



Cities Alliance
Cities Without Slums

2003
ANNUAL REPORT

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*Cover: Shack fires in informal settlements are a part of daily life.
Beirut squatter camp, Alexandria, Johannesburg, South Africa. 2002.*

Photographer: Caroline Suzman © 2003.



James D. Wolfensohn
President
The World Bank Group



Anna Kajumulo Tibaijuka
Executive Director
UN-HABITAT

A Shared Vision for City Development

Four years ago we joined forces to launch the Cities Alliance. Our objective was to scale up the impacts of successful approaches to urban poverty reduction. This year's Annual Report illustrates how the Alliance's strategic framework is focusing the resources of its members on citywide and nationwide scales of action.

Our most significant achievement to date has been to demonstrate how improving the lives of slum dwellers provides a strategic opportunity for the international development community to target poverty where it is growing fastest – in cities. By focusing on the city as a whole, rather than on sectors, and supporting long-term commitments, Alliance members are promoting a comprehensive approach which links urban poverty reduction and sustainable economic growth.

Mayors and other civic leaders are now on the front line of implementing the Alliance's Cities Without Slums action plan, and city development strategies are providing a mechanism for local stakeholders to address the linkages between the broad range of issues that we know trap people in poverty – from lack of access to safe drinking water and sanitation, to insecure tenure, HIV/AIDS and lack of jobs.

Although there is still a very long way to go, we are immensely proud of these initial achievements, made through the concerted efforts of Alliance members. The Alliance is clearly helping us to learn from those cities and countries which are making progress in improving the lives of their most vulnerable residents, and also to set new standards to support these efforts.

We are pleased to renew our strong commitment to our partnership in the Cities Alliance.

James D. Wolfensohn
President
The World Bank Group

Anna Kajumulo Tibaijuka
Executive Director
United Nations Human Settlements Programme



Ribeira Azul, Salvador, Bahia, Brazil

Introduction

The Cities Alliance grew stronger in 2003. Not only has the partnership expanded, but the Alliance's strategy is increasingly being mainstreamed and producing results. This strategy, adopted by Alliance members when the partnership was formed in 1999, calls for a concerted attack on urban poverty by focusing efforts in two areas: city development strategies (CDS) which reflect a shared vision for the city's future, and citywide and nationwide slum upgrading

Leadership by Alliance members in support of this strategy is most apparent in their actions building on the endorsement of the Alliance's Cities Without

Slums action plan by the world's heads of state¹ and the adoption of its goal as Target 11 of the Millennium Development Goals (MDGs) – “by 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers”.

During 2003 Alliance members have consolidated their efforts to help achieve this target both with more resources and by aligning their country operations in support of citywide and nationwide strategies.

¹ United Nations Millennium Declaration, General Assembly resolution A/RES/55/2, 18 September 2000.

Local authorities leading the way

The organisations of local authorities represented in the Alliance, as well as an increasing number of national associations worldwide, are promoting CDS and citywide slum upgrading among their members; as a result, local authority associations are also increasingly at the centre of Alliance-funded activities.

During 2003, the Chilean Association of Municipalities has obtained Alliance support for Local Development Strategies for Housing Solutions to Overcome Poverty; the National Association of Local Authorities in Ghana is prepared to play a key role in replicating city-based poverty reduction strategies drawing on the experience gained in preparing a CDS in the Kumasi region; and the Association of Latvian Cities was awarded funding for CDS in eight cities under its Latvia Cities Program – City Development Strategies for Economic Development.

Operational Partnerships with Local Government Associations

- Association of Latvian Cities
 - Association of Municipalities of Burkina Faso
 - Chilean Association of Municipalities
 - China Association of Mayors
 - City Managers' Association of Gujarat (India)
 - Latin American Chapter of the International Union of Local Authorities
 - League of Cities of the Philippines
 - National Association of Local Authorities in Ghana
 - South African Cities Network
-

One of the most positive developments over the past year has been the extent to which city leaders are increasingly networking among themselves to share knowledge on CDS and citywide upgrading. A good example is the South African Cities Network (SACN), which was launched in October 2002 by South Africa's nine metropolitan areas. This network promotes a learning partnership among the civic leaders who are actively transforming local governments and has adopted CDS as its core integrating programme to achieve the goals of equitable economic development and poverty reduction.

The Alliance is also supporting the preparation of a new Johannesburg-Addis Ababa Partnership Programme, drawing on the experience of Johannesburg's *iGoli* plans to help Addis Ababa address key CDS knowledge gaps in the context of the New Partnership for Africa's Development (NEPAD). Earlier this year, the Cities Alliance also supported a delegation from the Lagos State Government which visited South African cities to exchange ideas and experiences on a wide range of issues, including decentralisation, city development strategies, and intergovernmental relations.

