

## **VI. World Bank Questions and Answers on Slum Upgrading**

### ***What is urban upgrading?***

Upgrading involves the provision of the most basic services: i.e., water and sanitation, drainage, roads, footpaths, often accompanied by community facilities and security of tenure. These projects do not involve house construction since the residents can do this themselves, but often include optional loans for house improvement.

### ***What has the experience been of past slum upgrading projects?***

Evaluations of past World Bank upgrading projects show that these projects have been more successful than the average development project. Experience has shown that slum upgrading projects are associated with social and economic benefits that are particularly high. For example in a recently upgraded area of El Mezquital, Guatemala, infant mortality rates fell by 90 percent and crime by 43 percent. Regularization of land tenure results in significant private investment in these communities—US\$7 private investment for \$1 of public funds. These results are consistent with results in other projects.

### ***What lessons have been learned over the past 25 years of upgrading?***

There are a number of lessons that have been learned and which are being incorporated into recent projects:

- Upgrading of slums and settlements is a viable and effective way to help the urban poor solve their need for shelter and a clean, safe and healthy living environment.
- *Local participation* is critical. Projects need to be designed from the bottom up working with communities so that the communities decide what levels of service they receive.
- Sustainability requires that consideration be given to the costs involved and *to designing a level of service that is affordable* to the community and to the local government.
- Programs must be derived from the city level and *country strategies* to achieve synergies with other supporting interventions addressing poverty in the country.
- Upgrading programs are most effective when led by the municipal authority and implemented at the community level through a broad set of intermediaries including community based organizations, NGO's, and UN agencies such as UNICEF and Habitat.

### ***Why the strong interest now in slum upgrading projects?***

The World Bank's mission statement clearly states it has to refocus its efforts toward helping the poor—increasing numbers of whom are urban poor. Surveys of Bank clients undertaken as part of the preparation for the Bank's new Global Urban and Local Government Strategy indicated a high level of demand and strong support for urban upgrading. In many countries there has been a dramatic shift in governance with local governments taking greater responsibility for the provision of municipal services. With democratization, local governments are able to respond more effectively to the needs of their population. Local government has more power and is more interested in what happens in slums given the increasing voting power of poor communities. A strong NGO sector is now in place and works more effectively with government. Slum communities are often politically mature and

able and willing to pay for services. It is also clear that with economic growth, in many economies, the disparities between the haves and the have-nots is increasing. The lack of basic environmental services in rapidly growing, dense urban and peri-urban settlements has resulted in public health and safety hazards. Programs to enfranchise the urban poor have high social priority.

### ***Why were only a few projects city-wide or national in scope?***

Countries as diverse as Jordan, Tunisia and Indonesia have successfully implemented nationwide programs. Programs of significant scale are underway in Ghana, Venezuela, Brazil, India, Morocco and the Philippines.

National programs of upgrading require active political will and an ability to deal with thorny problems such as land regulations, land ownership, changes in zoning or planning standards, and policies and institutions governing housing and infrastructure provision. Also, government turnover, lack of knowledge about what can be done among local officials, lack of voice on the part of slum dwellers, lack of consistent advice and support from the donor community have all been factors that affected scaling up. Early projects were designed to test the concept, not to upgrade at a large scale. Because of this, most bilateral and multilateral institutions have very good experience with individual slum upgrading projects. The time is right for the international development community to move from pilot projects to a coordinated program approach where countries develop their own long term strategy which the international community can support.

### ***What is the demand for slum upgrading?***

Although figures vary depending on the definition, hundreds of millions of slum dwellers exist world-wide, and the numbers are growing at unprecedented rates. Slum areas are the locus for most serious waterborne diseases which result in high levels of infant mortality; crime rates are high; and their residents have the highest vulnerability to natural disasters. Limited access to assets, in particular secure land tenure, means that economic investment is stultified. Borrowing for improvement to property is not possible. These are problems that can be alleviated through sensible programs of upgrading, coupled with supportive policies and programs such as micro-credit to improve the economic prospects of the poor. Sustainable programs to provide the poor with essential services at an affordable cost and forestall the growth of future slums must be linked with land market and other policy and regulatory reforms that encourage the entry of new technologies and remove disincentives to partnerships among private investors and utilities, community groups and local governments to meet the growing demands of the urban poor. These in turn require strengthening the capacity of local authorities to provide good urban governance which is more responsive to the issues facing the urban poor.

### ***Have other donors been involved with upgrading?***

Bilaterals that have had extensive experience with urban upgrading include CIDA, DFID, French development cooperation, GTZ, SIDA, Italian aid, USAID; multilateral institutions include IDB, ADB, Habitat, UNICEF, ILO and UNDP. Numerous international and local NGOs have successfully carried out upgrading throughout the world.

### ***What are the costs involved? Is it sustainable?***

The key to financial sustainability is to design these programs in a way that is affordable based on the income of the community and the city and country in which they are operating. Standards need to be flexible and designs need to conform to the affordable budget envelope. It's clear that the poor in these communities currently pay higher prices for services such as water than they would if they received it through formal mechanisms. They are willing to pay for service access and land ownership. Experience of the Bank and other donor agencies points to affordable models in every region of the world in the poorest countries and neighborhoods. Back of the envelope calculation based on actual project costs in countries in each region indicate that when spread over a 20 year period, programs of upgrading that would provide services to all slum areas of developing countries could be implemented at a total cost of approximately 0.2 and 0.5 percent of GDP. Including the costs of incremental bulk infrastructure investment, O&M, land acquisition and necessary institutional support could place annualized costs in the range of 1-2 percent of GDP. In most countries this could be financed in part by the residents and in part by a reallocation of expenditures at the local and national level. The point is that financial affordability is not the main constraint— institutional capacity and political will are.

### ***What are the benefits of upgrading?***

The benefits of upgrading are simply that people obtain an improved, healthy and secure living environment without being displaced. The investments they have already made to their properties remain and are enhanced—this is significantly better than removing them to costlier alternatives that are less acceptable to them. Recognizing title and security of tenure makes a positive contribution both to the economic prospects of the poor, as well as to the national economy.

### ***How does upgrading link to the Cities Alliance?***

The Cities Alliance is a multi-donor alliance of cities and their development partners. Its objective is to make unprecedented improvements in the living conditions of the urban poor through city development strategies and scaling-up slum upgrading programs citywide and nationwide. Launched by the World Bank and UNCHS (Habitat) in May 1999, the Cities Alliance seeks to be the key donor financing vehicle for the preparation and design of these initiatives and its Consultative Group to achieve a new coherence of effort among bilateral and multilateral partners and cities in support of implementation.