazil, Chile, and Peru during the 1990s reflected a compression of infrastructure investment, which reduced longer term growth by about 3 percent a year (IMF 2004).

The task force supports efforts by Brazil and other middle-income countries to establish an international dialogue on reevaluating current fiscal macroeconomic guidelines in order to be able to devote domestic resources to social investments, particularly slum upgrading. This dialogue should be welcomed by international institutions as well as private sector actors whose participation in financial and banking systems will both follow and guide the desired domestic balance between fiscal conservatism and social investments.

Investing in administration and regulation. Viable macroeconomic policies provide an important context, but alone they will not ensure the emergence of the finance and banking system that cities will need. These systems require well functioning regulatory agencies at both the national and local levels, as well as competent administrators and personnel within the private banking system to allow for the transparency that can give depositors and investors confidence to put their assets at risk within the system. These requirements should be

**The poorest
segment of
society suffers
most severely
when financial
markets
collapse**

viewed as integral to the social spending that a reformed and socially balanced macroeconomic policy must support.

The linkage between responsible, transparent, and effective financing and banking and socially balanced macroeconomics becomes especially clear in the face of crises. Inevitably, the poorest segment of society suffers most severely when financial markets collapse. This was clearly illustrated in the financial crisis that began in Thailand in 1997 and spread across the globe (box 5.2).

The importance of transparency and self-regulation in finance and accounting management, especially for loan markets, is also relevant for local government financing options. Administrative capacity and performance have a significant effect on municipal access to finance and responsible management. A recent discussion paper from the Cities Alliance argues that constraining factors from a lender's perspective include the lack of a transparent accounting system, the absence of collateral, and revenue streams that do not match debt costs (Rajivan 2004). Impediments from the city's perspective include high transactions costs, the absence of fiscal incentives for municipal debt offerings, and the limited experience of lenders and rating agencies in providing security that is not based on such traditional instruments as collateral or guarantees (Rajivan 2004). Such constraints and impediments require investment in effective public administration (especially with regard to tax systems), so

**Box 5.2
Macro financial
crises touch the
poor, and the
poor respond
innovatively:
An example
from Thailand**

Source: Agénor 2002;
Boonyabanha 2001;
Mitlin n.d.

During the early 1990s, Thailand was challenged by a large current account deficit and enticed by the relative ease of external borrowing. Given its pegged exchange rate, this external borrowing left Thailand excessively exposed to foreign exchange risk in both the financial and corporate sectors. Despite efforts to hold off the potential for speculative trading of its currency, Thailand was pushed to devalue the baht, with predictably drastic repercussions. The Thai stock market dropped 75 percent in 1997 after the devaluation and Finance One, the largest Thai finance company, collapsed.

Another story was unfolding at the same time—the effect of the financial crises on the urban poor. When finance companies closed, low-income jobs in their support sectors vanished. The Thai poverty incidence increased, real wages fell, and the open unemployment rate rose. A survey of members of urban poor community networks (which include the lowest 10 percent of income earners) found that the incomes of 64 percent of families had fallen an average of 24 percent between 1997 and 1998, and 56 percent had too little income to meet their basic needs.

This crisis was an opportunity to re-examine how local financing and banking could be better managed. The Urban Community Development Office, a government agency providing loans to organized communities (see box 3.1), met with community leaders to re-evaluate loan management processes. To improve management, it restructured loans to prevent repayment problems and to change borrowers' approach to loans and loan management. As a result, the number of community groups with problematic loans declined between 1998 and 2000, while the number of membership groups and savings increased.

**Flexible
financing
systems will
have to be
created to reach
communities**

that municipalities can build the fiscal records and revenue bases required to leverage finance and channel it to work for the urban poor.

Recommendations. Making domestic banking and financing systems more reflective of the needs of urban poverty reduction will require policy interventions at the macroeconomic level. Action will be required by both national and local governments to incorporate urban social investments into their core budgets and to facilitate the creation of flexible financing mechanisms that reach communities.

The task force recommends the following policy actions:

1. Allocate explicit national and local government budgetary spending for urban poverty reduction strategies, particularly slum upgrading and planning for future urban poor populations (in housing finance, land, and other relevant markets).
2. Invest national and local government funds in local public administrative and management education and employment (that is, wage) incentives.
3. Pass legislation and allocate budgetary funds to standardize and improve transparency of fiscal record-keeping and accounting systems at the local government level.
4. Hold one or more international workshops at which stakeholders can come together to discuss perceived macroeconomic impediments that directly affect urban poverty reduction. Such a workshop would ideally involve the participation of international finance institutions, national and local governments from low- and middle-income countries, and the private financial sector.⁵
5. Rationalize statutes governing intergovernmental financing frameworks to provide for sustainable, predictable transfers to local governments to match their responsibilities.
6. Facilitate dialogue between local authorities and domestic (small- to large-scale) private sector banking and community groups to explore financing needs, access requirements, and the potential for creating and supporting innovative and flexible financial structuring to accommodate fiscal gap requirements and mechanisms that reach community financing needs.
7. Strengthen local authorities' capacity to fairly and rigorously determine and collect local revenue, particularly property taxes.

International agencies have a crucial role to play in supporting domestic efforts

The most substantial source of funding will come from countries themselves.⁶ International agencies must provide a supportive environment for such domestic resources, which are recurrent and more reliable than official development assistance. While most international agencies already channel some funding to

International agencies also have a critical role in supporting community-based funds

city and municipal governments, community organizations, and federations, these transfers represent only a small proportion of total funding flows. There is increasing recognition among international donors of the need to broaden funding channels that support local processes. The avenues can include reevaluation of macroeconomic constraints on the public surplus in loan agreements, direct channeling of aid, local social programs, and community-led financing initiatives.

Most international agencies have advocated decentralization. In the mid-1990s the integration of poverty alleviation became a more central component of lending strategies. The introduction of more flexible lending instruments facilitated the development of a new generation of interventions combining macroeconomic stabilization, national sectoral policies, and integrated programs to alleviate poverty and improve the urban environment. These programs advocated strengthening the capacity of local authorities and community-based organizations; encouraging participatory processes, transparency, and accountability in government administration; and increasing the involvement of the private sector and civil society in all spheres of local activity (box 5.3).

International agencies also have a critical role in supporting community-based funds. They need funding channels that can support these initiatives, which means supporting local government agencies that have the potential to become more effective, helping to change the way they perceive and work with community organizations.⁷ International involvement in local development

Box 5.3
The Urban Land Management Project is helping manage explosive growth outside Tirana, Albania

Source: Serageldin, Solloso, and Valenzuela 2003.

The World Bank, in cooperation with national and local authorities in Albania, developed the Urban Land Management Project to provide essential urban infrastructure to neglected areas in Greater Tirana and other urban centers and to strengthen the institutions responsible for delivering urban services at the national and local levels. Such services were critically needed in Albania during the 1990s, when explosive urban growth led to the proliferation of informal settlements. In Kamza, for example, on the edge of Tirana, the population increased from 6,000 in 1994 to 60,000 by 2000. Residents lacked tenure, basic infrastructure, access roads, schools, and health centers. Most households depended on multiple wage earners and activities to meet basic household expenditures.

Tangible impacts can be observed today at two pilot sites involving a total of 4,500 inhabitants. Active partnership of resident organizations, local government, and NGOs was critical in coordinating interventions and opening public rights of way for roads. Land values and densities increased, and the municipalities formulated urban development plans and strategies.

The program has adjusted its strategies to begin scaling up. Advertisements resulted in 40 applications for projects from different municipalities; planning is under way for 25 projects in 7 cities, at an estimated cost of \$14.1 million. To deal with the complexities of land tenure and restitution issues in Albania, a new approach was developed that allowed the program to initiate improvements while simultaneously resolving tenure problems. Provisional property registration is being investigated, and a land regularization office has been established within the Tirana municipality.

also requires intermediary institutions within the recipient country. This shifts the funding decision locus, along with most administrative burdens and transactions costs, to the place where the local proposals originate, where it is easier, quicker, and cheaper to check on proposals and monitor implementation, using a network of knowledgeable local people. Pushing the decisionmaking process to local organizations can minimize the need for expensive expatriate staff.

In some low- and middle-income countries, national government agencies are already supporting community processes; international donors can channel funds through these agencies. The Community Organizations Development Institute (CODI) in Thailand (see box 3.1) and the National Fund for Popular Housing (FONHAPO) in Mexico are examples. FONHAPO provides international agencies with a channel through which to support local processes, many of them community-driven. The program benefited hundreds of thou-

Box 5.4

An innovative facility in India is providing funding for locally developed projects on a large scale

Source: d’Cruz and Satterthwaite 2004.

The Community-Led Infrastructure Financing Facility (CLIFF) is a financing facility that helps the National Slum Dwellers Federation (NSDF), Mahila Milan (a collective of urban poor women), and SPARC (an area resource center supporting community organizations) carry out and scale up community-driven infrastructure, housing, and urban services initiatives at the city level, in conjunction with municipal authorities and the private sector (including banks and landowners). This financing facility is seen as a pilot from which lessons can be drawn before setting up comparable facilities in other countries. CLIFF provides funding for locally developed projects on a larger scale than is usually available to NGOs and people’s organizations and in a form that helps leverage funds from other groups and, where possible, recoup the capital for reinvestment.

The financing facility provides loans, guarantees, and technical assistance to support a range of projects, including community-led high-rise developments in crowded areas (so housing can be improved without displacing residents), a variety of new housing projects, and community-managed resettlement programs. Some \$9.8 million is available for bridge loans to kick-start large infrastructure, upgrading, and resettlement projects, with the funding recovered as government subsidies are paid (most government subsidies become available only when a project has reached a certain stage, and few NGOs can afford to start major construction projects before funds become available). CLIFF also provides hard currency guarantees to secure local bank financing of projects, technical assistance grants (to develop projects to the point when they are ready for financing), and knowledge grants (to ensure that learning from the initiatives supported by CLIFF is widely shared by communities, municipal officials, technical staff, and policymakers).

A large part of the funding for the projects CLIFF supports comes from contributions by low-income households and their community organizations within the SPARC-Mahila Milan-NSDF Alliance. In effect, CLIFF is possible only because of the strength and capacity of the long-established federations and savings and loan schemes. The Swedish International Development Cooperation Agency (Sida) and the Department for International Development (DFID) have contributed external funding to CLIFF, which is channeled through the Cities Alliance and the Homeless International, a British NGO that helped develop the concept of CLIFF with the Alliance.

**National
government
agencies
are already
supporting
community
processes**

sands of low-income groups during the 1980s and early 1990s (Ortiz 1998; Connolly 2004.)

Another important innovation is the Community-Led Infrastructure Finance Facility (CLIFF) in India (box 5.4). This fund demonstrates how official donor agencies can support community processes and leverage local resources. Discussions are under way to provide comparable funding facilities to other urban poor federations.

Another funding innovation is the \$3 million made available to Shack/Slum Dwellers International between 2001 and 2007 for use in supporting community organizations in learning, setting precedents, and acquiring land for housing (see chapter 6). The funds come from the Sigrid Rausing Trust, the British Lotteries Board, and the Allachy Trust. To date these funds have helped tens of thousands of slum dwellers obtain land for housing or secure tenure of the land they occupy (Mitlin 2003). Having the funding available at short notice has made it possible to seize opportunities, leverage local resources, and set precedents that help persuade local governments to support community-driven processes despite the small scale of the funding available (most grants are \$20,000–\$40,000). For instance, a grant of \$25,000 allowed the Zimbabwean Homeless People's Federation to acquire land from the city of Harare on which 233 houses are being developed. The external funding costs were about \$25 per person, which the federation will seek to recover in order to be able to help fund other community-driven initiatives.

The Local Development Programme (PRODEL) in Nicaragua is another example of an intermediary institution within a low-income country that supports community-driven development. PRODEL is a nonprofit foundation through which support for municipal authorities, community organizations, and low-income households from Sida is channeled (box 5.5).

International donors need to provide nonproject support, for exchanges, slum enumerations, house modeling, and experimentation, for example. To date the primary funders of these efforts have been international NGOs—MISEREOR (Germany), SELAVIP (Belgium), Homeless International (United Kingdom), the Ford Foundation (United States), CORDAID (the Netherlands), and the Asian Coalition for Housing Rights.

Low- and middle-income countries need intermediary funds on which community organizations and federations can draw and that are accountable to them. These funds offer safeguards (transparency and accountability) and ensure that international donors' concerns about the management of the accounts are addressed. Most of the urban poor and homeless federations have their own funds, into which members contribute their savings and from which loans are made. These funds can be (and often are) capitalized by governments or international donors. There is also growing experience with the use of local funds to support community-driven processes in other contexts (ACHR 2002; Kiyaga-Nsubuga and others 2001; Satterthwaite 2002).

Box 5.5
PRODEL has helped thousands of poor families in Nicaragua enlarge and improve their homes

Source: d'Cruz and Satterthwaite 2004.

For a decade the Local Development Programme (PRODEL) has assisted low-income people in eight cities and towns of Nicaragua in an integrated approach to local development that involves cofinancing small infrastructure and community projects, providing loans and technical assistance for housing improvement, and providing loans for microenterprises. PRODEL is not an implementing agency; it supplies funds to local institutions and builds their capacity. Its immediate goal is to improve the physical and socioeconomic conditions of families living in poor urban communities. In 10 years it has completed 484 projects in more than 230 neighborhoods, including the installation of sewerage and drainage systems, paved roads, footpaths, street lighting, schools, playgrounds, sporting facilities, and sites for the collection, disposal, and treatment of waste. Half the funding was provided by Sida, with the rest mobilized locally, by families and the municipal authorities.

Some 60,000 families have benefited from the program, including 12,500 low-income families who have enlarged and improved their homes. Loans of less than \$500 have funded incremental upgrading, including installation of plumbing, improvements to kitchens, and repair or replacement of roofs. Larger loans, of \$501–\$1,500, have financed the construction of additional rooms. About 70 percent of households receiving loans have monthly incomes of \$200 or less; 67 percent of borrowers are women. Cost recovery has been sustained, despite the persistent economic difficulties in the country.

More than 20,000 microenterprise loans have been disbursed to more than 3,500 enterprises. PRODEL's loan funds are made available through microfinance institutions, while the technical assistance for households is provided by PRODEL staff who work directly with the households taking out housing improvement loans.

PRODEL's ultimate goal is to develop and institutionalize a participatory model for infrastructure, service provision, housing improvement, and microenterprise development that can be sustained in all urban areas of Nicaragua. Since 2003 it has operated as a nonprofit foundation. It continues to provide grant funding and technical assistance to local authorities. Community participation is a prerequisite: communities collaborate with local authorities in identifying, executing, and maintaining the infrastructure and services installed. The municipal councils are required to allocate resources to social infrastructure investment. Microplanning workshops allow community representatives to work with municipal staff to develop draft proposals, which are discussed at general assemblies. An elected project administrative committee reviews the project design, oversees and supervises the use of resources, and manages building materials, equipment, and labor during project execution. This committee also takes an active part in the financial and technical audit once the project is completed. Community participation and administration keep down costs, allowing scarce resources to reach more communities.

Several lessons have been learned from this program:

- Concrete alliances founded on tangible plans work better than community demands that are often unrealistic in terms of what authorities can deliver.
- Limited resources go farther and are used more efficiently when improvement programs are developed through negotiations between communities and external agencies.
- Programs need to work with existing local institutions, since they are closest to the demands and the needs of users and can develop a participatory engagement with them.

Box 5.5
PRODEL has helped thousands of poor families in Nicaragua enlarge and improve their homes
(continued)

- It is possible to reduce the influence of political change on programs if clear rules are set regarding incentives and sanctions in the use of external resources channeled through the recipient government. There is a need to recognize the different interests of those involved (the bank's need to meet the costs of loan supervision, the municipality's need to obtain cofinancing for maintenance) and to ensure that these needs are met.
- Programs must avoid creating unrealistic expectations among external agencies about what community participation can do. Community participation needs supporting—to provide families with new options, capacities, and skills in identifying problems, planning projects, and managing finances.
- There is a need for training and for the development of methodologies to make municipal technicians support participation.
- Technical and financial advice is most effective at a scale that facilitates substantive interaction with local communities.

UN and donor agencies need to consider how their work within countries can support (and not hinder) the work of federations of the urban poor. Although they may support the federations, their policies may marginalize them.

Land needs to be made available to the urban poor

The availability of suitable and affordable land in well served, centrally accessible locations is vital for improving the lives of slum dwellers and providing adequate alternatives to new slum formation. This outcome needs to be ensured through appropriate policies, planning, and legislation, often including the designation of land for low-income housing and related purposes.

Land is a marketable commodity in virtually every country in the world today, and it is expected that it will be paid for. In the case of “illegal” occupancy of land, if legalization is involved, it will be at the expense of the “legal” owner. If the owner is a private entity, compensation may be expected; if it is a public body, there is an opportunity cost involved in legalizing squatter housing.

Thus it is imperative for local authorities to be strategic operators in land markets, not just passive holders of land assets. This means accurately assessing publicly owned land and, where necessary, acquiring additional reserves of land for urban expansion, particularly for the needs of the poor.⁸ The cost of land, including titling, can be a substantial part of overall upgrading or new settlement planning; depending on location and demand, it can be comparable in amount to infrastructure costs and as high in slum upgrading projects as in new construction. It is reasonable to expect that costs will be borne primarily by government, sometimes with the support of international agencies and financial institutions. The poor rarely have the resources to purchase land; making land available at nominal or no cost is the beginning of most efforts at improving their conditions (see chapter 8).