City development strategies are now recognised as a powerful tool for multisectoral analysis and investment planning at the city level. As a number of examples in this report illustrate, the CDS process empowers the urban poor and business leaders to participate in establishing legitimate priorities for investments in infrastructure and service delivery for the poor. This report also describes how CDS partners are learning to adapt existing financial mechanisms to respond to these investment demands, and are piloting new ones. CDS are also increasingly being used to develop local Poverty Reduction Strategy Papers (PRSPs), to analyse the local economy and to devise a common strategy for economic growth, employment generation, and poverty reduction.

Political will for nationwide slum upgrading

An increasing number of national governments are providing leadership to achieve the Cities Without Slums MDG Target. In the spirit of a 'learning alliance', this report examines the experiences of nine countries in light of the support they are providing to their cities in undertaking citywide slum upgrading. These experiences differ in many significant respects, clearly underlining the fact that there is no single solution or approach that all must follow. At the same time, there is one overarching point of commonality: each of these national programmes is being driven from within. Development agencies have much to learn from these countries, and certainly their leadership will inspire others.

Nowhere is this more evident than in Brazil. A powerful new voice for slum dwellers emerged last year with the election of President Luiz Inácio Lula da Silva ('Lula'). Having lived for a number of years in São Paulo's slums, Lula speaks with first-hand knowledge of the obstacles, opportunities, hopes,

and fears millions of slum dwellers face daily. “When people begin to realise that they have a chance that a dream can be realised, things will happen”, Lula said at the April 8 ceremony launching São Paulo’s Land Regularisation Campaign for slum dwellers and attended by the UN MDG Slum Dwellers Task Force. One of Lula’s first actions as president was to create the new federal Ministry for Cities to help fulfill the government’s commitment to improve the lives of slum dwellers. Fortuitously, the Alliance’s 2003 annual meeting will take place in São Paulo, a city that is tackling, head-on, its most deprived and violent *favelas*.

Bilateral and multilateral members in action

During 2003 Alliance members worked together both at the global level in establishing new financing facilities and providing critical co-financing, but also at the country level where Alliance members are increasingly using the partnership to scale up the impact of their activities while empowering local leadership. UN-HABITAT and the World Bank remain key partners in Alliance activities in all regions, but, as is illustrated below, during 2003 all of the Alliance’s development agency partners were actively engaged in preparing and implementing Alliance activities at the country level:

- GTZ offices in South Africa, Ethiopia, Chile, Peru, and the Philippines have helped cities develop Alliance-funded programmes this past year;
- USAID offices in South Africa, Morocco, and India have been active partners, and offices in the Philippines, Panama, and elsewhere are developing new activities for Fiscal Year 2004 (FY04);
- The offices of SIDA were involved in new partnerships in South Africa and India;
- Norway was active in South Africa and provided key financial support to scale up Alliance activities throughout Sub-Saharan Africa;
- Japan continued to support CDS information networks throughout Asia and is developing new FY04 programmes in Indonesia and the Philippines;

- Italy made important new commitments in Brazil, including building on their ongoing support to slum upgrading in Salvador, Bahia, to scale up this approach within the framework of a new statewide poverty reduction programme;
- DFID was active in South Africa, Swaziland, and South Asia;
- The Netherlands is becoming engaged with Alliance partners in pro-poor economic development in Africa;
- AfD has helped develop a new CDS proposal in Niger, and France is also supporting the development of a new slum upgrading initiative in Brazil;
- CIDA has incorporated CDS in a major new programme in India;
- The ADB has supported CDS in India, the Philippines, and Vietnam.

The decision of the United Nations Environment Programme to join the Cities Alliance underscores our concerns about the urban environment. We need to work with cities to take action now, both for the protection of the local environment and human health as well as for managing the impact of cities at the national, regional and global levels. The Cities Alliance can provide the catalytic role for the urban environment, as GEF has done for the global environment.

Klaus Töpfer, Executive Director, UNEP

In October 2002, UNEP announced its decision to join the Alliance. UNEP’s substantive contribution will strengthen both the operational and normative aspects of Cities Alliance activities, particularly the urban environmental components of CDS and citywide upgrading.

In October 2002, the UN also organised the first meeting of the Millennium Project’s Task Force on Improving the Lives of Slum Dwellers. This is one of ten such task forces designed to help devise strategies to assist developing countries in meeting

the MDGs. Several Alliance members, as well as members of the Alliance's Policy Advisory Board and Secretariat, are contributing to the work of this task force.

UN-HABITAT is leading the UN's efforts to monitor progress for MDG Target 11. In May 2003, UN-HABITAT published a practical *Guide to Monitoring Target 11: Improving the Lives of 100 Million Slum Dwellers*, which cities and countries can use in setting their own Target 11 goals. UN-HABITAT's 2003 *Global Report on Human Settlements* is also focused on "Facing the Slum Challenge". Scheduled for publication in October 2003, it is likely to be the most comprehensive report ever assembled on the world's slums, including updated statistics on the scale of the urban poverty challenge, an assessment of slums in the development context, as well as policy responses.

In response to increased demand from its client countries and in light of the critical role infrastructure plays in poverty reduction, the World Bank Group is taking decisive steps to ensure that its

infrastructure investments will make key contributions to achieving the MDGs. A new Infrastructure Vice Presidency was established in June 2003 to focus on supporting the provision of infrastructure to the hundreds of millions who lack basic services, as well as to improve economic performance to raise incomes. The World Bank Group is also exploring new instruments to operate at the sub-sovereign level, including participating with other Alliance members in the design and capitalisation of GuarantCo and establishing the IFC's new Municipal Fund.

This year's Annual Report demonstrates that, with committed members and innovative partners, the Cities Alliance is helping to improve the quality and impact of urban development cooperation, as well as to expand the level of resources reaching local authorities and the urban poor. The Alliance's global impact was highlighted by the independent evaluation which was completed during FY03 and reviewed by the Consultative Group at their Brussels meeting.

Independent Evaluation of the Cities Alliance

An independent evaluation of the Cities Alliance was commissioned in 2002 to inform Alliance members of the impacts of the partnership to date as well as to make recommendations for improving future progress. The Alliance was evaluated against three criteria—relevance, efficacy, and efficiency—and against its own objectives as stated in its charter:

- To improve the quality of urban development cooperation and urban lending;
- To strengthen the impact of grant-funded urban development cooperation;
- To expand the level of resources reaching the urban poor by increasing the coherence of effort of existing programmes and sharpening the focus on scaling up successful approaches; and
- To provide a structured vehicle for advancing collective know-how.

The evaluation report concludes:

"In sum, the comparative advantage of the Cities Alliance is in the process of being vindicated:

- In encouraging and facilitating the collaboration of partners in the process of drawing the lessons of urban development and extracting best practice;
- In providing a means to develop initiatives which would not be possible for ordinary donors, restricted by the need to deal exclusively with sovereign governments;
- In providing unorthodox ways to work with the poor and with NGOs in up-scaling the two priority tasks for a full attack on urban poverty;
- In creating the promise of a 'learning alliance', a point to pool experience, to evaluate and to disseminate it to all participants in urban development.

Thus, given the brief life of the Cities Alliance so far since it became fully operational, this is a strong performance. Given some reorientation in the light of the experience of the first years, it seems set to grow stronger in its role. We can say on the record that, in the absence of the Cities Alliance, the alerting of world opinion both to the demographic transition to a predominantly urban developing world and to the opportunity to make a serious attack on urban poverty would be significantly less; the scale of donor commitments would be much less; that the scale of collaboration—and therefore the magnification of the urban development efforts—would be less; that the mechanisms for the pooling and dissemination of experience would be inferior. Furthermore, the promise of significant action against urban poverty in the future would be considerably less as a result."

The complete *Independent Evaluation: An Assessment of the First Three Years* is available on request.



Banks of the Jukskei River, Alexandra, Johannesburg, 2002.

Cities Alliance Impacts – Linkages to Investments

Linking grant-funded technical assistance to capital investments is central to the Alliance strategy for improving the efficiency and impact of urban development cooperation. The Alliance Charter stipulates that private and public sector investment partners and development banks should be involved in the design of Alliance activities from the outset, so as to increase the potential of attracting investment for implementation.

Over the course of the past year, the Cities Alliance Secretariat has been tracking the investments that are linked with the Alliance work programme. Although this initiative is ongoing, partial results indicate that more than US\$4 billion of investments are linked with Alliance-funded activities. Approximately US\$1.5 billion are from investments already committed, and US\$2.5 billion are prospective investments in various stages of preparation or appraisal.

The investments come from many sources. More than US\$2.3 billion are from World Bank loans and credits. Other investment partners include the Asian and Inter-American Development Banks, the EU and EBRD, and bilateral agencies such as the AfD, CIDA, GTZ, KfW, and SDC.

Importantly, more than US\$0.5 billion of identifiable investments come from local public resources. In São Paulo (Brazil), for instance, nearly US\$188 million in upgrading investments are planned for the *Bairro Legal* programme, much of it from the Municipal Housing Fund, with endowments already approved in the municipal government budget. São Paulo, with the active support of the World Bank, is using US\$300,000 in Alliance funding to help design, plan, and monitor this citywide slum upgrading programme. This Alliance technical assistance funding, informed by global good practice and drawing on the expertise

of Alliance networks, is being used to improve the quality, impact, and sustainability of the much more substantial São Paulo investments.