The objective everywhere is to increase the supply of legal urban land

Actions are needed at the international level

At the international level, land and tenure issues are receiving increasing attention as part of the concern with poverty reduction. Two main approaches can be identified. The first emphasizes the need to integrate informal markets into the formal economy. Under this approach, access to land ownership through individual freehold titling programs is viewed as the principal means of simultaneously creating secure tenure and transparent land markets; tenure regularization is viewed as a prerequisite for slum upgrading programs, as an accompanying measure, or as a long-term objective. This is the approach taken until recently by the World Bank and regional development banks. It is currently being re-examined, as international finance institutions become increasingly aware of the perverse social effects of their aid and lending policies and of the limitations of urban development strategies based on the formalization of urban land markets.⁹ Such policies heighten the possibilities for market eviction and hence exacerbate the problems they were intended to mitigate. Strategies are now being reassessed.

The second approach, to a large extent that of the United Nations, emphasizes the social and economic integration of slums and informal settlements. It requires formal recognition of the diversity of formal and informal land markets (and of the resulting legal pluralism regarding tenure). The Second UN Conference on Human Settlements recognized access to land and security of tenure as conditions for sustainable development. Members committed themselves to “equal access to land to all people, including women and those living in poverty” and “transparent, comprehensive and accessible systems in transferring land rights and legal security of tenure” (UN-HABITAT 1996b, paragraph 40).

Actions are needed at the national and local levels

On the national and local fronts, there is widespread, albeit not uniform, acceptance of the importance of land (and secure tenure) in solving the problems of slum dwellers. Responses vary according to local contexts, but the objective everywhere is to increase the supply of legal urban land in a range of tenure options, locations, and prices to suit the needs of different socioeconomic groups.

The role of government in providing secure land for the poor is twofold. First, it must establish the legal framework through which land is held or transferred. Second, it must provide the resources to pay for the land. Three approaches are possible:

- *Direct allocation of publicly owned land.* There are limitations to the suitability of allocating publicly owned land. If there are conflicts with other uses or environmental incompatibilities (watershed protection, forested areas, sloped terrains, flood or landslide vulnerability, or park and recreational uses), land use planning should determine when land

**The proceeds
from bonds
create
immediate
liquidity for
the city**

should be allocated and when it should remain in use for housing.¹⁰ If available public land is not in the most suitable locations for urban poor, local authorities can use a range of powers—from acquisition, to negotiations with landowners to transfer of building rights—to facilitate regularization or allocation of land for the poor to build or improve housing.¹¹

- *Use of the state's power of eminent domain.* While this legal exercise of power can involve fair compensation to existing owners, it is usually too cumbersome and expensive to be of practical value on a large scale. However, it may be necessary to provide strategically located land for infrastructure, services, open spaces, low-income housing, or other uses of primary public interest.
- *Provision of security of tenure for land that is already occupied.* Regularization with the active consent and participation of the interested populations should be routine practice, barring exceptional circumstances (see chapter 4).

Decentralizing land use planning and management and promoting the socially responsible use of land. The City Statute of Brazil, discussed in chapter 3, sets the basis for a new paradigm for urban land use and development control. It ensures the right to urban property provided a social function is accomplished. Municipalities are required to formulate land use policies that balance the individual interests of landowners with the social, cultural, and environmental interests of other groups and the city as a whole.

The application of this principle has not led the way to punitive or particularly controversial measures. Many Brazilian cities have used the statute to find solutions to a classic built-in inequity of land use planning: premium development rights for some and none for others. The solution often applied in practice is to give all landowners the same “surface right”—say, one square meter of built space for every square meter of land. Those who want to build more can negotiate and buy additional surface rights, with the proceeds used for a variety of public interest purposes, including land acquisition, upgrading and infrastructure, and service provision and maintenance. Recently, São Paulo introduced surface rights bonds, additional building rights floated on the market. The proceeds from the bonds create immediate liquidity for the city for urgently needed municipal improvement programs.

Promoting or rehabilitating adverse possession procedures. Adverse possession refers to the allocation of property rights following the continuous, peaceful occupation of land without opposition over a period of time prescribed by law. Most countries have such legislation, but few enforce it. Since the late 1990s, many Brazilian municipalities have relied on adverse possession procedures to provide the urban poor with land security. It applies to privately owned

**Spatial
information
linked to
urban service
delivery can
be a source of
legal evidence**

land, potentially affecting more than half the *favelas* in Brazilian cities. So far adverse possession procedures have benefited only a limited number of slum dwellers, because case-by-case court procedures are time-consuming and costly processes, requiring advertising to establish legal claimants to the land and the intervention of lawyers. The City Statute codifies this procedure, extending it to women and men as well as groups of residents without any other real title.

Exploring innovative land management techniques, such as “land sharing.” At the settlement level, there is the potential for innovative land management and allocation, such as the land sharing projects in Thailand and other countries in the 1980s and 1990s. Under this mechanism, the owner of a piece of land occupied illegally by squatters whom the owner is not in a position to evict agrees to share the property. Occupants clear part of the land (one-third to one-half), usually that with the highest commercial value, and return it to the landowner. On the remaining land, physical upgrading and an increase in density allow for on-site rehousing of households displaced from the cleared land. Such techniques require a high level of community organization, intervention of intermediaries (such as NGOs), involvement of local authorities, financial resources, administrative efficiency, transparency, and political commitment, especially at the local level. Few developing cities meet these conditions. Land sharing techniques raise two additional questions. First, scaling up remains a major problem. Second, because significant financial contributions are required from beneficiary households, land sharing may not respond to the needs of the poorest slum dwellers.

Building spatial and information systems and local land registration and records. Spatial information linked to urban service delivery can be a source of legal evidence to validate adverse possession claims (Augustinus 2003). For both technical and political reasons, whenever possible land records and registration should be carried out at the local or municipal levels: identification of right holders, the settlement of land-related conflicts, and adjudication procedures cannot be carried out at the central government level. Toward this end, the household enumerations and site mapping developed and carried out by organizations of the urban poor are an innovative example of building information systems at the most local level (see chapter 2). Such exercises should be encouraged and supported.

Although records of land rights can be kept at the municipal or sub-municipal level, land registration and the delivery of property titles remain central government functions in most countries. Most governments, especially in Sub-Saharan Africa, are reluctant to transfer such responsibilities to the local or municipal level. In addition, vested interests in the management and provision of public land reserves leave few central governments free to impose such reforms.

Building capacity in local government and community planning processes is essential

Professionals and civil servants need to be trained to improve the lives of slum dwellers

Building capacity in local government and community planning processes is an essential component in creating better cities and improving the lives of slum dwellers. This can be achieved by incorporating community development processes into teaching programs for professionals (planners, architects, engineers, and others) and civil servants (public administrators and others) and converting these programs into training and demonstration areas for all actors involved in urban development. In addition, educational opportunities for slum dwellers should be provided at the national and international levels.

The capacity of the urban poor to be effective change agents is documented in other chapters of this report. The primary focus here is on building capacity in other actors, so that they can participate effectively as partners with the urban poor. A central part of human resource development must be training local government administrators and civil servants and professionals in community-driven processes and employment creation (see chapter 4).¹²

Since the mid-1960s participatory approaches have been recognized as critical to achieving social equity and rethinking the role of planning and design professionals (Arnstein 1971). Recognition of the urban poor as active agents in sustainable urban development and a commitment to locally driven planning processes requires familiarity with these approaches. In many countries the regulatory structure now provides for community participation in certain urban development decisions.¹³ Recent decades have also witnessed a dramatic increase in the role played by NGOs and people's organizations in achieving substantial human rights improvements.¹⁴

Despite these developments, broad-based community collaboration in the decisions that shape urban environments remains elusive, for many reasons, including the lack of political will. It is thus important to begin to train a new generation of civil servants and urban professionals to work collaboratively with the urban poor, not as a gesture of goodwill but as a practical approach to accomplishing the work they are charged with carrying forward.

Local governments are best placed to respond to the needs of the urban poor

Local authorities are those closest to the community and therefore best placed to represent and respond to their interests. Furthermore, dimensions of urban poverty and potential responses are shaped by local conditions and context (Satterthwaite 2001). Local authorities are responsible for most urban planning and management decisions and for a range of local infrastructure and services, all of which can significantly affect the lives of the urban poor.

In many cases, the response of local authorities to the needs of slum dwellers has further marginalized their position. Failing to ensure sufficient land for affordable housing or establishing subdivision or building regulations that cannot be met by the urban poor increases their social exclusion. Local

**Local authorities
can become
more responsive
to the needs of
the urban poor**

authorities are not immune to powerful political and economic interests, and the most marginalized are frequently unable to vote in local elections. Most municipal employees are also trained in models of service delivery rather than participatory approaches (Hasan 1997a). Finally, local authorities are often given inadequate resources by central governments unwilling to devolve power for significant functions and decisions.

Despite these well known challenges, local authorities can become more responsive to the needs of the urban poor. They can use their regulatory powers to provide legal solutions to illegal settlements or identify alternative sites (with the participation of the affected community); they can ensure slum dwellers access to public services and adequate infrastructure. Municipal planners and engineers can provide technical assistance in designing and building more affordable housing. They can ensure that slum communities are represented in all strategic planning processes, including citywide planning. They can integrate slums into the planning processes of city, as the Favela-Bairro project did in Rio de Janeiro (Fiori and others 2001). Local authorities can be pro-active in supporting regulation in favor of informal sector operators and promoting labor-based technologies, local building materials, pro-poor procurement, home-based industries, and community contracting (see chapter 4).

Beyond these standard (but rarely utilized) approaches, planners within local governments can develop decisionmaking skills and capacity within underprivileged communities, particularly where these communities are not regulated by formal laws or able to access existing government services. As highlighted in several case studies in a background paper prepared for this report (Rubbo and others 2003), while such activities can significantly enhance the social, environmental, and economic conditions of slum areas, they are appropriate only where locational, environmental, and legal concerns about the settlement can be resolved. Where this is not the case, planners are crucial in using their knowledge of the city and social research skills to develop new settlement alternatives in cooperation with the affected community.

Architects, engineers, and other professionals need to be trained to help find solutions

Professionals are often seen as agents of top-down approaches, locked into inappropriate paradigms that may benefit themselves more than the urban poor they are meant to serve. But there are many documented instances of planners, architects, and engineers who contribute to a vision of the future and help articulate solutions in the present (Rubbo and others 2003). In some countries, universities, professionals, and communities collaborate, building capacity by learning from and in communities.

A case in point is the Orangi Pilot Project (OPP) and Research Training Institute (RTI) in Karachi, which began in 1980. OPP-RTI has built the capacity of Orangi residents through lectures by planners, sociologists, economists,

**Development
should be
problem based
and opportunity
driven**

and educators as well as through training provided to 957 visiting groups. Since 1992 training has been provided to Pakistani NGOs and community-based organizations; UN agencies; the World Bank; the African Development Bank; USAID; government agencies from Central Asia, Cambodia, Japan, Nepal, South Africa, and Viet Nam; and numerous local and foreign academic institutions (Hasan 2004).

As one observer noted, it used to be easier and more straightforward for professionals before concepts of sustainability, empowerment, rights, and participation gained ground; issues of poverty were not part of their domain (Hamdi 2004). Hamdi suggests a form of practice in which “problem-seeking and problem-solving in these settings demand that we think at once serially, associatively and holistically” (2004, p. xx). According to him, “imagination is as important as knowledge or skill” and good practice facilitates “emergence” and “development.”¹⁵

The physical form of cities and the value added through the design of public space, community public buildings, and the landscape in cities and transport corridors is a concern in realizing target 11. As Indian architect Charles Correa noted, “improving the habitat needs visual skills . . . the architect is the generalist who speculates on how the pieces could fit together in more advantageous ways; one who is concerned with what might be” (Correa 1989). The contributions and practices of design professionals to the quality of life in slums and disaster zones have been well documented (Rubbo and others 2003).

Hamdi and Geothert (1997) provide some development guidelines that offer insights into the knowledge and skills required to realize target 11. In their view, development should be problem based and opportunity driven; based on achievable actions; participatory; reliant on local knowledge, skills, and traditional wisdom; small in scope and community based; focused on incremental rather than comprehensive plans and on starting points rather than end states; fast, but not rushed; and with visible and tangible outputs.

Education and professional development in support of new forms of partnerships between communities, local governments, and professionals may benefit from the following principles:

- Learn from communities, especially from their representative organizations, about their values and ideas, and respect their views and methods.
- Learn from exemplary organizations, such as OPP-RTI.
- Learn from grassroots achievements, such as that of 2004 Nobel Peace Prize winner Wangari Maathai and her holistic approach to sustainable development, which embraces democracy, human rights, and women’s rights.
- Determine whether funding levels and approaches by local, national, and international bodies for participatory processes promote sustainable development.

**Professionals
must come
down from the
veranda and
into the slum**

- Learn from the range of institutional arrangements within communities, NGOs, and governments how planning and participatory design might be incorporated.
- Learn from practitioners who have contributed within their disciplines and who add social, cultural, economic, and environmental value.
- Further develop a critique of the “professional problem” (that is, disengagement) with key actors, and propose new professional and educational paradigms.
- Encourage architecture and planning programs to include curricula that enable graduates to contribute to the realization of target 11 and the recommendations of the Charter for Architectural Education of UNESCO and the International Union of Architects (UIA).
- Encourage information exchanges by professionals, students, and communities in multidisciplinary settings. Consider the potential for “sister university,” “sister city,” and “sister community” arrangements.
- Liaise with organizations and institutions dedicated to improving the lives of the urban poor and to realizing alternative professional visions.
- Create a database of organizations worldwide through which voluntary and other contributions can be channeled.

Professionals must come down from the veranda, as Bronislaw Malinowski famously urged anthropologists, and into the hut, the tent, and the slum, examining the world that slum residents inhabit to find ways in which their own skills can be of assistance. Many students and young professionals have a genuine interest in helping address the challenges facing the urban poor, not only because of the architectural or planning challenges but also because the cities of low-income countries are some of the most dynamic and interesting sites for new thinking and ideas. Confronting these cities’ complexities calls for the most creative minds.

If it is to be pro-poor, the framework for action must adopt a social justice perspective in its approach to globalization—“globalization from below” rather than above, with the poor as subjects, not objects, of development. Moving from a handful of committed individuals to a mainstream concern for the cities and peoples of the world requires advocacy (by the task force and other bodies), reform (including changes in training and pro-poor legislation), commitment (by professional associations), and increased resources (from domestic and international funding), research, and institution building. New principles, actions, and solutions must be appropriate and culturally situated, broadly supported, and above all based on partnerships with the urban poor. All those involved would do well to take Malinowski’s advice.

Empowering local action

A key message of this report is that it is at least as important to devote resources to the process of slum upgrading and urban improvement as it is to focus on the desired outcome. This chapter examines the role of network building in the creation of a strong process.

Networks of people committed to improving the lives of slum dwellers need to be developed and strengthened

Local action and international knowledge can be strengthened by the support of networks of actors at all levels, including slum dwellers and their organizations, local governments and their organizations, national governments and their regional affiliations, international agencies and their coordinating mechanisms, and the private sector. Networking helps ensure that lessons learned in one place can be applied to advantage in other places.

Achieving target 11 will depend on the strength and effectiveness of local actions—but local actions taken in isolation from the experience of others who share the same challenge at the same level will invariably be less efficient and effective than might otherwise be the case. This is true for local organizations, local and national governments, and international organizations. There is a need for all networks to be supported and strengthened, so that the centerpiece of local action—the efforts and strategies of the poor and their organizations—can be brought to scale. International support needs to be directed at specific local poverty reduction strategies, and local authorities need to assume leadership of a worldwide partnership of “Millennium Cities,” defined as cities, towns, and local authorities committed to the realization of the Goals through local poverty reduction strategies.

Slum dwellers and their organizations deserve greater financial and institutional support

Local actors can benefit from membership in networks that cover their own countries and cross international borders. The urban poor themselves are often the leaders in the most innovative efforts at slum upgrading. Central to the effectiveness of the urban poor groups described in chapter 2 has been their strong international network of mutual self-help and support (box 6.1).

Other NGO networks are also active nationally, regionally, and internationally in areas such as citizens' rights, evictions, and adequate shelter for the poor. The oldest and best known of these networks is the Habitat International Coalition (HIC), an independent, international, nonprofit movement of some 400 organizations and individuals working in the area of human settlements.¹ Members include NGOs, community-based organizations, academic and research institutions, and like-minded individuals from 80 countries. A shared set of objectives binds and shapes the commitment of HIC members to communities working to secure housing and improve their habitat conditions. Based in Santiago, Chile, HIC operates through a decentralized global network of regional focal points in francophone Africa,

Box 6.1
Shack/Slum Dwellers International is a network of people's organizations working to improve the lives of the urban poor

Source: www.sdinet.org;
 d'Cruz and Satterthwaite
 2004.

Shack/Slum Dwellers International (SDI) is a loose network of people's organizations from an increasing number of developing countries. It is made up of federations of community organizations of the urban poor and other grassroots initiatives in the process of developing federations. Linked to this network is a group of professionals committed to supporting federations of the urban poor.

SDI affiliates range in size from a few hundred in Zambia to more than 1.5 million in India. Some are decades old, others have been in existence for less than a year. Exchange visits between individual local federations are the principal operating tool for SDI. The exchanges are used to spread knowledge about the various components of federation activity, to draw large numbers of people into processes of change, to help with the process of federation, and to create bonds between federations and community groups. Frequent and constant exchanges within regions and beyond have mobilized new activity on a number of fronts.

All SDI member federations share a common vision: that the state on its own cannot solve the problems of poverty and underdevelopment. While the state, especially in many developing countries, has a monopoly on power, its very relationship to this power and to the local and global economy make it a very weak instrument for delivering the resources and services needed to eradicate poverty.