In Salvador (Brazil) the linkages of Alliance funding (US\$5 million provided by Italian cooperation) with the investments for an on-going upgrading programme improving the lives of 150,000 slum dwellers, has worked so well that the state of Bahia is scaling up the programme statewide, and Italian cooperation has committed an additional €5 million to the Alliance to help implement this new programme.

A somewhat unexpected but significant impact from this project is the linkage of slum dwellers and the non-governmental organisations (NGOs) that assist them with investment capital. The Italian NGO AVSI and its network of local partners have gained credibility and access to compete for construction projects using labour cooperatives that have been formed and capitalising on training provided under the slum upgrading programme being supported by the Alliance-Italian cooperation grant. Starting with construction contracts awarded on a sole-source basis, the president of one cooperative said: “Our ambition is to structure ourselves so that we have more opportunities [to compete for contracts]. We want the opportunity to show we can do this”. A mere year ago this would have been a dream.

The most significant and sustainable investments often come from the slum dwellers themselves. Most monitoring systems have not yet devised an appropriate mechanism to capture the nature and the extent of these critical investments of time, organisation, and finance. Anecdotal evidence from a number of regions in the world suggests that the assets generated by the slum dwellers themselves meet, and often exceed, the formal investments by public and private sector agencies. Cities Alliance members are increasingly investing in empowering slum dwellers by leveraging their investments within the framework of citywide upgrading strategies.

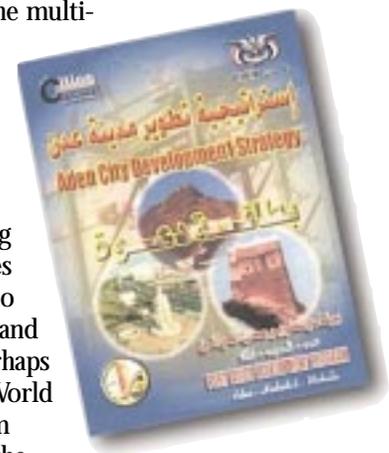
This is a key objective of the Community-Led Infrastructure Finance Facility (CLIFF). This initiative, which is funded by the Alliance through US\$12 million committed by DFID and SIDA, was established to assist organisations of the urban poor improve their demonstrated ability to undertake community-driven development projects by accessing commercial and public sector financing.

Piloted initially in Mumbai (India), CLIFF puts capital investment funds directly under the control of an international NGO, Homeless International, and its Mumbai-based partners: the National Slum Dwellers Federation (NSDF), *Mahila Milan* (Women Together), and the Society for the Promotion of Area Resource Centres (SPARC).

With their proven track record in implementing community-driven projects, CLIFF provides a financial basis that allows SPARC and its partners to leverage national, state, and local subsidies and private capital. Their development approach promotes the use of construction labour, entrepreneurs, and professionals from within Mumbai’s slums. This approach has gained recognition from World Bank procurement officers, who have deemed it “competitive and altogether acceptable”. And in a significant advance, the Mumbai partners have won the right for NGOs to compete for contracts for land and housing projects being tendered by Mumbai’s local authorities.

Improving the pro-poor impact and sustainability of capital investments is also a central goal of Alliance-supported CDS. Although monitoring their impact is just beginning, in several instances CDS have started to shape and change the financing strategies of cities as well as lending instruments of international development partners.

In the Yemeni port city of Aden, for example, the World Bank has designed an Adaptable Program Loan to take advantage of the multi-dimensional aspects of a CDS. Rather than focus only on pre-identified port investments, this loan relies on the integrative CDS approach to identify key investments for Aden, taking full advantage of the linkages not only of the port, but also of the international airport and Aden Free Zone. This is perhaps the first instance of a new World Bank investment mechanism explicitly designed around the outcomes of a CDS planning process.



Improving the city’s ability to better manage existing resources and mobilise additional investments is another demonstrable benefit of utilising a CDS process. In the Guiyang (China)

CDS, municipal debt management received special attention, putting the city in a stronger position to attract funding from both domestic and international sources. In Latvia, the CDS process is seen by the eight leading cities as a chance to successfully tap the EU's accession funds, which until now could not be fully utilised. The South African government has created a funding mechanism for urban restructuring that provides an excellent incentive for the efforts of the South African Cities Network to improve the governance and competitiveness of South Africa's major cities.

In Indonesia, the World Bank, UN-HABITAT, and the UNDP are supporting the government's decentralisation efforts, including the institutionalisation of poverty-centred CDS as one of the primary tools for prioritising urban investments. The government and the World Bank intend to use the priorities established through participatory CDS processes in at least seven cities to inform urban investments to be made in 30 cities through a US\$100 million World Bank investment.

The Philippines has had a very active CDS programme over the past few years, involving no

less than 40 secondary cities, financed by the Alliance and government of Japan, supported by UN-HABITAT and the World Bank, and implemented by the League of Cities of the Philippines. Based on this experience, the Government and World Bank are now preparing a new project that will be designed to link investments to these CDS outcomes.

Linking to investments must also increasingly engage non-public sector resources. This will be the focus of the Alliance's next Public Policy Forum to be held in São Paulo in October 2003. The Forum will focus on sustainable financing strategies for cities and financial services for the urban poor – issues which concern the public sector, private sector and international development partners alike. The Alliance hopes to build on the ideas exchanged during the Forum to more systematically support sustainable financing strategies for cities as an outcome of CDS, as well as savings and credit mechanisms to more effectively leverage the operations of local private sector financial institutions and the resources of slum dwellers themselves.



Lagos, Nigeria

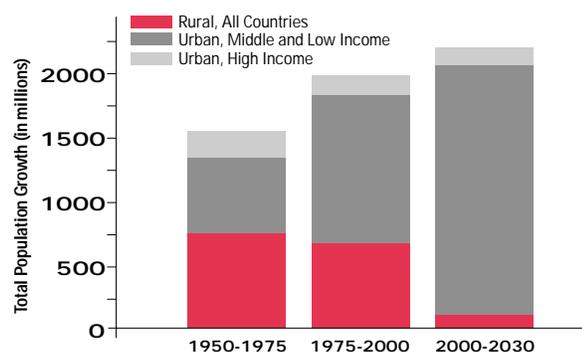
City Development Strategies

During its four years of existence, the Cities Alliance has supported a wide range of city development strategies (CDS) in more than 80 cities in 25 countries. CDS have been carried out by cities in all regions, with populations varying from cities of 50,000 to city-regions with more than ten million inhabitants.

Given the diversity of cities, there is no universally applicable best practice for the implementation of a city development strategy. Each city needs to identify and recognise its own opportunities and problems, which may vary considerably according to its location, level of economic, social, and institutional development, and many other factors.

This year the Cities Alliance has made considerable progress in collating the CDS experience, lessons learned, and tools from cities in all regions (see CDS site on www.citiesalliance.org). Together this material illustrates how CDS help cities both in

Almost all growth is now taking place in developing country cities



Humanity is only about half way through its transformation to urban living. Over the next 30 years the global urban population will increase by more than 2 billion – virtually all of this in developing country cities.²

² National Research Council (2003). *Cities Transformed: Demographic Change and Its Implications in the Developing World*. Panel on Urban Population Dynamics, M.R. Montgomery, R. Stren, B. Cohen, and H.E. Reed, eds. Washington DC: The National Academies Press.

planning for their future growth and in strengthening their decision-making processes to set priorities and achieve results. The approach to CDS supported by Alliance members targets equitable growth in cities and their surrounding regions, developed and sustained through participation, to improve the quality of life for all citizens.

The following summaries of six Alliance-supported CDS processes illustrate how comprehensive and well-executed city development strategies result in improved urban governance as well as investments.

These case examples underscore the importance of city officials themselves taking the lead while actively involving the urban poor and local business leaders in a wider participatory process. A thorough assessment of the city and its region – focusing on its comparative advantages, its change drivers, and resources, including the assets and knowledge of the urban poor and the values and preferences of the city's residents – has proven to be an essential starting point for a city development strategy. It is also increasingly clear that the success of a CDS process is directly related to the extent to which the local business community and civil society are engaged.

Three other key building blocks of a CDS include:³

- Creating a shared *vision* of the city's future among all stakeholders – a vision that looks long term but motivates short-term action;
- Developing a *strategy* that is realistic but challenging and focuses on a limited number of actions with high probability of producing results; and
- Having an *implementation plan* that focuses on accountability – what, when, how much, and whose resources by year, including indicators for monitoring results.

What Can a CDS Achieve?

Goals:

- Improved urban governance and management;
- Increased economic growth and employment;
- Sustained poverty reduction.

Outcomes:

- Policy, governance, and institutional reforms;
 - Financing strategies and investment programmes;
 - Monitoring mechanisms.
-



Farhan Al-Marsh, Aden CDS team member

Yemen

Aden City Development Strategy at the Centre of a World Bank Loan

The following excerpt from a World Bank press release⁴ announcing the approval of new World Bank Adaptable Program Loan for Aden illustrates how CDS are changing and shaping the investment instruments of Alliance partners.

With a gross national product per capita of US\$460, Yemen's 18.5 million people remain among the poorest in the world. About 42 percent of households live below the poverty line, and approximately 25 percent are unemployed or underemployed. One of the challenges facing Yemen is to reduce its dependence on its rapidly depleting oil reserves by turning to non-oil sectors. Another important challenge for Yemen is attracting private investment.