SDI affiliates seek to remind the state and international agencies of their obligations with respect to equity. Since they question the capacity of these agencies to deliver, they constantly seek situations that enable those affected by poverty to become organized and united in ever-expanding networks and to play a defining role in the way in which governments and multilaterals discharge their obligations to the poor. Through its sustained, long-term investment in local federations, SDI gives the poor a voice in an arena of decisionmaking that has more typically been confined to global agencies that champion neoliberal theories of development.

anglophone Africa, North Africa and the Middle East, Europe, Asia, North America, and Latin America and the Caribbean.

Most NGOs working in the area of human settlements suffer from three vulnerabilities: the voluntary nature of their work, the need for self-financing, and the need to devote resources to international exposure. The first is a benefit in terms of independence and advocacy, but it creates obvious difficulties in terms of continuity, as individuals are subject to a range of pressures and demands on their time. The second creates a reliance on support from governments and external donors and their time-bound project cycles. The third is essential in terms of visibility, but it creates the risk of co-optation on the part of established institutions, particularly governments and donor agencies. In addition, the increasing propensity of donors to divert to NGOs resources previously reserved for government agencies can create frictions that can undermine the desired partnership between government and civil society organizations.

Despite these problems, for many years human settlements NGOs have acted as “the conscience” of international organizations. They participate in international debates and dialogues, saying things that intergovernmental organizations cannot say as strongly or explicitly. Their pressure in areas such as housing rights, protection against evictions, women’s rights, and the responsibilities of government and civil society with regard to the plight of the urban poor has contributed significantly to shaping the international agenda. In order to maintain their effectiveness, they have to maintain clear boundaries between themselves and established institutions.

These organizations deserve greater financial and institutional support. One way to provide this support is to create environments in which grass-roots organizations can document and disseminate the value and importance of their work and qualify themselves as candidates for international work that so far has been reserved to specialized consultants, many of whom come from the North. Another approach is to support networking among NGOs active and effective in the human settlements field and to expand their participation in the international policy dialogue through such mechanisms as the World Urban Forum.²

Local governments need to learn from one another

Networking among cities and local authorities is an established tradition, dating back to the creation of the International Union of Local Authorities at the beginning of the twentieth century. The major associations of local authorities have now consolidated into one international organization called United Cities and Local Governments (UCLG) (box 6.2). The new organization is firmly committed to empowering local action in implementing the Goals. It is committed to the twin goals of improving the lives of slum dwellers and providing adequate alternatives to new slum formation. Within the Goals framework, UCLG is committed to organizing, in partnership with the United Nations,

Box 6.2**United Cities and Local Governments helps cities develop and promote solutions to the challenges of urbanization**

Source: Personal communication to task force coordinators from UCLG Secretariat, 2004.

United Cities and Local Governments (UCLG), based in Barcelona, was created in May 2004 through the merger of the World Federation of United Cities (FMCU), the International Union of Local Authorities (IULA), and Metropolis, the international association of major metropolises. UCLG's mission is to be the "united voice and world advocate of democratic local self-government." It is committed to creating fair, sustainable, inclusive societies based on local democracy, self-government, and decentralization in the interest of the citizen.

UCLG has taken many concrete actions. It has developed a formal role for local government as a pillar of the international system. It has galvanized local action toward the Goals. It has built strong, effective local governments and national associations, fostered peace through city diplomacy, and promoted innovation in local governance by establishing a local "democracy watch" to analyze the situation of local governments worldwide.

UCLG has members in 127 of the 191 UN member states. Its members include individual cities and national associations of local governments, which represent all the cities and local governments in a single country. Members of UCLG represent more than half the world's population. Members come together in a General Assembly, and, based on regional and metropolitan elections, elect the World Council, which brings together 318 mayors and local officials from all regions of the world, representing local governments of all types.

In founding the new merged organization, mayors and councilors delivered on promises made in 1996 at the UN Conference on Human Settlements, where they agreed to establish a single voice for cities to develop and promote solutions to the challenges of urbanization and to address the local repercussions of globalization. Members are committed to alleviating poverty, ensuring basic education, promoting social inclusion, creating cities without slums, tackling HIV/AIDS, protecting the environment, promoting youth employment, ensuring access to safe drinking water, and using new technologies to benefit the citizen. These are also the key targets identified in the Goals.

an action-based worldwide Millennium Towns and Cities Campaign, as called for in the Local Government Declaration to the World Summit on Sustainable Development. The Declaration adopted at the new organization's founding congress held in Paris in May 2004 lists all the issues facing this challenge under three key areas: sustainable development in a globalizing world, decentralization and local democracy, and cooperation and diplomacy.

National governments network through a variety of means

Within the United Nations, national governments operate through such regional mechanisms as the regional economic commissions. The only UN entity dedicated to human settlements is UN-HABITAT, a global intergovernmental body that meets in Nairobi every two years.

Some regions, such as Latin America and the Caribbean, have established regular meetings of ministers responsible for human settlements issues. These meetings have proven useful not only in establishing common positions but also in strengthening ties, comparing the results of national policies, exchanging information on good practices, and promoting progressive reform.

At the bilateral level, partnerships between donor and recipient governments have also led the way to solutions linking efforts for housing the poor

City- and local authority-level action may become the most suitable for successful implementation of the Millennium Development Goals

to broader development issues, such as debt swaps. In Kenya, for example, the government of Finland has agreed to forgive a substantial bilateral debt repayment in exchange for allocation by the Kenyan government of public land in the outskirts of Nairobi for low-income housing.

International agencies cooperate to meet the needs of the urban poor

Formal UN machinery exists for interagency coordination. For example, the Chief Executives' Board of the United Nations comprises 28 member organizations, including UN funds and programs, specialized agencies, the World Trade Organization, and the Bretton Woods institutions. In the field, the United Nations Development Programme is the coordinating mechanism for the operational activities of all UN agencies.

International agencies have also established voluntary cooperation arrangements in their coordination of specific human settlements issues. Examples include the Sustainable Cities Program, the Urban Management Program, and the Cities Alliance (box 6.3).

International initiatives for local poverty reduction strategies are needed

International agencies should encourage and support a locally driven process of developing a country's national urban poverty reduction strategy based on local poverty reduction strategies. Unfortunately, the main country-level mechanism employed today for channeling international aid for the reduction of poverty—the Poverty Reduction Strategy Paper (PRSP)—does not reflect the importance of local and urban development or the severity and worrisome growth of urban poverty. The urban dimension is absent, or grossly under-represented, in the average PRSP (Mitlin 2004).

This happens in part because of historical misconceptions about the scale and gravity of urban poverty, as discussed in chapter 1. Another reason is the tendency to focus on rural poverty and its alleviation in situ as the core national development approach (Mitlin 2004), often neglecting the fact that no country in the world has achieved high levels of economic growth and socioeconomic development without high levels of urbanization and massive urban investment in industry, technology, and education. The PRSPs have also been slow to reflect the central importance that the Goals have assumed for aid agencies and the international community. To redress these problems, the UN Millennium Project is recommending that countries develop MDG-based poverty reduction strategies at the national and local levels.

Successful implementation of the Goals will depend on a myriad of actions involving many actors. As with the Agenda 21 process, and its flowering into Local Agendas 21, the level of the city and local authority may become the most suitable for successful implementation, because of the increasing importance of decentralization, the closeness of this sphere of government to citizens,

Box 6.3
The Cities Alliance is helping overcome the limitations of sectoral approaches to development

Source: Cities Alliance Secretariat.

The Cities Alliance is a global coalition of cities and their development partners. Launched by UN-HABITAT and the World Bank in 1999, the Cities Alliance now includes United Cities and Local Governments; the development agencies of all G-7 countries and the Netherlands, Norway, and Sweden; the Asian Development Bank; and the United Nations Environment Programme. In 2003 Brazil became the first developing country to join the Cities Alliance.

In 1999 the Cities Alliance drafted the Cities Without Slums action plan, which was subsequently incorporated into the UN Secretary-General's report to the Millennium Assembly and the Millennium Declaration. The target contained in the Cities without Slums action plan emerged as target 11 within the Millennium Development Goals.

The Cities Alliance is managed by a small secretariat that works from within the World Bank's offices in Washington, DC. Unlike many other global partnerships, Cities Alliance activities are undertaken by the members themselves—normally cities—with the support of other Cities Alliance members. The Cities Alliance also supports community-based organizations and NGOs working in partnership with local and national authorities.

The Alliance is helping its members define a new strategic course for urban development, a course increasingly led by civic leaders who are tackling head-on the negative effects of growing inequalities and social exclusion. By focusing on the city as the unit of analysis, rather than on sectors, and on solutions promoted by local authorities and the urban poor themselves, city development strategies supported by the Alliance provide a framework for citywide poverty reduction. Within this context, the Cities Alliance is also committed to working with cities and their development partners in developing sustainable financing strategies.

As the Cities Alliance notes in its 2003 Annual Report, “Slums are not the inevitable result of rapid urbanization, but the product of failed policies, bad governance, corruption, inappropriate regulation, dysfunctional land markets, unresponsive financial systems, and a fundamental lack of political will.” The report goes on to note that the “policy and practice of social exclusion has been, and continues to be, the single most important factor in the growth of slums.”

Over the past five years, the Cities Alliance has grown by learning from cities and by helping cities learn from one another. These activities have involved almost 150 cities in all regions. Although each city has its unique features, they have all served to underline the importance of tackling these development challenges from the perspective of the city and its citizens.

All Cities Alliance activities are predicated on the central importance of leadership from within the city and country to sustain and scale up developmental impacts. Accordingly, the Alliance has promoted city-owned, -generated, and -designed initiatives, with consistently positive results. There is no substitute for the clarity with which the mayors of cities like Addis Ababa, Amman, San Fernando, and São Paulo have set their own developmental priorities.

While processes of democratization and decentralization continue to expand globally, progress has been uneven. There is still a marked reluctance on the part of national governments to share their developmental responsibilities with local governments, leading to a mismatch between local government risk and responsibility.

Yet the starting point for comprehensive change still lies with government. As one report on the Alliance's activity in Central America notes, “The urbanization process will continue to pour hundreds of thousands of generally poor people into towns and cities—

Box 6.3
The Cities Alliance is helping overcome the limitations of sectoral approaches to development
(continued)

local and national governments accepting this as a fact, and as a precondition for further social and economic development, can provide the basis for policy development” (World Bank 2002a). In short, a policy framework that actively promotes social inclusion is a fundamental prerequisite for sustainable development.

Furthermore, solutions need not be difficult or complex. It is instructive to see Ismailia’s residents responding positively to one of the first comprehensive participatory planning processes in Egypt and investing their own time and money into the future of the city.

The Cities Alliance’s emphasis on the need to move to scale up delivery reinforces the importance of mobilizing the resources of all partners at the local level—those of the city government, the domestic private sector, and the urban poor communities. This is a simple and seemingly obvious lesson but one not always heeded. While it is possible for each party to undertake activities in isolation and for each to push ahead according to its own agenda, there are few, if any, examples of large-scale successful and sustainable development without the complementary efforts of all local constituencies.

Current and developing activities within the Cities Alliance portfolio demonstrate the interconnections between slum upgrading and poverty-oriented city development strategies. This is particularly the case in cities in which a large proportion of the population already lives in slums. In these cities, a citywide upgrading strategy is hardly plausible without a fundamental rethinking of the manner in which the city is being run. The Cities Alliance’s two platforms necessarily merge into a single, citywide strategy.

This is clearly the case in the strategies that have been adopted in Hyderabad, Johannesburg, and São Paulo or those still emerging in Lagos, Mumbai, and Tetouan, where slum upgrading is but one of several issues addressed as part of a longer-term citywide strategy. Analysis of nine case studies in the Cities Alliance 2003 annual report identifies seven essential ingredients for nationwide slum upgrading: political will, national and city targets, inclusion in the budget, policy reforms, open and transparent land markets, mobilization of nonpublic sector resources, and preventing the growth of new slums.

The Cities Alliance was established to improve efficiency and to scale up the impacts of urban development cooperation and urban investments. From the outset Alliance members recognized that this meant changing the way international development agencies work with cities, including creating a new coherence of effort to reduce urban poverty. By supporting cities in developing citywide strategies that link their economic growth and poverty reduction objectives, the Alliance is helping overcome the very real limitations of sectoral approaches to development.

the likelihood of engaging a range of noninstitutional actors, and the opportunity for placing the poor at the center of this process. Most of the Goals are daily items on the agenda of every mayor or local authority leader. Placing their strategies and actions in the framework of the Millennium Development Goals (MDGs) would give cities the opportunity to strengthen their national and international linkages and increase their potential for international investment and assistance. But this can happen only through a medium-term plan similar to the one advocated for MDG-based poverty reduction strategies.

The task force suggests, therefore, that cities and local authorities prepare their own local poverty reduction strategies and develop, through their national organizations, mechanisms for participating in country-level poverty

Networks of local authorities could assume the leadership of a worldwide partnership

reduction strategy consultations. At the country level, international agencies and bilateral donors could assist in this effort— by supporting specific working groups in the preparation of local strategies and helping mainstream them in the national poverty reduction strategy process, for example. A possible template for a local poverty reduction strategy is offered below.

Creating a worldwide partnership of “Millennium Cities” could advance the urban agenda

Global, regional, and national networks of local authorities, in partnership with the UN system and civil society organizations, could assume the leadership of a worldwide partnership of Millennium Cities, defined as cities, towns, and local authorities committed to the realization of the Millennium Development Goals through local poverty reduction strategies.

The Millennium Declaration target of “improving substantially the lives of at least 100 million slum dwellers by the year 2020” is related to the implementation of all other Goals. “Substantial improvement” cannot refer only to tenure and sanitation, the two official indicators adopted so far for measuring progress. It has to refer to inclusion on all fronts. The new world organization of cities and local government has formally embraced the Goals. Given this comprehensive vision of the Millennium City, the following actions could be undertaken:

- Disseminate the Millennium Development Goals and targets to the largest possible number of cities and local authorities through their national, regional, and global associations and networks.
- Launch an “endorsement campaign” aimed at having as many municipal councils as possible adopt the Goals and targets as benchmarks for policy and action, thereby identifying their cities as Millennium Cities.
- Establish a facility for the collection and exchange of data and good practices in the citywide implementation of the Goals, with particular reference to target 11 (including “creating alternatives to new slum formation”).
- Foster cooperation between cities and between developed and developing countries.
- Identify pilot Millennium Cities committed to Millennium Action Plans, in which progress in achieving target 11 can be quantified, assessed, and widely disseminated.

Various reasons argue in favor of such an initiative.

- The approach is relevant to the overall approach developed by the UN Millennium Project, which focuses on the most pressing needs of the poorest countries. The worldwide percentage of the population classified as urban is approaching the 50 percent mark. Countries with lower levels of urbanization are the ones in which urban growth is highest and where the urbanization of poverty is most severe.

The new world organization of cities and local government has formally embraced the Goals

- The approach can cover settlements of various sizes. The recently formed UCLG already extended the scope of its planned Goal campaign to towns, in order to incorporate smaller administrative entities. The concept would extend to all interested local authorities as well.
- The approach creates synergies with central governments. UN member states will be called to report regularly on implementation of the Goals. It will be in their interest to enlist the involvement, commitment, and participation of cities in implementing the Goals. Experience shows that there is a limit to what cities can do on their own to meet the Goals. Enabling legislation, decentralization of responsibilities and resources, and dedicated programs and resources are all essential in helping cities perform their roles. Pioneering experiences at the city level need to be mainstreamed at the national level.
- The approach creates synergies with the efforts of international agencies and programs. More and more low- and middle-income countries are adopting PRSPs, which are meant to address and counteract all manifestations of poverty, in both urban and rural areas. Agencies like UN-HABITAT have long focused their attention on cities. The Urban Management Program is shifting its focus to implementing the Goals at the local level. The Cities Alliance is a partnership program focused on slum upgrading and city development strategies. The World Bank and regional development banks devote a considerable portion of their soft lending to urban development. A Millennium Cities initiative led by local governments and their representative world organization in partnership with the United Nations, specialized agencies, and major lending institutions would help refocus and strengthen ongoing initiatives.
- The potential of becoming a truly global effort is great. “Endorsement” of the Goals is an enabling action that can be performed by all cities, in the North and South. Many cities in high-income countries are already involved in cooperative initiatives with cities in the rest of the world. NGOs devoted to city-to-city cooperation (such as Sister Cities International) are already engaged in pilot partnerships for the local implementation of the Goals. Regardless of how good their current performance is perceived to be, the Goal framework can encourage all cities to do better. But the focus of assistance would have to be on low-income countries.

There is merit in concentrating the vast potential and expertise of the international community in a number of countries that combine serious development constraints and a demonstrated commitment to implementing the Goals at the national scale. The UN Millennium Project, in consultation with the United Nations and multilateral donors, has established links with several countries, including Cambodia, the Dominican Republic, Ethiopia, Ghana, Kenya, Senegal, and Tajikistan, to support the governments in preparing MDG-based poverty reduction strategies. It would make sense to concentrate

**What is needed
is an urban-
centered MDG-
based poverty
reduction
strategy**

initial Millennium Cities efforts during 2005 in these countries, starting with their capital cities.

The right response to the slum dwellers challenge, which is central in the urban context of developing countries, is to replicate at the urban level the same kind of MDG-based poverty reduction strategy process that the UN Millennium Project advocates at the country level. What is needed is an urban-centered MDG-based poverty reduction strategy that brings together key stakeholders to reach consensus about a long-term local plan of action.

The first criterion would be to work with the urban poor as central actors of development rather than “targets.” In this approach mayors function as enablers rather than decisionmakers. Local Millennium City conferences could place poor urban residents and their organizations at center stage. Administrators, the private sector, professionals, educational and research institutions, and representatives of central and local government and of international agencies active in the country would listen to the articulation of challenges, problems, solutions, and priorities from the perspective of the urban poor. When such events have been well prepared, they have produced extremely positive results. The overriding emphasis should initially be on process rather than on projects and specific interventions.³

The Millennium City process could include a series of steps, from engaging in local implementation of strategies for achieving the Goals to establishing international linkages.