The first phase of the Port Cities Development Program will focus on Aden, Yemen's commercial hub, whose strategic location at the tip of the Arabian peninsula once made it the second

³ Douglas Webster, Consulting Professor Asia Pacific Research Center, Stanford University. 'Formulating City Development Strategies in China: Methodological Steps'. Presentation prepared for CDS workshop in Beijing, China, 6-7 July 2002; see www.citiesalliance.org.

⁴ World Bank. *Today*, 30 January 2003.

busiest port in the world. The programme in Aden will begin with small-scale infrastructure investments, such as improving facilities at a local fish market and road works at an industrial estate, to elevate small business growth and build linkages to Aden's transport facilities. Training and investment planning will begin in parallel in both Hodeidah and Mukalla.

To attract private investors, the first phase will also focus on enhancing the ability of Aden's local government to deliver transparent and efficient services to the private sector through administrative modernization, automation of business transactions and information and communications technology.

The Port Cities Development Program coincided with Aden's preparation of a City Development Strategy (CDS), aided by the technical and financial support of the Cities Alliance. The CDS aims at developing a shared vision for the city's future and local priorities for action by bringing together key stakeholders—including NGOs, the private sector, Aden University and women's

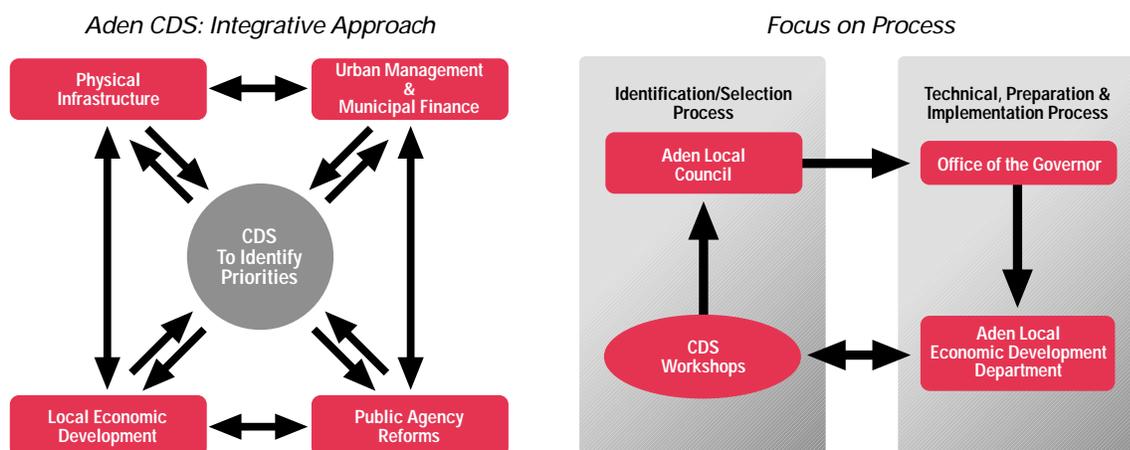
organizations—in a participatory process to collectively shape the local economic development agenda of Aden.

The Aden City Development Strategy for Local Economic Development is being financed through the Cities Alliance to support the local authorities in several key areas: providing quality and adequate basic services to both citizens and investors, attracting investment to expand employment and services, and defining effective and sustained urban poverty reduction policies. The CDS process in Aden is supported by the World Bank and AUDI, as well as by GTZ and UNDP which are complementing the CDS through their ongoing programmes.

Aden's CDS is at the centre of a US\$96 million investment programme that intends over a 12-year period to strengthen the investment climate, encourage growth, and create jobs in three coastal cities of Yemen. The Aden CDS has shaped the first phase US\$23 million credit approved in January 2003 and focuses not only on investments, but above all on institutional and policy reforms as well as on enabling a better business environment through coordination among all levels of government, the private sector, and civil society.

Linkages between the city and major national investment programmes in the port, the airport, and the free zone are essential for attracting investment to expand employment and services as well as for providing quality and adequate basic services to both citizens and investors.

The city of Aden has institutionalised the CDS process



Source: Omar Razzaz, World Bank. "Globalization and Links with Urbanisation - The Case of Yemen: Yemen Port Cities Development Program". Presentation at World Bank Urban Forum, December 2002.

Essentials of a CDS

Assess the state of the city and its region

Each city needs to identify and analyse its own opportunities and problems; the values and preferences of its residents; its change drivers, including its relationship to its region and the national and global economy; and its assets and resources.

Develop a long-term vision

A shared strategic understanding among all stakeholders is essential to align energies to work cohesively for the good of the city. Thinking citywide provides a mechanism for local stakeholders to assess the linkages between their respective priorities for health, security, jobs, housing, education, transport, and the environment and to develop a shared vision.