Engage in the local implementation of the Goals

A city or locality could decide to engage in local implementation of the Goals and to “apply” to the UCLG for Millennium City status, either directly or through the national association of local authorities. In low- and middle-income countries the initiative would be formalized by the city council, and the UN resident coordinator would be notified. The resident coordinator would become the channel for activating links with, and support from, donors and international agencies (see below). The main prerequisite is a commitment to an institutionalized participatory approach in the definition, implementation, monitoring, and evaluation of a medium-term local development strategy attuned to the principles and targets of the Millennium Development Goals.

Hold a Millennium City conference

Cities could call for a citywide consultation process open to all. While such initiatives can be frustrating in terms of results, occasions for an open consultation on the city’s problems and priorities are often seen by marginalized groups as an opportunity for voicing concerns and illustrating their own potential in solving them. Such a conference should be preceded by in-depth preparation, with the mayor’s office acting as facilitator and catalyst. The following steps could be taken:

Each local strategy would become a building block for the countrywide strategy

- Establish a Millennium City Committee composed of representatives of low-income groups elected by the population of city districts or wards, community-based organizations, and other partners (international, national, and local).
- Elaborate a citywide poverty profile, with the active participation of the people concerned and the assistance of other partners, using Goals as broad terms of reference, targets as specific objectives, and indicators as a baseline for performance.
- Review the national policy framework and citywide and local policies to identify bottlenecks, inefficiencies, and gaps.
- Present and discuss the poverty profile and policy review at the Millennium City Conference.
- Adopt a visioning document (such as Vision 2020), outlining the profile of the desired Millennium City and identifying the broad strategic framework for realizing it.
- Publish and disseminate the process and results of the Millennium City Conference.

Create a local MDG-based poverty reduction strategy

To translate the visionary document into “sectoral” strategies, priorities could be assigned to different neighborhoods, according to the levels of deprivation identified in the citywide poverty profile.⁴ Each substrategy would identify the governance, interventions, and investment actions and resources needed to improve the city’s performance in each sector (housing, health, education, the environment, infrastructure and services, employment generation, transport, and others), taking into account both current needs and gaps and expected future requirements. Resources would be quantified over time, indicating the funding proportions expected from local resources, central resources, and international support. The following steps could also be taken:

- Hold regular subgroup meetings to reconcile overlaps, fill gaps, and establish priorities.
- Present the local poverty reduction strategy to the city council. After discussion and approval, ensure that the strategy becomes an integral part of ongoing planning, programming, and budgeting processes.
- Publish and disseminate the MDG-based strategy.

Mobilize resources

The local MDG-based poverty reduction strategy would become the basis for mobilizing additional resources, from both internal sources (reform of the local taxation system, new sources of local revenue generation, contributions from private sector partners) and external sources (central government transfers, international cooperation). Each local strategy would become a building block for the countrywide poverty reduction strategy. Adjustments would be

**Millennium
City processes
should be
disseminated
nationally and
internationally**

made to the intermediate objectives, if necessary, while ensuring that resource mobilization remains an ongoing process.

Monitor and evaluate

Public reports would be produced on progress made and difficulties encountered in implementing the strategy. Each implementation phase of the strategy should be evaluated, and necessary corrections identified.

Create international linkages and support

Millennium City processes should be disseminated nationally and internationally, using the local MDG-based poverty reduction strategy as a basis for mobilizing international support for local implementation of the Goals. A Millennium City Prize could be established to encourage the process, document its results, recognize and support efforts (particularly on the part of cities in poorer countries), publicize new approaches to local governance and development, and strengthen the contributions of cities and local governments to the Goal implementation process.

Monitoring progress toward target 11

Monitoring target 11 involves monitoring progress toward both process-oriented and quantifiable goals. There is a need to strengthen the official monitoring system established by the United Nations and to involve target populations in defining the specific monitoring goals and assessing progress at the local level.

The Goals represent a commitment by global leaders to significantly improve the human condition. The Goals are especially noteworthy for their operational specificity, achieved by the addition of specific targets and objectives for each Goal. As a result, the Goals are not a vague and general commitment to somehow and at some time end global poverty. They are a set of clear, time-bound, and measurable objectives for systematically reducing global poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women and developing a global partnership for development.

The 18 targets are continually monitored by 48 indicators.¹ The targets mark progress toward the Goals; the indicators are intended as a means of “measuring” the extent to which the targets and, by implication, the Goals themselves are being achieved. (*Measuring* is enclosed in quotation marks to underscore the fact that measurement presents significant conceptual and methodological challenges.) This chapter analyzes the challenges of monitoring progress toward target 11 as refined by the task force: “By 2020, improving substantially the lives of at least 100 million slum dwellers, while providing adequate alternatives to new slum formation.”

Stronger emphasis on local processes, particularly those involving the urban poor and their organizations in monitoring, can help meet some of the conceptual and enumeration challenges posed by monitoring progress toward all Goals, particularly target 11. Their participation, in conjunction with strengthened funding and training to improve national and international

statistical research, would provide critical information in sectors that are too often underexamined, overlooked, or misunderstood in policymaking because of absent data.

To track progress toward the Goals and their targets, the UN Secretariat, in collaboration with the specialized agencies of the UN system, the IMF, the World Bank, and the Organisation for Economic Co-operation and Development, agreed on target-related indicators in an interagency workshop coordinated by the UN Department of Economic and Social Affairs. Each year the Secretary-General prepares a report that evaluates progress toward implementing the Millennium Declaration, which includes a section on the Goals and an analysis of observed changes in the 48 indicators. These indicators are based on country-level data that are aggregated at the regional and global levels.

Within the UN system, overall responsibility for coordinating the monitoring system falls to the United Nations Statistical Division (UNSD). As lead agency, UNSD collects data from UN and other agencies. It coordinates data analysis and maintains the aggregative database containing the various statistical series related to the selected indicators, as well as other background series intended to supplement the 48 indicators.

UN-HABITAT is responsible for monitoring progress

Within this larger monitoring scheme, UN-HABITAT is the focal point for monitoring progress toward target 11. Target 11 is one of the three targets of Goal 7 (ensuring environmental sustainability).² Associated with the three targets of Goal 7 are eight indicators (indicators 25–32). Indicator 32 (the proportion of households with access to secure tenure) is specifically linked to target 11.

The new responsibilities have required some changes in UN-HABITAT's approach to its mission. Its new four-pronged strategy is based on responding to immediate needs, fine-tuning existing programs, adding new components, and creating new joint programs and partnerships.

The methodological dilemma facing UN-HABITAT as it creates new capabilities stems from the tension at the very core of the target: the diversity of local conditions on the one hand and the monitoring requirement to measure variations in a standard way on the other. In the past UN-HABITAT's orientation favored a careful study of local diversity. The UN-HABITAT staff built a rich library of important national and municipal cases. However, the staff is also aware that "global generalizations are difficult, if not impossible, to make on the accumulated experience of singular cases" (UN-HABITAT 2004, p. 2).

To track progress toward the target, UN-HABITAT had to first establish a baseline.³ Since the target was to improve the lives of at least 100 million slum dwellers by the year 2020, it first had to determine what constitutes a slum. At an expert group meeting convened in Nairobi in November 2002,

the following definition of a slum was agreed upon: “A slum is a contiguous settlement where the inhabitants are characterized as having inadequate housing and basic services. A slum is often not recognized and addressed by the public authorities as integral or equal part of the city” (UN-HABITAT and Global Urban Observatory 2003, p. 6). To operationalize this definition in a quantifiable manner, the expert group identified five characteristics of slum dwellings: insecure residential status, inadequate access to safe water, inadequate access to sanitation and other infrastructure, poor structural quality, and overcrowding.

Because insecure residential status is a key characteristic of slum dwelling and secure tenure is a Goal indicator (indicator 32), the expert group needed to define the concept of secure tenure. The following definition emerged from their deliberation: “Secure tenure is the right of all individuals and groups to effective protection by the State against unlawful evictions” (UN-HABITAT and Global Urban Observatory 2003, p. 6).

The experts identified the concept of a slum household as “a group of individuals living under the same roof that lack *one or more* [emphasis in the original] of the (listed) conditions” (UN-HABITAT and Global Urban Observatory 2003, p. 6).

A slum community is a “geographical entity where more than half of the households showed a slum characteristic” (UN-HABITAT 2004, p. 3). Recognizing that unique conditions of local housing scarcity can leave even middle-income residents in neighborhoods that were predominantly slum communities, the experts suggested that in such cases the definition of a slum household could require the presence of “two or more of the conditions” (UN-HABITAT 2004, p. 3). In each case, the counting decision had to be made by groups and individuals familiar with each local housing market. In the end, for reasons discussed below, they settled for a criterion of just one of the five characteristics as a sufficient condition to define a slum household.

With these definitions and criteria in place, UN-HABITAT estimated the global slum population at 924 million. This estimate is now the accepted baseline against which progress toward achieving target 11 (and by implication, the broader Goals) is measured.

For purposes of monitoring, the expert group made two recommendations. First, it recommended that a quantifiable “slum index” be developed on the basis of a weighting system derived from the five characteristics of slums. It also recommended that this index be developed through a collaboration of activists, policymakers, and practitioners.

The Monitoring of Urban Inequities Program was created to provide institutional infrastructure for monitoring progress

Formally, there is only one major indicator associated with target 11: security of tenure. However, the monitoring process that UN-HABITAT is leading

(consistent with the findings of its November 2002 expert group) is attempting to take a broader and more nuanced view.

If the monitoring effort is to be sustained as an important and policy relevant endeavor, the monitoring program will require institutional infrastructure to carry it forward. HABITAT's Monitoring of Urban Inequities Program (MUIP) was launched to address this challenge. The intention is to combine MUIP with UN-HABITAT's existing programs on Urban Indicators and Geographical Information Systems to create a long-term sustainable monitoring effort.

The MUIP has three objectives: to provide globally representative knowledge on the magnitude of urban inequities faced by slum dwellers, with respect to both the Habitat Agenda and the Millennium Development Goals indicators; to develop capacity among multiple national stakeholders to undertake relevant policy analysis and to implement complex multistakeholder programs in the service of the urban poor; and to enhance evidence-based policy formulation and dissemination at the local level.

To attain the first objective, enhanced global monitoring, UN-HABITAT has begun including a series of data collection and analysis tools in its programs. These include household surveys of urban inequities, participatory rapid appraisals, community profiling, geographical information systems, and policy evaluations.

To attain the second objective, capacity building, UN-HABITAT offers systematic group training sessions, long-term apprenticeships focused on hands-on implementation techniques, and distance learning. Capacity development as envisioned by UN-HABITAT encompasses analytical methods, communication, advocacy, networking, and team building skills.

The third objective is in important ways an outcome of the first two. It envisions the creation of a local policy formulation process that will engage diverse stakeholders in dialogues, participatory budgeting, community profiling, and benchmarking. These are envisioned as taking place within the rubric of the Local Urban Observatories devised and supported by UN-HABITAT for the twin purpose of monitoring conditions and supporting policy-related actions.

Following up on the decisions of the first expert group, UN-HABITAT created a UN interagency task force to design, oversee, and implement the monitoring effort. This is done by tracking data related to the target through four data sets. The specific indicators are the percentages of people with access to sanitation, access to safe water, secure tenure, permanent housing or dwelling, and adequate indoor space.

The principal reason for this choice of indicators is that they are consistent with the monitoring criteria established by the expert group and potentially readily available through existing UN-HABITAT monitoring programs (the Statistics Programme, the Urban Indicator Programme, and the Best Practices Programme) and the statistics-gathering programs of other UN agencies

and the World Bank. These data are especially relevant to the first two measures (sanitation and safe water), as data can be gathered through a variety of sources, including UNICEF's Multiple Indicators Cluster Surveys (MICS) and the Demographic and Health Surveys (DHS).

Monitoring security of tenure is difficult

Given the central role ascribed to secure tenure, UN-HABITAT has sought to create a conceptually clear definition of the term that is easy to measure. According to UN-HABITAT, security of tenure has two aspects. One is the legal and political context in which tenure occurs. The other is the perception and experiences of households and individuals with their tenure security (or lack thereof). Both legal security and perceived security must be present for upgrading to be meaningful. There is often a disconnect between the legal status of individuals and households and their perception of it. In the slum of Huruma, a neighborhood of Nairobi, for example, residents have no doubt about their security. But municipal experts judge them to be vulnerable to evictions, because they are occupying land that is not rightfully theirs. As a result, agencies are not willing to invest in expensive but vital investments in infrastructure upgrading.

Even in a supportive political environment, households or individuals can feel insecure. The eviction of women in the event of a broken marriage or widowhood provides another example in which an otherwise politically supportive environment can quickly turn hostile to the needs of specific individuals or groups.

Examples like these lead UN-HABITAT to conclude that the best approach to understanding security is by combining an understanding of laws and regulations with some measures of individual perceptions of their own tenure situation. To develop a quantifiable measure of the perception of individual households about the security of their tenure, the expert group identified three monitorable data points: the eviction experience of the household, reported perceptions of security of the household head, and documentary evidence of the household's legal claim for tenure. These three pieces of information can be derived from USAID Demographic and Health Surveys and UNICEF's Multiple Indicator Cluster Surveys, as well as from the Urban Inequities Surveys undertaken by UN-HABITAT. In general, a negative finding on any two of the three items should lead to a finding of insecure tenure.

To link the perceived and legal aspects in a manner that provides international comparability, UN-HABITAT is proposing the concept of the Legal Institutional Framework Index (LIFI) as a measure of security of tenure. It is intended to provide international comparability by addressing four issues: elements of legal and administrative framework, the set of rules, the impact of rules on resident experience, and global commonalities. LIFI is still a work in progress. It will be piloted in Addis Ababa.

Progress is being made in improving the data needed to monitor target 11

Some progress is being made in improving UNICEF's Multiple Indicators Cluster Surveys and the Demographic and Health Surveys to better suit the data needs of monitoring target 11.⁴ These surveys currently do not include security of tenure and cover only 20 percent of overcrowding conditions. The next round of surveys, to be conducted during 2004–06, will include both variables. The UNICEF surveys will address security of tenure issues with questions on documentation, de facto eviction, and perception of security.

One structural weakness of the monitoring effort is the lack of specific slum-related coverage in national censuses, which poses a major difficulty in terms of consistent and nationwide monitoring of the slum phenomenon. Much greater support will have to be provided to national statistical offices in low-income countries to improve their capacity to measure and document slum conditions, in partnership with the appropriate international agencies and specialized organizations.

A second structural weakness is found at the local level, where efforts at slum upgrading occur. Much remains to be done in terms of shaping monitoring approaches consistent with the participatory process of slum upgrading and urban planning that are at the center of this task force's findings. This view is consistent with the recommendation expressed by UN-HABITAT's experts group in their May 2003 report, which calls for a collaborative evaluation process.⁵

An enhanced global monitoring mechanism is needed

The global monitoring project established by the UN system calls for a stronger standard survey mechanism at the national level. Although many credible mechanisms for monitoring target 11 are already in place at the country level, a more detailed national survey consistent with global monitoring coordination guidelines would better ensure comparability across countries and the tracking of progress over time.

Such an enhanced global monitoring mechanism would have multiple uses. It would provide a comparative reference point and guidance to governments and would serve to track changes on overall slum upgrading in both geographic and thematic areas (water, sanitation, overcrowding, durability of housing, and security of tenure). It could serve as an advocacy and policy instrument to bring together policy formulation, action, and monitoring strategies. It would also help make comparisons across cities, countries, and regions, and disseminate information to the international development community more broadly on progress toward target 11 and the priorities for action. The global monitoring system is therefore to be seen as a framework for accountability in global development policy.

Based on the global monitoring methodology, governments would need to propose nationally defined slum improvement targets with clear numeric

and time-bound benchmarks in order to make periodic progress reports. The urban poor and local authorities would also need to actively participate in defining and adapting the slum indicators to the local context, reviewing the specific monitoring goals, and assessing progress at the local level.

The urban poor represent an untapped resource for monitoring progress

Building a global knowledge base requires that monitoring efforts be continually enhanced in ongoing surveys and through consultation between UN-HABITAT's monitoring group, local organizations of the urban poor, and local government officials. Surveying each locale should be carried out by the local organizations of the urban poor, in close consultation with local officials, wherever possible.⁶ Federations of slum dwellers and their international organizations are capable of sophisticated survey and mapping work (see chapter 2). They are also capable of training one another in these techniques, with support from NGOs. The talents and resources of the urban poor currently sit on the sidelines. When they are combined with cooperation from forward-thinking national and local governments and specialized international agencies, they hold great potential for providing the clearest and most direct information on progress toward the targets of the Goals.

This local orientation is important for other reasons as well: the dialogue it sets in place allows donors and governments not only to understand where countries and cities are on and off track in terms of meeting the Goals but also to understand the reasons why and what needs to be done. The monitoring process described above also affords an excellent opportunity to implement the principles of participation and power sharing with the urban poor advocated throughout this report.

If knowledge is power, its generation and aggregation are essential for leveling development playing fields. Nowhere is the knowledge of current living conditions of the urban poor so well understood and (informally) documented as in poor urban communities. For these reasons, it is critical to involve the organizations of the urban poor in monitoring design and implementation.

Furthermore, given the task force's interpretation of target 11 to include the provision of alternatives to new slum formation, it is imperative that the sphere of government most directly responsible for providing alternatives—such as local governments—be included in monitoring design and implementation. Toward that end, the task force wishes to underline its support for the Millennium Cities concept and of the commitment made by United Cities and Local Governments to launch a Millennium Cities campaign (see chapter 6). Such a campaign could facilitate the creation or strengthening of networks and encourage local authorities to take action in documenting their efforts to help improve the lives of current slum dwellers in their cities and provide and plan for alternatives for poor urban populations in the future. This means

documenting and measuring (both qualitatively and quantitatively) the nature of ongoing projects as well as the accumulated results of specific local government policies and interventions that aim to provide secure tenure, expand access to low-income housing, construct sanitation and water lines to slums, and so forth. Together with the experience and support of UN-HABITAT, the urban poor, in partnership with local governments, other civil society actors, and the private sector in particular, can pool their knowledge in order to document progress over the next 15 years. These city-level data can then be aggregated to provide a national picture.

It will be important to create intermediary monitoring reports based on immediate participatory monitoring actions, particularly in light of the call for national governments to report on progress in achieving the Goals as soon as 2005. More specifically, for national governments to be in a position to report on progress toward target 11 for inclusion in the global monitoring mechanism, preliminary efforts and support must be secured in arranging for local participation at the community and local government level. Indeed, in its own work, UN-HABITAT has already encouraged the establishment of monitoring relationships and coordination with groups at the community level. And while organizations like UN-HABITAT have both the technical experience and the political will to support this process, donors and national governments will need to play a part, by providing financial assistance and human resources to build a network of local monitors. By involving and supporting the poor and local governments, direct, cost-effective community-building mechanisms will be put in place to measure and compare the global implementation of all of the Goals for the growing portion of the world's poor population that will be living in cities over the next 10–15 years.

Recommendations

Four major recommendations emerge from the discussion in this chapter:

1. It would be appropriate to link target 11 with the broader goal of poverty reduction.
2. Statistical capability at the country level, including census enumeration, must be strengthened to include specific measurements on settlements and living conditions of the urban poor, thereby building a solid base for measuring country-level efforts.
3. National statistical capacity building must be complemented by strengthening the support and analytical capabilities of the relevant UN departments and programs.
4. Donor and government support must be directed toward building the capacity to measure progress by the people directly affected by target interventions and, more broadly, by the whole Goals effort—the urban poor and their organizations.

Investing in the target to improve the lives of slum dwellers

Countries must conduct needs assessments to determine what needs to be done and how much is needed to meet the Goals by the benchmark years. Such an exercise starts by identifying the operational investments—or interventions, broadly defined as goods, services, and infrastructure—needed to achieve each target. A second step defines the coverage expected for each intervention. Using detailed investment models, countries can then project the human resource, infrastructure, and financial needs for meeting the targets for particular segments of the population. These results can be refined iteratively to take account of synergies arising from the mixture of interventions prescribed for meeting various Millennium Development Goals targets.

This chapter outlines the assumptions made for estimating the investments needed to upgrade slums and provide alternatives to new slum formation in order to achieve target 11.¹ The figures presented here form the basis for the target 11 cost component of the needs assessment presented in *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*.

There is ample evidence that the continuation of inadequate policies that exclude the urban poor from development processes will result in huge social and economic costs. Significantly improving the lives of at least 100 million slum dwellers by 2020 and providing alternatives to slums for future urban populations will secure great social benefits and economic savings for people directly affected and the community at large.

What will it cost to meet these targets? Given the heterogeneous nature of the settlement conditions of the urban poor, different definitions of a slum, the variety of low-cost housing solutions, and judgments over the range of items to include in cost estimates, there is no single correct answer to this question. It is possible, however, to provide a reasonable and credible estimate of the range in which the cost lies.

Updating and preventing slums is not an expenditure, but an investment

The title of this chapter reflects a careful choice of words that highlights the fact that resources spent on improving the lives of the urban poor are investments that will yield global economic and social returns, not sunk costs. In the urban arena, this means a socially equitable and more productive global urban future. This will come about in part through the higher productivity that will flow from an urban workforce living in healthier surroundings and in part from the decrease in social and public costs that are the product of a poor urban environment.

Meeting the target is feasible

Good and affordable rental or owner-occupied housing with secure tenure is the central asset on which individuals and families build their future. Assisted self-help housing, in the forms of upgraded and new housing, is the solution on which the paradigms of adequacy, affordability, and security converge. As the calculations presented in this chapter show, upgrading and providing new housing is an attainable target. Millions of poor people around the world are already implementing assisted self-help solutions. Whether or not these millions can become hundreds of millions depends on the political will of all governments of the world.

This chapter illustrates the interventions required to reach the dual target of upgrading existing slums and providing adequate alternatives to new slum formation. It presents costing estimates, describes the nature and scale of the interventions suggested, estimates related costs, and suggests how these costs can be distributed among the main actors identified—donors; central and local governments; other actors, including the private sector; and the urban poor themselves.

Upgrading slums and providing alternatives to the formation of new slums would require about \$293.5 billion over the period 2005–20 (table 8.1). As detailed estimates show, an investment of just \$440 per person could markedly improve the lives of 670 million current and potential future slum dwellers.

If we assume that 30 percent of the total investment required would be recovered through small loans to residents to improve or build their neighborhoods and houses and that 10 percent would come from the residents themselves, developing country governments would have to contribute about

Table 8.1
Estimated investment required to upgrade slums and provide alternatives, 2005–20

Source: Task force estimates calculated based on data from UN-HABITAT 2003a; Flood 2004; World Bank 2003a; FISE 2004.

Intervention	Target population (millions)	Average investment per person (\$)	Total investment (billions of \$)
Upgrading slums	100	670	67.0
Providing alternatives to formation of new slums	570	400	226.5
Total	670	440	293.5

**Reaching target
11 would require
just 8 percent of
current annual
development
assistance**

\$176 billion over the period 2005–20, or about \$11 billion a year. This is equivalent to a total investment of about \$260 per person.

If donors contribute 30 percent, their commitment would be about \$88.1 billion, or about \$5.5 billion a year. To put this figure in perspective, total official development assistance by the OECD was \$68.5 billion in 2003 (OECD n.d.). This means that the cost of improving the lives of 670 million current and potential slum dwellers is equivalent to just 8 percent of current annual assistance for the next 16 years.

The task force took the following steps in preparing its estimates:

1. On the basis of an analysis of estimates conducted both before and during the task force's mandate and a review of factors affecting investment costs, the task force adopted a simplified and verifiable calculation method for the investments required to achieve the target.
2. The task force developed an operational definition of what improving the lives of present and future potential slum dwellers means in concrete and measurable terms: meeting the target requires the regularization and upgrading of existing slums and the provision of access to affordable housing solutions with secure tenure to future low-income urban dwellers.
3. Consensus was reached that attainment of the target's twin objectives requires the full involvement of the people affected and their organizations, supported by the maximum possible participation of all other actors (civil society, the private sector, local and central governments, international agencies, and donors).
4. Given the enormous scale of the problem, the task force had to define and identify the most economical, effective, and affordable models to reach the target. In the case of regularization and upgrading, the best solution involves four steps: taking care of the largest possible number of people with the least amount of disruption and dislocation, relying heavily on local building materials and methods, providing a secure form of tenure, and involving residents to as great an extent as possible in planning and implementing the process. In the case of new housing, it was agreed that the best solution for meeting demand for good quality, reasonable cost, and sufficient scale is assisted self-help housing.
5. The components of both upgrading and new housing programs were identified and listed.
6. The initial investment model was then assembled on the basis of existing estimates and programs that satisfy all the above criteria. In the case of new housing, several examples were considered from different regions. The example chosen for finding alternatives to slums for future low-income urban dwellers was a sustained, large-scale, assisted self-help housing program for the urban poor that has been successfully implemented in Central America.

**The Cities
without Slums
initiative
provides a good
starting point**

7. The next step was to produce per capita investment estimates for individual components drawn from actual program investments (housing, land, infrastructure, basic services, and capacity building in Central America). This experience shows that some of the investment costs can be recovered through loans to low-income families, savings, and in-kind and labor contributions by families and communities. The remainder can be covered by subsidies from national and local governments and international donors.
8. Based on these assumptions, the task force calculated the cost of interventions in other regions and subregions.
9. The task force then calculated the demand for slum upgrading and new housing, by regions and worldwide, in order to estimate the investment needed to reach the target.
10. The last step was assessing the likely distribution of funding in countries at different income levels. Funding will come from international agencies and donors, national and local governments, and the central actors of the process, the poor themselves.

Current estimates were used to estimate the investment required to meet target 11

The Cities without Slums initiative of the Cities Alliance (1999) provides a good starting point for estimating the investment required for upgrading. Its action plan (based on standard upgrading costs, including the cost of securing tenure) estimates the costs of upgrading slums at about \$500 per person, implying the need for \$50 billion over 2004–20 to upgrade housing for 100 million slum dwellers.² This estimate was adopted in the Secretary-General's *We the Peoples* report (UN Secretary-General 2000). A more recent estimate from a study commissioned by UN-HABITAT (Flood 2004) and prepared for the task force puts the figure at \$74 billion. Both figures include provision of a full complement of services, which are not necessarily lacking in all slums. They are therefore on the high side.

In 2004 the UN Millennium Project conducted a needs assessment of the investments required to meet all the Goals in Ghana, Tanzania, and Uganda (UN Millennium Project 2004a). That exercise indicated that in these countries, the average annual per capita costs of reaching all of the Millennium Development Goals targets by 2015 would be roughly \$4–\$7 for water and sanitation, \$12–\$18 for education, and \$25–\$35 for health.

With regard to interventions included in estimating investments required to reach target 11, the needs assessments noted above did not include such items as housing and other types of infrastructure, but did include essential services, such as energy. Police and fire protection, transportation, and micro-finance were included in a summary list of interventions (though the lack of data prevented estimating their cost). Another study, the 2003 *Global Report*

**The estimation
of upgrading
costs depends
heavily on
physical location
and conditions**

on *Human Settlements* (UN-HABITAT 2003a), introduced an additional variable: civil-society capacity building.

A study requested by the task force and commissioned by UN-HABITAT compiled a list of all interventions and related costs for upgrading and new settlements (Flood 2004). It came up with estimates of \$740 a person for upgrading and \$926 a person for new low-cost housing and related infrastructure and services, net of cost recovery.

The task force drew on all of these studies to compile a list of specific interventions for upgrading slums and providing new housing. The investments associated with these interventions are for a full complement of services, some of which may not be lacking. In informal settlements where satisfactory housing is already built and partial services are in place, these estimates thus overstate the actual investment required. Both upgrading and new construction costs will vary widely from country to country and city to city, depending on many factors, including location, standards, design, construction choices, and contracting methods.

The estimates include components related to ongoing service provision, other recurrent expenditures, and income-generating activities, which, although important, are complementary but not critical to a package of interventions required in a typical upgrading or low-income housing project. Income and employment-generating activities through microfinance are vital, as the evidence in this report shows. The task force recommends that these components be part of the overall Goal of reducing poverty through economic growth with equity, rather than part of target 11. Public services and special economic support programs represent a municipality-wide cost that needs to be considered as part of a more general strategy of urban investments to meet larger developmental goals. The costs of “improving the lives of slum dwellers,” therefore, refer strictly to physical improvements in the housing stock; basic physical infrastructure (water, sanitation, drainage, road paving, electricity); community-based services (schools and clinics); and security of tenure.

Target 11 as formulated in this report also calls for estimates of the investment required to provide adequate alternatives to new slum growth. The expert project experiences of some task force members suggest that new settlements can be built for one-third to one-half lower the cost of comprehensive upgrading. The task force initially adopted the more conservative figure of one-half. This figure was verified by estimating the cost of each individual component.

A variety of factors affects investment costs for slum upgrading

The estimation of upgrading costs depends heavily on the physical location and conditions of the site being upgraded as well as the social and organizational structures that are in place. A variety of factors affects investment costs for slum upgrading:

Population density can make a substantial difference in the cost of upgrading

- Upgrading investments on sites scattered throughout the city can be reduced if trunk infrastructure for access, water, sanitation, and power supply is already in place and located close to the site and materials and labor are readily available.
- Upgrading in existing, densely settled, informal settlements can be considerably more expensive than building new units, because some demolition and disruption will be necessary.
- Upgrading costs depend on the nature of the site. Informal settlements built on steep hillsides, sloping or rocky ground, heavy or unstable soils, flood-prone sites, or areas with poor drainage are particularly expensive to upgrade.
- The percentage of residents that needs to be rehoused varies from site to site.
- In extreme cases, where life- and health-threatening conditions for existing slum dwellers cannot be removed through physical rehabilitation measures, negotiated relocation of all residents will be the only solution. In this case costs for assisted relocation and rehabilitation of the original site have to be added to the costs of new housing accommodation.
- The costs of land and of introducing, expanding, improving, and maintaining infrastructure and basic services varies widely across countries and cities.
- House construction costs depend on the materials and technology used, the size of the house, and the quality of fittings.
- Population density can make a substantial difference in the cost of upgrading. Typically, according to task force experts, a doubling of densities can reduce costs per person by a third.

The target needs to be translated into operational terms

Meeting target 11 means improving the human settlement conditions of people who live in slums and enacting the policies and programs required to provide a better alternative than living in new slums to the growing numbers of the urban poor. The investment estimates exclude the operational and costing considerations of all interventions that do not directly translate into the material and tangible attributes of adequate housing, infrastructure, and services that constitute the physical environment in which the urban poor live. This does not mean that safe and affordable transportation, solid waste management, and police and fire protection are not important concerns in meeting the needs of the urban poor. On the contrary, they must be considered. Studies commissioned by the task force carefully analyzed these issues (see, for example, Hook and Howe 2004). These services pertain to citywide needs, however, and are therefore not included in estimates of the specific investments required to improve the settlements in which the urban poor live. Therefore, the task force advocates that the dual objectives of target 11 be pursued by regularizing

**Upgrading costs
depend on how
residents react
to the challenge**

and physically upgrading existing informal and slum settlements and building low-cost, adequate, and affordable housing.

Process is as important as technical solutions

Adequacy and affordability are only two of the necessary conditions for achieving the target. The most important condition is the processes that have to be put in place. The target will not be met in a sustainable way unless the poor are the central protagonists of both processes and solutions. Growing evidence highlighted in this report suggests that community-led interventions designed and executed with the active participation and involvement of low-income groups and their organizations can reduce costs considerably and produce more sustainable outcomes.

Community-based interventions can be very cost-effective

One problem with global cost estimation is that interventions can be provided to very different standards (Kessides 1997). Unit costs may also vary depending on the financial approach and the scale of intervention, as well as on who leads or undertakes the upgrading or new housing developments (the public sector, local authorities, private sector contracting, the community itself) (d’Cruz and Satterthwaite 2004). Assisted self-help projects run by the community or through nontraditional methods of delivery could cost up to 30 percent less than the traditional ways of delivery without client involvement.

Upgrading costs depend on how residents react to the challenge, particularly the ways in which they work with one another as well as with the public, private, and NGO players involved in the process. The more residents are involved in the decisionmaking and project implementation process, the greater the possibilities of cost effectiveness and increased efficiency. When communities become central to the process, the physical investment in infrastructure, services, and housing becomes social capital. As a result, the amount of financial resources required declines, and the chosen technical solutions become more acceptable and sustainable. In these kinds of participatory processes, monetary investments in the physical components of settlement are multiplied in terms that are not quantifiable but are priceless: a sense of belonging to and identification with the neighborhood and the city. Involving poor people in these processes creates both social capital and citizenship.

Target 11 can be reached in all countries if all actors participate. Donor assistance will be particularly crucial in the poorest countries to support the community development components key to the processes. Local governments have a crucial role to play in creating the necessary environment to allow the participation of low-income communities and create the partnerships with the private sector that mobilize the required resources and assets. National governments can allocate resources to transparent and targeted subsidies managed and used by the urban low-income poor with the assistance of NGOs.

**National
and citywide
recognition of
the validity of
upgrading is
necessary**

Interventions must be sustainable

Sustainability—of both settlements and programs—is a major issue facing all interventions. Unless upgrading improvements or new settlement construction are linked to adequate ongoing maintenance and service expenditures, investments in settlements will deteriorate rapidly. This means that the issue of sustainability is not separate from the issue of operating costs. The policy question becomes one of distributing responsibilities. How much can the poor bear in terms of user fees and taxes? What is the ongoing responsibility of local and national governments? How much assistance will donors need to provide? On a long-term basis, partial or full cost recovery is necessary to maintain settlements, prevent excessive depreciation and wasteful or careless resource use, and provide capital for future improvements.

User fees have increasingly been sought as a means of avoiding waste and providing a sustainable source of local funding, but given the resources of the urban poor, they are impossible to sustain. Although user fees reduce government costs, they may also prevent the poor from accessing basic services (UN Millennium Project 2004a). Step tariffs, which provide free access to basic services and charge a nominal fee for higher levels of service, have been used successfully in many cities to allow basic needs to be met while limiting excessive usage and providing funds for maintenance. But at best these are partial solutions to the cost recovery problem. Additional funding must be maintained as long as these populations remain poor.

Sustainability of governance is also required. Organizations with community support that regard it as their prime task to maintain, promote, and expand upgrading programs must be established and supported. Sustainability of support from government and willingness to mobilize funds for the poor are a necessary prerequisite. At the very least, both national and citywide recognition of the validity of upgrading, together with facilitation and scheduling, is necessary, even where projects become self-funding and do not require government funds.

Interventions must be well defined

Equally important to success is the explicit definition of “interventions.” The model approach identified is based on the removal of the negative attributes that define a “slum dwelling” (UN-HABITAT 2003d, pp. 18–19). It involves the following elements:

- Retain the existing population, except for cases in which life- or health-threatening conditions cannot be ameliorated with rehabilitation measures.
- Provide secure land tenure.
- Provide the required basic infrastructure (roads, water, sanitation) and essential services (health clinics, schools, open spaces) while causing as little disruption as possible to layout of plots.