Act now with focus on results

Although the vision has a long-term perspective, the strategy should focus on short-term results and accountability – indicating the role for many key stakeholders, not just local government. It is helpful to start with a limited number of actions that respond to common concerns and that are challenging but have a high probability of producing results.

Value the contributions of the poor

The urban poor have demonstrated enormous resilience and ingenuity in mobilising and organising themselves when formal institutions have failed to serve them. The CDS process capitalises on the enormous potential of the urban poor as development agents by supporting their participation in decision-making processes that affect their livelihood.

Encourage local business growth

Involving key stakeholders and collaborative leadership and responsibility is a more effective way of creating a business-enabling environment than just relying on tax-based incentives that sometimes divert resources needed for critical infrastructure investments.

Engage networks of cities

Learning from peers through city-to-city knowledge-sharing networks has proven the most effective and sustainable way to transfer knowledge. The involvement of local government associations is considered crucial for the institutionalisation and replication of a CDS.

Focus on implementation

Implementation is at the heart of a CDS, not the development of a perfect plan. Successful strategies mix means, clearly identify institutional responsibilities, and provide incentives for performance. Stakeholders learn to integrate evaluation and impact targets from the beginning, learn from errors, and revise the strategy in the next round.

Concentrate on priorities

A strategy reflects tough choices and focuses on a limited number of actions as well as on available resources to shape emerging opportunities. Strategic planning involves making informed decisions in a rapidly changing environment.

Foster local leadership

The sustainability and effectiveness of the CDS process depend to a great extent on the active involvement of the mayor, high-ranking local government officials, and representatives from the municipal council. If not anchored in the yearly municipal budget with a sustainable financing strategy, the CDS will remain just another planning document.

China

City-region CDS and Measuring Impacts and Performance

Over the last four years the Cities Alliance has supported CDS in secondary cities in China. Implementation has been guided by the World Bank working in partnership with China's Ministry of Finance, the National Development and Reform Commission, the China Association of Mayors, and the concerned city and provincial authorities. The first round of CDS in China included the city of Guiyang in Guizhou Province and the Changsa/Zhuzhou/Xiangtan (CZT) city-region in Hunan Province. These efforts resulted in the development of regional strategies to help overcome the deficiencies of the fragmented governance structure of a large metropolitan area. Linked to these was a comprehensive, prioritised investment programme to address the city-region's infrastructure needs; the programme was designed to be financed through a mixture of local, national, and international sources.

The ongoing round of CDS in the Chengdu, Zhengzhou, Lanzhou, and Erdos/Dongsheng city-regions is being carried out with co-financing from DFID and the World Bank. This work includes an analysis of vulnerable groups and minimum standard schemes designed to improve their living conditions. With strong urban-rural linkages these city-regions also play a prominent role in improving the living standards in surrounding regions.

Initiating these city development strategies has also reinforced among policy makers and managers at the central and local levels in China that urban management interventions need to be monitored against their objectives with clear targets, so that investment policies and development strategies may be adjusted as city development circumstances change.

Responding to this demand, the Alliance has also supported a CDS Indicators Project in China, which was completed this year. This project was designed and implemented by UN-HABITAT to assist the CZT city-region, Guiyang, and Shenyang in developing and maintaining a set of performance indicators. This helped the cities measure improvements in living standards and urban management.

Much remains to be done, however, particularly in enhancing the capacity of the participating cities to adapt existing indicators, especially devising the appropriate criteria for disaggregating, and eventually to incorporate these indicators into the budgeting and planning processes.

Eight Steps for Developing a Performance Indicators System: A Bottom-up Approach

- Agree on the performance outcomes to monitor: start with CDS and other development plans and identify outcomes to monitor using indicator;
- Select key indicators to monitor outcomes;
- Collect baseline data on the selected indicators;
- Set realistic targets for indicators;
- Monitor performance using the indicators: collect data on indicators and compare them with the targets;
- Report the findings of performance monitoring: identify and explain any gap(s);
- Use the findings from monitoring to make adjustments: revise policies, programmes, and projects; and
- Sustain the monitoring system.

Source: Kyung-Hwan Kim. China CDS Performance Indicators Manual. Prepared for UN HABITAT-Fukuoka Office. December 2002.

Nigeria

City Development Strategy for Karu's Economic Development

Karu is a very fast growing satellite town in Nasarawa State, located on the outskirts of Nigeria's capital, Abuja. Karu's population was about 10,000 in 1991 and increased to an estimated 50,000 by 2001. Due to the continued strong migration from other parts of Nigeria, the current growth rate is now estimated at 40 percent per annum.