Low-income residents must be offered affordable alternatives

- Reduce overcrowding while maintaining an acceptable scale, preferably by adding second and third stories to existing structures or plots and where necessary making additional land available at the perimeter of the existing settlement.
- Upgrade existing dwelling units, by using safer and more durable building materials.
- Invest in capacity building, in order to make sure that a good partnership is established between residents and their local organizations and municipal authorities.

Low-income residents must be offered affordable alternatives to prevent them from settling in illegal subdivisions or informal and unserviced settlements with no title to their housing or land. The urban poor cannot access even the lowest end of the conventional ownership or rental housing market. Furthermore, standard credit facilities are beyond their reach. Conventional housing solutions are therefore excluded for this group. “Turnkey” social housing programs, although not discouraged in principle, cannot reach the required scale at an affordable cost. Even individually built self-help housing on legally acquired land is often beyond reach without significant assistance, because the upfront investment required is too high. Satisfying future urban housing demand for the lowest income groups at the required scale will require a combination of international assistance, subsidies from both central and local government, loans, and realistic contributions from the beneficiaries themselves.

An assisted self-help housing approach should be adopted incrementally. The advantages of such an approach include the following:

- It can create housing at prices well below market prices.
- It involves the direct participation of the low-income residents.
- It is based on a partnership among all the actors that should be involved in social programs in low-income countries: international donors and agencies, governments, and people.
- Because of its lower costs, it offers good opportunities to move up to scale.
- It can produce housing tailored to the needs and resources of the participants, particularly through incrementally improvable solutions.

As in the case of upgrading, city authorities identify the intervention areas, seeking a tradeoff between land costs and location. Sites are developed with the provision of basic bulk and network infrastructure and essential services. Housing construction is conducted by the participants themselves in an incremental way, assisted by the provision of small loans from a rotating fund and in some cases by technical assistance.

This model requires a combination of subsidies, loans, and savings and contributions from participant families. All are essential to bridge the gap between affordability and adequacy of shelter.

Possible interventions were adapted from the Cities Alliance, the Millennium Project, and the Global Report on Human Settlements (table 8.2) (UN-HABITAT 2003a). Water and sanitation, which are covered under target 10, are included here, especially with regard to networked infrastructure and certain level of bulk services. Infrastructure for community health and education services is also included.

There is considerable overlap between the interventions for upgrading identified by the Cities Alliance and the UN Millennium Project Secretariat and interventions required for new low-income settlements. One support inter-

Table 8.2
Possible interventions
for achieving target 11

Note: CA = Cities Alliance;
MP = UN Millennium Project;
GRHS = Global Report on
Human Settlements.

Source: UN Millennium Project
2004a, b; Cities Alliance
1999; UN-HABITAT 2003a.

Category	Intervention	Source	Interventions for upgrading slums	Interventions for building new low-income settlements
Housing	Incremental building of new housing or upgrading of basic housing	CA, MP	x	x
	Land purchase or transfer	CA, MP	x	x
	Relocation	CA, MP	x	
Planning and institutional	Settlement design and layout	CA, MP	x	x
	Tenure legislation, regulations, and enforcement	CA, MP	x	x
	Local government capacity building, including improved record keeping and land management and information systems	CA, MP	x	x
Physical services	Solid waste collection	CA, MP		
	Local roads, footpaths, and curbs	CA, MP	x	x
	Water	CA	x	x
	Drainage	CA	x	x
	Street lighting	CA, MP	x	x
	Maintenance	MP		
Social and other services	Police and fire	MP		
	Community facilities (mainly schools and health clinics)	CA	x	x
Community development and income generation	Transportation	MP		
	Microfinance	MP		
	Civil society capacity building	GRHS	x	x

The total cost for slum upgrading during 2005–20 is \$66.5 billion

vention proposed by the Global Report on Human Settlements—civil society capacity building—is considered relevant to both upgrading and new settlement construction.

Upgrading and new construction have different cost structures, since construction on new sites, particularly in “green fields,” requires the provision of new dwellings and services, including trunk infrastructure. Substantial savings can be enjoyed if a more affordable mix of regulations for land use and the provision and maintenance of urban infrastructure are adopted (Bertaud and Malpezzi 2003) and if sequenced provision of infrastructure and an incremental strategy of self-help construction are adopted.

For estimation purposes, the task force identified two basic approaches. For 100 million people in existing settlements, a typical upgrading package will be provided in line with recent programs that upgrade slums and informal settlements with the worst services (Flood 2004).³ For the new low-income urban dwellers who will require adequate and affordable housing between now and 2020, new housing will be built on vacant land through incremental development methods.

Slum upgrading would cost about \$42 a year per beneficiary

Estimates of the investments required to upgrade slums include land purchase and transfer, housing, network infrastructure, bulk infrastructure, schools and health clinics, community facilities, planning and oversight, and community capacity building. The task force partially adopted Flood’s (2004) costing proposal rationale for the components related to land purchase and transfer; housing; network infrastructure (roads, internal paths, curbs, water and sanitation, power and electricity); community facilities; and planning and oversight. Flood provides different per capita estimates for Sub-Saharan Africa, Egypt, and Sudan; the Arab states, Turkey, and Iran; South-Central Asia; Southeast Asia; China, the rest of East Asia, and Oceania; and Latin America and the Caribbean. According to Flood (2002, 2003b) these regions are relatively homogenous in terms of slum proportions. For bulk infrastructure, social infrastructure for schools and health clinics, and community capacity building, the task force adjusted Flood’s costing proposals according to the method described later in this chapter and related to the calculations to finding alternatives to slums for new low-income urban dwellers. The resulting average cost per person for each of these components varies significantly across regions (table 8.3), largely because of differences in the cost of labor and land.

The total cost for slum upgrading during 2005–20 is \$66.5 billion, or \$4.2 billion a year.⁴ The average investment cost for achieving the target in the developing world is about \$665 per beneficiary for the period 2005–20, or roughly \$42 per beneficiary per year.

Table 8.3
Estimated per capita and total investment required to upgrade slums, by region, 2005–20
U.S. dollars per capita

Note: Numbers in table may not sum to totals due to rounding.

a. Calculated as 30 percent of the value of networked infrastructure.

b. Calculated as 10 percent of the overall costs of the rest of components.

Source: Flood 2004; World Bank 2003a; FISE 2004.

Component	Arab states, Turkey, and Iran	East Asia (including China) and Oceania	Latin America and the Caribbean	South Central Asia	Southeast Asia	Sub-Saharan Africa, Egypt, and Sudan
Construction of basic housing	472	338	488	306	324	125
Purchase of land or transfer	80	38	7	32	34	14
Relocation	55	20	27	11	15	14
Provision of networked infrastructure	235	51	235	51	51	145
Provision of bulk infrastructure ^a	71	15	71	15	15	44
Construction of schools and clinics	12	10	18	10	10	12
Construction of community facilities	15	10	15	10	10	10
Planning and oversight	268	81	230	121	126	117
Capacity building ^b	121	56	109	56	58	48
Total cost per person	1,328	619	1,200	612	643	528
Number of people (millions)	4	20	8	30	7	31
Total cost (\$ billions)	5.3	12.4	9.6	18.3	4.5	16.4

If 30 percent of these investments could be recovered through small loans and 10 percent were contributed by residents themselves, about \$39.9 billion, or \$400 per person, would have to be provided in the form of subsidies over the period 2005–20 (table 8.4). Investment of \$2.5 billion a year would achieve the target of improving the lives of 100 million slum dwellers.

These subsidies would be provided by donors, governments, and the savings and contributions of residents. In low-income countries, the percentage of donor contributions is expected to be higher than in lower middle-income countries. In fact, many middle-income countries may not require donor contributions at all, and the need may vary greatly within countries (box 8.1). The disaggregation of funding sources presented in table 8.5 is thus purely notional.⁵

Table 8.4

Projected types of funding for upgrading slums, by region, 2005–20
Billions of dollars

Source	Arab states, Turkey, and Iran	East Asia (including China) and Oceania	Latin America and the Caribbean	South Central Asia	Southeast Asia	Sub-Saharan Africa, Egypt, and Sudan	Total
Subsidies	3.2	7.4	5.8	11.0	2.7	9.8	39.9
Loans	1.6	3.7	2.9	5.5	1.4	4.9	20.0
Savings and self-help	0.5	1.2	1.0	1.8	0.5	1.6	6.7
Total cost	5.3	12.4	9.6	18.3	4.5	16.4	66.5

Note: Numbers in table may not sum to totals due to rounding.

Source: Task force estimates based on data from Flood 2004; World Bank 2003a; and FISE 2004.

Box 8.1

Projects in Pakistan are upgrading slums without donor assistance

Source: Tasneem Ahmad Siddiqui, Director General, Sindh Katchi Abadis Authority.

The Sindh Katchi Abadis Authority (SKAA) in Karachi, Pakistan, is a semi-autonomous body, working under the Department of Local Government, which has been involved in slum regularization and upgrading since 1991. SKAA has started regularization work in 260 settlements and provided ownership rights to 22,895 families. Local councils have given ownership rights to another 109,310 slum dwellers.

SKAA levies a one-time charge on illegal occupants, depending on the size of the plot, its location, and its land use. One-third of this levy is spent on upgrading the settlement, one-third on staff salaries, and one-third for the purchase of land from land-owning agencies.

Experience has shown that dwellers in informal settlements invest their own money in improving services and that there is marked improvement in the physical condition of houses once investment becomes secure. In the process of slum improvement, upgrading, or regularization, state subsidies are involved only in the purchase of land and for securing external infrastructure (access roads, bulk water supply, disposal system, and bulk electric supply). Once the settlement is regularized, the state is able to generate money through property tax and user charges. Where donor money has been used for slum upgrading programs, the speed of regularization has slowed down. A dependency syndrome develops, and most people refuse to pay state levies.

Pakistan's experience shows that subsidies would run at most \$200 per unit (this figure includes the subsidy for the cost of land and external infrastructure, but does not include the cost of house construction). As this subsidy already comes from provincial and local governments, there is no need for foreign donor funding for slum upgrading work.

The Hyderabad Development Authority in Pakistan has created alternatives to new slum formation. Its first project in incremental housing development began in 1987. Six more projects have since been implemented at various locations in the province of Sindh. The targeted population consists of individuals earning about \$100 per month. This project is self-financing and has the capacity to go to scale if the national government adopts it as a policy. Studies suggest that this approach is commercially viable as well. For the special case of the extreme poor, special schemes with state subsidies for land purchase and securing external infrastructure can be developed using the concept of incremental development.

Table 8.5**Projected sources of funding for upgrading slums, by region, 2005–20***Billions of dollars*

Source: Task force estimates based on data from Flood 2004; World Bank 2003a; and FISE 2004.

Source	Arab states, Turkey, and Iran	East Asia (including China) and Oceania	Latin America and the Caribbean	South Central Asia	Southeast Asia	Sub-Saharan Africa, Egypt, and Sudan	Total
Donors	1.1	3.7	2.9	7.3	1.4	6.5	22.9
Governments	3.7	7.4	5.8	9.2	2.7	8.2	37.0
Communities	0.5	1.2	1.0	1.8	0.5	1.6	6.7
Total	5.3	12.3	9.7	18.3	4.6	16.3	66.6

Based on these assumptions, donors would need to provide about \$23 billion during 2005–20, or about \$1.4 billion a year. Governments of developing countries would need to cover \$37 billion, or \$2.3 billion per year. Slum dwellers themselves would cover the remaining \$6.7 billion.

Three self-help housing programs in Central America provide important lessons

To identify a suitable model for assisted self-help housing, the task force examined successful recent examples in low-income countries. These experiences show that at least five critical interventions are required to produce realistic alternatives to slum formation for low-income urban dwellers:

- Access to affordable land and secure land tenure.
- Provision of basic services and infrastructure (water, sanitation, roads, internal paths, and electricity).
- Community facilities (mainly schools and health clinics).
- Improved housing (either new housing construction or expansion or improvement of the existing dwelling structure through incremental methods).
- Community development (increasing the capacity of local governments, NGOs, community organization, and individual families to be involved in the planning, design, and execution of more effective and efficient mechanisms of delivery and maintenance of basic services, community facilities, and housing).

The assisted self-help and incremental housing programs undertaken in Honduras, Nicaragua, and El Salvador were used to guide the estimates of the investment required to meet target 11. All three countries are rapidly urbanizing, and all suffer from significant social and economic inequality.⁶ They are also poorer than the average for Central America. Honduras and Nicaragua are low-income countries, with per capita gross national income of less than \$900 a year. Both are part of the Heavily Indebted Poor Countries (HIPC) Initiative and have adopted poverty reduction strategies. El Salvador is the most densely settled country in Latin America, with per capita gross national income of \$2,000.

Donors need to provide about \$23 billion for slum upgrading during 2005–20

The three low-income housing programs have been in operation for more than 10 years. They have reached more than 80,000 urban poor families and mobilized significant external and domestic resources (the current value of their revolving funds for small loans for new housing and housing improvements to low-income families is more than \$40 million). The three programs have a strong commitment to involving the urban poor in the design, execution, and maintenance of housing and infrastructure and to performing outreach efforts to target populations that are not served by traditional private or public lending institutions.

The Urban and Rural Social Housing Foundation (FUNDEVI) in Honduras is a public foundation that provides financial and technical assistance to low-income families that work in the informal and formal sectors. Every year more than 5,500 families improve their homes or build new housing units with resources channeled through FUNDEVI by international agencies, such as Kreditanstalt für Weideraufbau (KfW), Sida, the Inter-American Development Bank, the European Union, and national state subsidies.

The Integral Social Action Foundation (FUSAI) in El Salvador is an NGO that helps an average of 5,000 low-income families a year, both technically and financially, to improve their housing conditions and develop new settlements. It mobilizes state subsidies and resources from international donor agencies.

The Local Development Programme (PRODEL) in Nicaragua has helped improve the housing conditions of more than 12,000 families through innovative microlending schemes that average about \$800 per family. PRODEL works very closely with local governments and nonconventional financial intermediaries.

Through assisted self-help methods, these three NGOs have influenced policy changes at the national and local levels. They have demonstrated that existing building regulations, standards, and norms used for this segment of the population can and should be more flexible with respect to the incremental process through which poor urban families and their communities build their homes. National and local government institutions now consider such participatory methods and housing solutions part of their formal response to housing challenges. The solutions are of a relatively high standard and affordable to low-income families with monthly wages of half to four times the minimum wage. More flexible standards nationwide would further reduce the costs of housing projects in these countries.

Investment costs are covered through a mixture of state subsidies managed by the programs and communities, loans to participant families, and savings and self-help resources contributed by the beneficiary families. The state provides an average upfront direct subsidy to the family of about 60 percent of the total cost of the housing solution. A loan covering about 30 percent of the total cost is given to each family. The remaining 10 percent is provided by the family as monetary, labor, and in-kind contributions. Seed capital for the revolving

funds for the housing loans has been provided by bilateral donor agencies, such as Sida and KfW. FUSAI has also been able to leverage resources from the private sector.

Estimates were developed for each component of assisted self-help housing in the Central American programs

To develop global and regional estimates of the investment required to meet target 11, the task force estimated the cost of each component of the assisted self-help housing programs implemented in Central America.

Investment of about \$600 a person is needed to provide slum dwellers with land, basic services, and housing

For land, basic infrastructure services, and housing, the following ceiling standards and criteria of the programs were applied:⁷

- The maximum raw land per household is 108 square meters, with an average plot size area of 72 square meters and water and sewage disposal systems (table 8.6).⁸
- Secure land tenure costs, including the possibility of full titling, were also considered.
- Basic infrastructure includes the provision of network infrastructure (water connections to houses, sewage disposal systems, well compacted but not necessarily paved roads and internal paths, and electricity, including street lights and housing connections).⁹
- Housing includes the improvement, expansion, or construction of a basic housing unit. Options range from improving a 9 square-meter room or constructing a new 18 square-meter “starter” housing unit with durable building materials to constructing a 36 square-meter housing unit built of cement blocks.

The costs of housing in the Central American programs ranged from \$155 for improvement of a 9 square-meter house in Nicaragua to \$3,400 for construction of a 36 square-meter house in Honduras. Total costs, including land and services, ranged from \$381 to \$5,305 (tables 8.7 and 8.8).

In El Salvador the cost of a 25 square-meter house on serviced land with secured tenure is about \$863 per person (table 8.8). This solution is provided by FUSAI to low-income families participating in the framework of a national program called *Nuevos Asentamientos Organizados* (New Organized Settlements). It combines upfront subsidies from the state that cover about 60 percent of the investment costs (about \$500 per person), the provision of secure land tenure by local authorities, an affordable loan from FUSAI to the participant family to cover about 30 percent of the cost of the solution (about \$260 per person), and sweat equity or in-kind contributions from participants that add up to about 10 percent of the total cost of the solution (about \$90).¹⁰

Table 8.6**Cost of land and basic infrastructure in El Salvador, Honduras, and Nicaragua***U.S. dollars*

Note: Numbers in table may not sum to totals due to rounding.

a. Land prices for Honduras are from FUNDEVI 2001 and Angel and others 2004.

Source: Adapted from FUNDEVI 2001; Acevedo and Pleitez 2003; Fundación PRODEL 2004; and personal communication with Marlon Olivas, executive director of PRODEL, in 2004.

Item	El Salvador (FUSAI)		Honduras (FUNDEVI) ^a		Nicaragua (PRODEL)		Average	
	Cost per household	Cost per person	Cost per household	Cost per person	Cost per household	Cost per person	Cost per household	Cost per person
<i>Land</i>								
Cost of land (raw area of 108 square meters) ^a	337	67	184	37	281	56	267	53
Technical and legal procedures to secure land tenure (including possibility of full titling)	283	57	144	29	230	46	219	44
Subtotal for land	620	124	328	66	510	102	486	97
<i>Network infrastructure</i>								
Water (housing connection)	225	45	333	67	200	40	253	51
Sanitation (sewerage connections)	400	80	347	69	350	70	366	73
Surface water drainage systems	300	60	167	33	160	32	209	42
Access roads and internal paths	350	70	320	64	300	60	323	65
Electricity (street lights and housing connection)	200	40	267	53	260	52	242	48
Direct costs of infrastructure	1,475	295	1,433	287	1,270	254	1,393	279
Indirect costs of infrastructure (10 percent)	148	30	143	29	127	25	139	28
Subtotal for infrastructure	1,623	325	1,577	315	1,397	279	1,532	306
Total (land and infrastructure)	2,243	449	1,905	381	1,907	381	2,018	404

Table 8.7**Cost of low-income housing units in El Salvador, Honduras, and Nicaragua***U.S. dollars*

Source: Adapted from FUNDEVI 2001; Acevedo and Pleitez 2003; Stein and Castillo 2003; Fundación PRODEL 2004; and personal communication with Marlon Olivas, executive director of PRODEL, in 2004.

Intervention	El Salvador (FUSAI)		Honduras (FUNDEVI)		Nicaragua (PRODEL)		Average	
	Per household	Per person	Per household	Per person	Per household	Per person	Per household	Per person
New housing (36 square meters)	3,105	621	3,400	680	3,000	600	3,168	634
New housing (25 square meters)	2,070	414	2,267	453	2,000	400	2,112	422
New housing (18 square meters)	1,553	311	1,700	340	1,500	300	1,584	317
Housing improvement (9 square meters)	776	155	850	170	750	150	792	158

In Honduras, the FUNDEVI options range from \$720 per person for an 18 square-meter “starter” unit on serviced land and secure land tenure to \$1,060 for a 36 square-meter house on serviced land with secure land tenure

Table 8.8
Cost of land, services,
and housing in
El Salvador, Honduras,
and Nicaragua
U.S. dollars

Item	El Salvador (FUSAI)		Honduras (FUNDEVI)		Nicaragua (PRODEL)		Average	
	Cost per household	Cost per person	Cost per household	Cost per person	Cost per household	Cost per person	Cost per household	Cost per person
Services + land + 36 square- meter house	5,348	1,070	5,305	1,061	4,907	981	5,186	1,037
Services + land + 25 square- meter house	4,313	863	4,172	834	3,907	781	4,130	826
Services + land + 18 square- meter house	3,795	759	3,605	721	3,407	681	3,602	720
Services + land + 9 square- meter improvement	3,019	604	2,755	551	2,657	531	2,810	562
Services + land	2,243	449	1,905	381	1,907	381	2,018	404

Source: FUNDEVI 2001; Acevedo and Pleitez 2003; Stein and Castillo 2003; Fundación PRODEL 2004; and personal communications with Marlon Olivas, executive director of PRODEL, in 2004.

(table 8.8). Both options reflect ceiling costs used for housing solutions through self-help methods in new settlements in Tegucigalpa, the capital city of Honduras, and in San Pedro Sula, the second-largest city, especially in the reconstruction projects implemented after Hurricane Mitch. Costs of land, building materials, and labor are significantly higher than in other cities in Honduras. Investment costs are covered through a combination of state subsidies, affordable loans, and self-help contributions of participant families. Deducting the loan and the contributions of the family, the subsidy provided by the state ranges from \$440 to \$640 per person.

The 9 square-meter housing improvement in a serviced site with land tenure in Nicaragua offered by PRODEL costs about \$530 per person. Deducting the loan repayment and contributions from the family, the subsidy provided by the state amounts to \$340 per person.

On average \$404 per person is needed to provide a fully serviced site in Central America. After deducting the amount that families will repay as loans and their self-help contributions, the costs per person range from \$245 to \$645. Similar costs have been found in other low-income housing programs supported by Sida in Central America.¹¹

Global estimates were calculated on the basis of the Central American experience

Using the average data from the Central American experience, the task force estimated the investment required to meet target 11, based on the assumption that in a typical new settlement of 500 low-income households (about 2,500 people), different housing options can be developed based on the payment capacity of the residents (table 8.9).¹² Some households can afford the

Table 8.9**Average estimated investment required and source of funds for assisted self-help settlement in Central America**

Note: Estimates are for a settlement of 500 houses with a total of 2,500 people. Numbers in table may not sum to totals due to rounding.

Source: Task force estimates based on data from FUNDEVI 2001; Acevedo and Pleitez 2003; Stein and Castillo 2003; World Bank 2003a; FISE 2004; PRODEL 2004; and personal communication with Marlon Olivas, executive director of PRODEL, in 2004.

Intervention	Percent of families ^a	Number of families requiring solution	Average cost per household (\$)	Total cost (\$)	Source of funds		
					Subsidy (60%)	Loan (30%)	Self-help (10%)
Services + land + 36 square-meter house	5	25	5,186	129,661	77,797	38,898	12,966
Services + land + 25 square-meter house	5	25	4,130	103,258	61,955	30,978	10,326
Services + land + 18 square-meter house	20	100	3,602	360,228	216,137	108,069	36,023
Services + land + 9 square-meter improvement	50	250	2,810	702,550	421,530	210,765	70,255
Services + land	20	100	2,018	201,812	121,087	60,544	20,181
Total investment for services + land + housing	100	500	2,995	1,497,510	898,506	449,253	149,751
Average investment per person for land, services, and infrastructure				599	359	180	60
Average investment per person for bulk infrastructure				92	55	28	9
Average investment per person for schools + health clinics				18	11	0	7
Average investment per person for community development				71	43	21	7
Average total investment per person				780	468	229	83

36 square-meter housing plus the serviced and titled land, while others can afford only a loan to improve their existing house. About 20 percent of households are able to access a fully titled and serviced site; 50 percent are able to access a fully titled serviced site and a 9 square-meter housing improvement solution; 20 percent can access an 18 square-meter “starter” housing unit; 5 percent can access a 25 square-meter housing solution in a serviced site with full titling; and the remaining 5 percent can access a fully titled serviced site plus a 36 square-meter housing unit.

The average investment cost per capita for land, services, and housing in a typical settlement for 2,500 new low-income residents (500 households) is about \$600 (see table 8.9). When the amount that the household will pay as a loan and the self-help contribution is deducted from the total investment costs, the overall investment cost required as an upfront subsidy by national and local governments is about \$360 per person. If the investment costs of the bulk

infrastructure are added, the total average cost per person increases to \$670 and the subsidy increases to about \$400 per person. The rest of the investment costs are recovered through loans or contributed by the families.¹³

Building and maintaining schools and health clinics in low-income settlements costs about \$18 a person

The World Bank has estimated the number of classrooms needed to ensure universal primary education completion by 2015. Its estimates are based on 40 students per classroom for a fully furnished and equipped classroom, including latrines (World Bank 2003a). The projections assume that the current stock of primary school classrooms will be sufficient to address current demand if about 30 percent of current school facilities are rehabilitated and upgraded over three years. The unit construction cost in constant dollars for different regions and countries is based on good practices and average values (table 8.10).

In the typical 500-household (2,500-person) settlement developed by PRODEL in partnership with local government and community-based organizations in Nicaragua, about 40 percent of residents are of school age. Assuming 40 students per class and two shifts per classroom, the number of classrooms needed in a settlement is 12.5. At a per classroom cost of \$12,000, the total investment in classrooms is \$150,000 per settlement, or \$60 per person. Prorating the cost over a 16-year period, during which 8,000 students may use the same 12.5 classrooms (assuming 6 years of study per student), means that the cost of the school can be spread over a population of 20,000 (8,000 students corresponds to 40 percent of a population of 20,000). Thus the cost per person for the school is \$7.50. If maintenance costs are added, the total investment per person for school infrastructure is \$8.30 over 16 years.¹⁴

The Social Investment Fund of Nicaragua (FISE) and the Social Investment Fund of Honduras (FHIS) estimate that the cost of a primary health clinic is about 11 percent of the cost of a 12.5-classroom school (FISE 2004). The cost of building a new primary health clinic for an average settlement of 2,500 people is about \$16,500, or about \$9.80 per person, including maintenance. Thus the cost for physical investments in schools and health clinics in Central America is about \$18 per person. However, these estimates exclude all operating expenditures, such as salaries, medicines, and teaching materials, which typically account for the bulk of expenditures on health and education.

Community development would cost about \$70 a person

Experiences in Central America confirm the importance of increasing the capacity of local governments, NGOs, community organizations, and families to be involved in the planning, designing, financing, execution, and management of assisted self-help housing solutions at the required scale. Capacity is intended here in its broadest sense, starting from the full involvement of beneficiaries in the whole process. This includes the mobilization of funding from

Table 8.10
Average investment required to build and maintain a primary classroom and a primary health clinic in selected regions

Source: Adapted from data in World Bank 2003a and FISE 2004.

Item	Africa and Central Asia	Haiti, Honduras, and Nicaragua	South and East Asia
Average population in settlement of 500 households	3,000	2,500	2,700
Number of students (40 percent of population)	1,200	1,000	1,080
Number of students per classroom	40	40	40
Number of shifts per classroom	2	2	2
Number of classrooms required per settlement	15.0	12.5	13.5
Cost per classroom (\$)	8,000	12,000	6,500
Total cost of classrooms (\$)	120,000	150,000	87,750
Annual maintenance cost (\$)	670	1,000	540
Total cost of classrooms + maintenance, 2005–20 (\$)	130,720	166,000	96,390
Number of students using same classrooms, 2005–20	9,600	8,000	8,640
Population served, 2005–20	24,000	20,000	21,600
Cost of classroom per person, 2005–20 (\$)	5.45	8.30	4.46
Average cost of health clinic (\$)	13,200	16,500	9,653
Number of people using health clinic	3,000	2,500	2,700
Annual maintenance cost (\$)	335	500	270
Total cost of health clinic + maintenance, 2005–20 (\$)	18,560	24,500	13,973
Total cost per person of health clinic + maintenance, 2005–20 (\$)	6.19	9.80	5.18
Total average cost per person for schools, health clinics, and maintenance, 2005–20 (\$)	11.63	18.10	9.64

domestic and international sources, the identification and provision of appropriately located land, the allocation and administration of government subsidies, the establishment and servicing of rotating funds for construction loans, the provision of technical assistance in all phases of the design and construction process, and the provision of municipal utilities and services—such as water, electricity, and solid waste collection—at rates affordable by residents.

Based on the experiences of Central America, this cost is not more than 10 percent of the investment costs of basic infrastructure, housing, and

The number of lives affected by reaching target 11 by 2020 would be 670 million

community services infrastructure (schools and health clinics). For a settlement of 2,500 persons, the average cost per capita for community development would be about \$70, \$37 of which would be subsidized by the state and the rest of which would be recovered through loans and in-kind monetary contributions from participant families.

The investment required to meet target 11 varies across regions

In the Central American programs, the total average per capita investment for the five basic components (land, network infrastructure, bulk infrastructure, housing, schools and health clinics and community development) required for developing a new settlement of 500 households (2,500 people) through assisted self-help is about \$780. About \$470 of this amount would come from subsidies from national and local governments, \$230 from loans to households,¹⁵ and \$80 from contributions from participant families. These figures are used as a proxy average investment cost per person for Latin America and the Caribbean region.

Similar estimates were made for other regions. Regional differences in household size were accounted for adjusting the average number of people per household (6.0 per household in Sub-Saharan Africa, 5.4 in South Asia, 5 in Southeast Asia, 5.3 for Western Asia and North Africa, and 3.7 in China and the rest of the Pacific). Per capita costs for land and infrastructure are based on estimates proposed by Flood (2004), but bulk infrastructure was substantially reduced to 30 percent of the cost of infrastructure, as suggested by the experience in Central America. Housing costs were adapted to subregional parameters, such as dwelling size and costs of labor, construction, and building materials.

Total average per capita investment varies across regions (table 8.11). The total estimated investment per person ranges from \$285 for South Central Asia to \$829 in North Africa and Western Asia.

Table 8.11
Average estimated investment per person required for land, network and bulk infrastructure, housing, schools and health clinics, and community development, by region

U.S. dollars

Note: Numbers in table may not sum to totals due to rounding.

Source: Task force estimates based on data in Flood (2004); FUNDEVI 2001; Acevedo and Pleitez 2003; Stein and Castillo 2003; World Bank 2003a; FISE 2004; PRODEL 2004; and personal communication with Marlon Olivas, executive director of PRODEL, in 2004.

Item	Latin America and the Caribbean		North Africa	Oceania	South Central Asia	South-east Asia	Sub-Saharan Africa	Western Asia
	East Asia							
Land	50	97	105	50	43	45	18	105
Networked infrastructure	58	306	265	58	58	58	164	265
Bulk infrastructure	17	92	80	17	17	17	49	80
Housing	169	195	292	169	131	200	77	292
Schools and clinics	10	18	12	10	10	10	12	12
Community development	30	71	75	30	26	33	32	75
Average investment per person	334	780	829	334	285	363	352	829

The average investment per person is about \$400

By 2020 some 570 million people will need alternative housing to avoid becoming slum dwellers

Estimates of demand for regularizing and upgrading slums are based on the global estimate of percentages of slum dwellers by region made by UN-HABITAT for 2001 (UN-HABITAT 2003d). These estimates assume that in the absence of interventions, the same percentage of urban dwellers living in slums today will be living in slums in 2020. These percentages were applied to the urban population based on UN estimates and projections. The resulting figures represent the aggregate of total current and potential slum dwellers expected by 2020 (table 8.12). The difference between the number of existing slum dwellers and the total slum dweller population expected by 2020—570 million people worldwide—gives the estimated number of urban dwellers who will have to be provided with adequate alternative solutions in order to avoid new slum formation. Assuming that the 100 million existing slum dwellers will be provided with adequate housing through regularization and upgrading, the total number of lives that would be affected by reaching target 11 by 2020 would be 670 million.

Estimates of regional investments required to meet the Goals show that the greatest need is in Sub-Saharan Africa

On a global scale, the total resources required to find alternatives to slums for 570 million people through assisted self-help processes is about \$227 billion, of which 60 percent (\$136 billion for the whole period) would come from subsidies (table 8.13). The rest could be funded through savings and self-help contributions from participant families and cost recovery from small loans.

The average investment per person is about \$400. Assuming that about 30 percent of these investments (\$120 per person) are loans and 10 percent (\$40 per person) are contributions by participant families, the additional resources required as subsidies worldwide are \$240 per person, or about \$136 billion over 16 years (2005–20). On an annual basis, the total investment needed is \$14.2 billion (\$8.5 billion in subsidies, \$4.3 billion in loans, and \$1.4 billion in contributions from participant families).

Substantial funding for incremental self-help housing projects and policies is required. Most resources will be domestic in origin, but all actors have roles to play in meeting these costs:

- Community groups need to mobilize their own resources and contribute to the construction or improvement of their own dwellings.
- National and local governments need to budget for slum upgrading and new infrastructure development while providing enabling policy environments for public and household financing instruments.
- Formal and informal developers and domestic financial institutions in the private sector will be needed to reach scale.
- Donors (including the many that currently provide little or no support for urban poverty reduction) need to commit to allocating a larger

Table 8.12
Current and projected number
of slum dwellers, by region

Note: Numbers in table may not sum to totals due to rounding
 Source: Adapted from data in UN-HABITAT 2003a, p. 14.

Region	Urban population, 2001 (millions)	Number of slum dwellers, 2001 (millions)	Percent of slum dwellers from urban population, 2001	Projected urban population, 2020 (millions)	Percent of slum dwellers, 2020 (assuming nothing is done)	Projected number of slum dwellers, 2020 (millions)	Increase in number of slum dwellers, 2001–20 (millions)	Percent of slum dwellers targeted for upgrading, 2001–20	Number of slum dwellers targeted for upgrading, 2001–20 (millions)	Low-income urban dwellers requiring alternatives, 2005–20 (millions)
East Asia	533	193.8	36.4	845.7	36.4	307.5	113.7	20.0	20.0	113.7
Latin America and the Caribbean	399	127.6	32	543.2	32.0	173.7	46.1	8.1	8.1	46.1
North Africa	76	21.4	28.1	137.2	28.1	38.5	17.2	3.0	3.0	17.2
Oceania	2	0.5	25	3.8	25.0	0.9	0.4	0.1	0.1	0.5
Sub-Saharan Africa	231	166.2	72	452.3	72.0	325.4	159.2	27.9	27.9	159.2
South Central Asia	452	262.4	58	748.8	58.0	434.7	172.3	30.2	30.2	172.3
Southeast Asia	203	56.8	28	337.6	28.0	94.4	37.7	6.6	6.6	37.7
Western Asia	125	41.3	33.1	194.9	33.1	64.4	23.1	4.1	4.1	23.1
Total	2,021	869.9	43	3,263.4	43.0	1,439.6	569.7	100	100	569.7

Table 8.13
Estimated investments in providing alternatives to slum formation for 570 million people, 2005–20, by region (billions of dollars, except where otherwise indicated)

— Not available.

Note: Numbers in table may not sum to totals due to rounding.

Source: Task force estimates based on data from UN-HABITAT 2003a; Flood (2004); FUNDEVI 2001; Acevedo and Pletiez 2003; Stein and Castillo 2003; World Bank 2003a; FISE 2004; Fundación PRODEL 2004; and personal communication with Marlon Olivas, executive director of PRODEL, in 2004.

Item	Latin America and the Caribbean							Total	
	East Asia	North Africa	Oceania	South Central Asia	Southeast Asia	Sub-Saharan Africa	Western Asia		
Number of people requiring alternatives to slums (millions)	113.7	46.1	17.2	0.5	172.3	37.7	159.2	23.1	569.8
Average cost per person (\$)	334	780	829	334	285	363	352	829	—
Total cost	38.0	36.0	14.3	0.2	49.1	13.7	56.0	19.2	226.5
Subsidies (60 percent of total cost)	22.8	21.6	8.6	0.1	29.5	8.2	33.6	11.5	135.9
Total resources for loans (30 percent of total cost)	11.4	10.8	4.3	0.1	14.7	4.1	16.8	5.8	67.9
Total self-help (10 percent of total cost)	3.8	3.6	1.4	0.02	4.9	1.4	5.6	1.9	22.7

Table 8.14
Estimated annual investments required
to provide alternatives to slum, by
region and source of funding
Billions of U.S. dollars

Note: Numbers in table may not sum to totals due to rounding.
Source: Task force estimates based on data from UN-HABITAT 2003a; Flood (2004); FUNDEVI 2001; Acevedo and Pleitez 2003; Stein and Castillo 2003; World Bank 2003a; FISE 2004; Fundación PRODEL 2004; and personal communication with Marlon Olivas, executive director of PRODEL, in 2004.

Item	Latin America and the Caribbean					Oceania	South Central Asia	Southeast Asia	Sub-Saharan Africa	Western Asia	Total
	East Asia		North Africa								
Total annual cost	2.4	2.3	0.9	<0.1	3.1	0.9	3.5	1.2	14.2		
Subsidies (60 percent)	1.4	1.4	0.5	<0.1	1.8	0.5	2.1	0.7	8.5		
Loans (30 percent)	0.7	0.7	0.3	0.0	0.9	0.3	1.1	0.4	4.3		
Self-help (10 percent)	0.2	0.2	0.1	0.0	0.3	0.1	0.4	0.1	1.4		
Total annual cost by source	2.4	2.3	0.9	<0.1	3.1	0.9	3.5	1.2	14.2		
Donors	0.7	0.7	0.3	0.0	1.2	0.3	1.4	0.4	4.9		
Governments	1.4	1.4	0.5	<0.1	1.5	0.5	1.8	0.7	7.9		
Communities	0.2	0.2	0.1	0.0	0.3	0.1	0.4	0.1	1.4		

share of resources to leverage domestic (private, community, and local) resources.¹⁶ Donors need to develop new funding mechanisms and support the local processes outlined in this report.

In Latin America and the Caribbean, for example, about 70 percent of the resources could be mobilized nationally by central and local governments, the private sector, NGOs, and low-income urban communities. If donors provided the other 30 percent, they would have to contribute about \$234 per person. Donor contributions will vary from country to country in the region. Countries with higher income per capita, such as Argentina, Brazil, Chile, and Uruguay, will probably not require access to international funding. Other countries, such as Bolivia, Haiti, Honduras, and Nicaragua, will certainly need it. The funds provided by the international community should not substitute for the fiscal effort that national governments should commit to cover the required subsidies. Donor funds can be used in innovative ways, supporting the creation and ongoing functioning of revolving funds, for example, or funds that communities could access for local purposes linked to housing, services, or land.

Our estimates for low-income countries assume that 40 percent of the total amount of annual resources required to find alternatives to slums could be granted by donors, 50 percent by governments, and 10 percent by slum-dwelling families. In lower middle-income countries, donors are assumed to provide 30 percent, governments 60 percent, and families 10 percent. Based on these assumptions, the international donor community would have to provide \$4.9 billion a year between 2005 and 2020, national and local sources would need to provide \$7.9 billion, and communities would need to provide \$1.4 billion (table 8.14). These estimates may overstate the investment needed, since some grant funding could be used as seed capital by nontraditional lending institutions to form revolving funds to finance small loans for housing improvements and introduction of basic services.¹⁷

The average investment per person for upgrading and finding alternatives to slums is estimated at \$440 (table 8.15). This figure represents the total investment required to meet target 11, as defined in this report.

Table 8.15

Total investment required to meet target 11, by source of funding

Intervention	Target population (millions)	Average cost per person (\$)	Total cost (\$ billions)	Source of funding (\$ billions)		
				Donors	Government	Slum dwellers and future low-income urban dwellers
Upgrading slums	100	670	67	23	37	7
Providing alternatives to slums	570	400	227	78	126	22
Total	670	440	294	101	163	29

Note: Numbers in table may not sum to totals due to rounding.

Source: Task force estimates based on data from UN-HABITAT 2003a; Flood 2004; FUNDEVI 2001; Acevedo and Pleitez 2003; Stein and Castillo 2003; World Bank 2003a; FISE 2004; Fundación PRODEL 2004; and personal communication with Marlon Olivas, executive director of PRODEL, in 2004.

Notes

Chapter 1

1. This is a very conservative projection. UN-HABITAT contends that “empirical evidence suggests that the proportion of urban poor will increase faster than the urban population growth, provoking a substantial increase in the slum incidence. In a rather moderate projection, it is estimated that by the year 2020, the current 30 percent level of urban poverty in the world could reach 45–50 percent of the total population living in cities, that is 381–455 million households, as compared to 128 million households in 2000, a growth that represents 297–355 percent in absolute numbers” (2003d, p. 12).

2. The definition was developed by the UN Statistical Office in partnership with the Cities Alliance. A distinguished group of international experts, one of whom served on the task force that prepared this report, developed the definition.

3. Even apparently technical definitions lead to controversy. The definition of “improved” water supplies, for example, is not equivalent to that of “adequate” supply. Even more challenging is the definition of “security of tenure.” For the purpose of the enumeration, security of tenure was defined as “the right of all individuals and groups to effective protection by the State against arbitrary unlawful evictions,” measured by “evidence of documentation that can be used as a proof of secure tenure status” and “either de facto or perceived protection from forced evictions.” (UN-HABITAT 2003d).

4. Some assessments also include data on access to services, although these data are often lacking.

5. For more on the stigma of slum life, see Perlman (2002).

6. See www.measuredhs.com.

7. See www.unfpa.org/sustainable/urbanization.htm.

8. One example of the monitoring problem is the fact that the latest Secretary-General’s monitoring report (UN Secretary General 2004) had to make recourse to the percentage of slum dwellers in the urban population as a proxy for security of tenure.

9. This figure represents 43 percent of the projected overall urban population in less developed regions of 3.2 billion in 2020 (United Nations Population Division 2004). Although UN-HABITAT uses a different estimation method, the estimate reached is the same as that of the UN Population Division.

Chapter 2

1. The information on the role of the urban poor presented in this chapter is based on a background paper commissioned by the task force (d’Cruz and Satterthwaite 2004).
2. The idea of housing exhibitions with life-size models goes back to 1986 in Mumbai; it has been replicated in many cities in India and elsewhere in the world.
3. See www.sparcindia.org.

Chapter 3

1. Social movements, NGOs, professional associations, and local authorities have been promoting a World Charter for the Right to the City (Brazil, Ministry of Cities 2004).
2. Preparation of São Paulo’s new “strategic master plan” took a little more than a year. It included many consultations with civil society actors, citizens’ groups, and local residents associations.
3. One interesting example is offered by the city of Curitiba, Brazil, which is negotiating the resettlement of slum dwellers in assisted self-help housing schemes in a nearby municipality in exchange for the transfer of building rights.

Chapter 4

1. The examples that follow are taken from two background reports prepared for the task force. The cases on Benin, Colombia, India, and South Africa are cited in Serageldin, Solloso, and Valenzuela (2003). The cases on Angola, Bangladesh, and Pakistan are cited in d’Cruz and Satterthwaite (2004).
2. In Buenos Aires in addition to supporting housing improvement and providing advice on construction techniques, the building material bank disseminated information about the relationship between habitat and health, and it developed a credit system to allow residents to purchase materials on credit (Plummer 2002).
3. A natural monopoly exists when an industry market cannot support more than one firm.
4. Information on the Curitiba experience was gathered during a fact-finding mission to the city in March 2004.

Chapter 5

1. The focus here is on financial resource and investment pools rather than the specific sectors requiring capital.
2. See, for example Stein (2001) and d’Cruz and Satterthwaite (2004).
3. As noted in chapter 1, this is in part because national development strategies have traditionally failed to recognize urban poverty as a critical obstacle to improved development or to acknowledge the crucial link between urban and rural poverty reduction strategies.
4. For more on this point and the need for greater subnational financing, see Rajivan (2004).
5. Although all countries could benefit from such an international dialogue, it is of particular relevance for middle-income countries, given that low-income countries need grants rather than loans.
6. In the short term, this observation is more relevant for middle-income countries than for low-income countries.
7. Official donors do support local governments, although many national governments are reluctant to allow them to do so.

8. Paragraph 76 of the Habitat Agenda is very clear in this respect: “Governments at the appropriate level should . . . prepare comprehensive inventories of publicly held land and, where appropriate, develop programmes for making them available for shelter and human settlements development, including, where appropriate, development by non governmental and community-based organizations” (UN-HABITAT 1996b).

9. For further discussion of development strategies, land markets, and basic services, see Wils and Helmsing (n.d.).

10. Land use planning is only in small part a technical exercise. It is a policy and hence a political process, into which all those affected, especially the urban poor, need to be brought.

11. Transfer of building rights (or transferable development rights) refers to situations in which public authorities permit the transfer of a given development right from one location to another. The owner of the transferable development rights does not have to be the same party as the owner of the land now eligible for more intense development. All that is needed is a market that can facilitate an exchange of the development right.

12. The ILO has established a network of universities in Asia and Africa that have introduced labor-based technologies into civil engineering curricula. Course material developed by the ILO and its collaborators is available to interested universities and tertiary training institutions upon request (see www.ilo.org/eiip for contact information).

13. In most countries that have a legal framework for urban planning, this framework provides for a minimum level of public involvement in the preparation of legally enforceable urban plans (that is, the right to know in advance and formally comment on proposed development rules for a particular place) and for formal comment on development decisions that affect an individual’s property interests. There is usually also some recourse to legal appeal regarding the implementation of planning legislation. However, legal entitlements for public participation rarely extend to involvement in urban policy or budgetary decisions.

14. For a popular account of NGOs, see ABC Radio (2003).

15. “Emergence” is a scientific term that refers to a capacity to self-organize from the bottom and to move to a higher level of order; “development” needs structures and rules. The new professional exists in the space created by the potential conflict between the two (Hamdi 2004).

Chapter 6

1. See www.hic-net.org.

2. See www.unhabitat.org/wuf/2004/default.asp for information about the most recent World Urban Forum, held in Barcelona, Spain, in 2004.

3. “Millennium City Conference,” “Millennium City Committee,” and “Vision 2020” are purely indicative terms, used to describe the steps of a process model other than MDG-related entities or projects.

4. The process would reflect the one adopted by the UN Millennium Project in prioritizing countries least likely to implement the Goals on the basis of their current means and resources. The model was adopted by Porto Alegre and about 100 other cities in Brazil and other regions of the world (notably Europe). The model is institutionalized by means of the participatory budgeting approach.

Chapter 7

1. For a complete description of the Goals, targets, and indicators, see www.unmillenniumproject.org/html/dev_goals1.shtm.

2. Many institutions, including UN-HABITAT, maintain that target 11 would be better placed under the broader goal of reducing poverty. The other two targets under Goal 7 are target 9 (integrating the principles of sustainable development into country policies and programs and reversing the loss of environmental resources) and target 10 (halving, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation).

3. UN-HABITAT had to start developing an enumeration and monitoring model on this extremely complex target from scratch, while other agencies responsible for monitoring other targets had the advantage of being able to count on a much longer tradition and baseline data, often going back decades.

4. An update on survey progress was ascertained in November 2004 through a personal communication with Nefise Bazoglu, Head, Monitoring Systems Branch, UN-HABITAT.

5. That report called for development of “a slum index . . . through networks of activists, policymakers, scholars and practitioners” (UN-HABITAT and Global Urban Observatory 2003, p. 6).

6. Not all local officials welcome the participation of groups they wish did not exist. Where this is the case, the collaborative arrangements described here—and progress toward the Goals—are not possible. This report focuses on places where collaboration and progress are possible.

Chapter 8

1. Two papers (UN Millennium Project 2004a, b) describe the needs-assessment methodology.

2. The methodology was based on a study by Banes, Kalbermatten, and Nankman (1996), who calculated upgrading costs of slums to low, middle, and full standards (full infrastructure standards typically cost about five times basic provision). According to Banes (2001b), the cost of upgrading unplanned communities in Tanzania is \$86,000 per hectare for full service, \$37,000 per hectare for intermediate service, and \$18,000 per hectare for basic service.

3. This estimate assumes that all slum dwellers need the same entire package of services. In fact, many of them have one or more of the services already.

4. The allocation of spending by regions is based on data from the 2003 *Global Report on Human Settlements* (UN-HABITAT 2003a).

5. The discussion of the role of donors considers only contributions made specifically to meet target 11. It does not consider how much official development assistance should be provided. The appropriate level of official development assistance and the role of international financial institutions in financing development gaps are discussed in *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals* (UN Millennium Project 2005).

6. In 2000, 60.3 percent of El Salvador’s population lived in urban areas, and the figure was expected to reach 75.6 percent by 2020. In Honduras 52.7 percent of the population lived in urban areas in 2000, and the figure was expected to reach 66.7 percent in 2020. In Nicaragua 56.1 percent of the population lived in urban areas in 2000, and the figure was expected to reach 65.1 percent by 2020 (UN-HABITAT 2003a).

7. These standards and costs should not be considered the only possible solutions or alternatives available in these or other countries.

8. Experience with low-income housing projects financed by the World Bank in El Salvador during the 1970s and 1980s demonstrates that the average plot for housing in new

settlements can be reduced to 60 square meters and still achieve high standards and levels of acceptance by participant families (see Bamberger, Gonzalez, and Sae-Hau 1982).

9. The programs do not provide bulk infrastructure. The cost of bulk infrastructure is assumed to be 30 percent of the total cost per person of the network infrastructure.

10. The investment cost per household of FUSAI was used by a recent study commissioned by UNDP to calculate the future resources needed to finance the construction of new formal housing for families earning less than four times the minimum wage per month during the next 15 years through assisted self-help methods in El Salvador (Acevedo and Pleitez 2003).

11. Stein and Castillo (2003) found that new low-income housing in a serviced site cost \$5,900 per household in Costa Rica and \$5,300 in Guatemala.

12. Using Davidson and Payne's (2000) method for calculating the relationship between density and land requirements for new settlements, average net densities in Central America are 463 people per hectare, with a proportion of land in private use of about 66 percent, a gross density of 306 people per hectare, and an average land area required for the new settlement of 8.2 hectares.

13. Flood (2004) estimates bulk investments at about 120 percent of the cost of network infrastructure. The experiences in Central America show that the cost for this new bulk infrastructure cannot be pro rated over the new low-income settlement, since it provides services for different types of income settlements. The estimates here are for the cost of bulk infrastructure at 30 percent of the cost of network infrastructure.

14. A variety of innovative efforts have been made in providing local authorities and communities with the financial incentives to maintain social investments. The Social Investment Fund in Nicaragua (FISE), based on the PRODEL model, created a preventive maintenance fund. For each \$1 spent by the national government it mobilizes \$.67 of local resources in urban areas for the maintenance of elementary schools and health clinics, reducing substantially the investments normally required to replace this social infrastructure every eight years. Maintenance is considered an investment not a recurrent cost. The average cost for preventive maintenance of a primary school of 12.5 classrooms in Nicaragua is about \$1,000 a year, of which the government provides up to \$600 (the rest is paid for by local counterparts). The cost of a health clinic is about \$500 a year, of which the government provides up to \$350 a year.

15. If the average loan per household is \$1,150 for an eight-year period at an annual interest rate of 12 percent and each family can afford to allocate 15 percent of its income to loan payments, the monthly household income required to repay the loan is \$125. This is just \$0.80 per person per day—less than the \$1 a day used as the traditional poverty line.

16. Donor assistance will vary across locales.

17. Sida has provided \$50 million in grants to set up five revolving funds in Central America. The funds have allowed about 100,000 urban low-income families to improve their living conditions over the past 10 years. The revolving funds have a current value of \$45 million from recovered loans. These funds will allow another 100,000 families to upgrade their housing in the coming years, without additional funds from Sida.

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The Millennium Development Goals, adopted at the UN Millennium Summit in 2000, are the world's targets for dramatically reducing extreme poverty in its many dimensions by 2015—income poverty, hunger, disease, exclusion, lack of infrastructure and shelter—while promoting gender equality, education, health, and environmental sustainability. These bold Goals can be met in all parts of the world if nations follow through on their commitments to work together to meet them. Achieving the Millennium Development Goals offers the prospect of a more secure, just, and prosperous world for all.

The UN Millennium Project was commissioned by United Nations Secretary-General Kofi Annan to develop a practical plan of action to

meet the Millennium Development Goals. As an independent advisory body directed by Professor Jeffrey D. Sachs, the UN Millennium Project submitted its recommendations to the UN Secretary-General in January 2005.

The core of the UN Millennium Project's work has been carried out by 10 thematic task forces comprising more than 250 experts from around the world, including scientists, development practitioners, parliamentarians, policymakers, and representatives from civil society, UN agencies, the World Bank, the International Monetary Fund, and the private sector.

This report lays out the recommendations of the UN Millennium Project Task Force on Improving the Lives of Slum Dwellers.

The task force urges countries to strengthen their focus on the growing urban crisis. The report proposes specific investments and policy changes required at local and national levels to create a vibrant, equitable, and productive urban environment. It underscores the need for local authorities to work in close partnership with the organizations of the urban poor to carry out slum upgrading, improve urban management, and adopt strategies at the local level to achieve the Millennium Development Goals. These bold yet practical approaches have proven successful and can be used to improve the lives of at least 100 million slum dwellers by 2020 and provide effective alternatives to slum formation.