A broad objective of the recently completed Karu CDS, which was co-sponsored by the World Bank and UN-HABITAT, was to support the city government in effectively managing this continuing tide of growth. This was to be achieved by developing a local economic development (LED) strategy that would reduce poverty and maximise economic growth.

The most important result of the CDS was the establishment of a participatory framework for the state and local governments to interact with Karu's informal businesses (now organised into the Business and Economic Development Committee of Karu), as well as its citizens, on all matters that affect Karu. Residents have been mobilised and officials at both the state and local government levels are more aware that business processes in Karu need to become more participatory.

The CDS process has demonstrated the desire and ability of Karu's residents to participate in citywide consultations on planning, budgetary, and service delivery-related issues. It has also demonstrated that the citizens value and expect timely and transparent communication from local and state governments, especially with respect to the management of public expenditure in Karu. State and local governments have therefore implemented several activities to increase transparency and to help mobilise local resources, including regular meetings with citizens to discuss development issues.

From the outset, the Karu CDS was closely linked to the preparation of a multi-city lending programme for urban upgrading: the World Bank's International Development Association (IDA)-supported Community-Based Urban Development Project. This link was critical in realising the full potential of the CDS process and resulted in several recommendations for the creation of an Upgrading Fund.

Due to the positive reception of the CDS approach in Karu, Lagos State Government, with the support of the World Bank and Cities Alliance, is preparing a strategy for economic development and poverty reduction, which will include a citywide upgrading strategy and a CDS focused on local economic development.

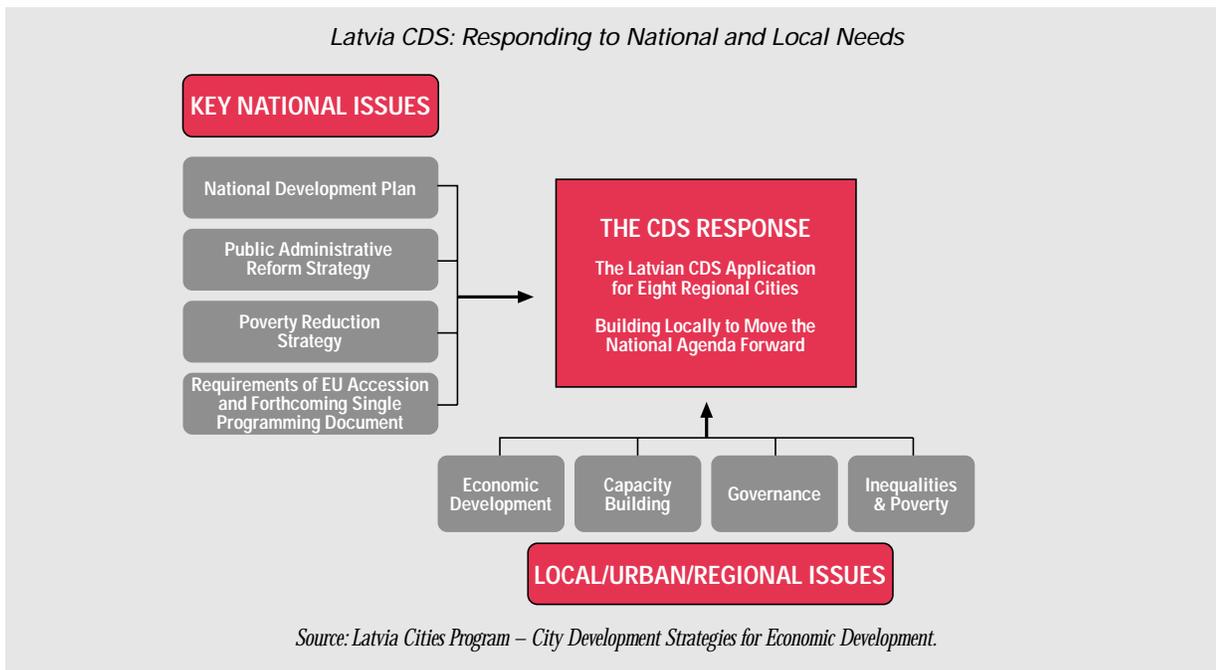
Karu's CDS

Objectives:

- (i) Improve governance;
- (ii) Raise awareness among decision makers about pro-growth and pro-poor policies; and
- (iii) Develop a local government strategy for growth and poverty reduction.

Outputs:

- (i) The "Karu: Economy and Employment Structure and Trends" analysis;
 - (ii) An organised consortium of local businesses in Karu: the Business and Economic Development Committee;
 - (iii) An LED Strategy which identifies actions that can be taken at the local government level;
 - (iv) Technical reports on governance and management institutions, land use management, and urban services management; and
 - (v) A citywide consultation report charting the proceedings and the way forward.
-



Latvia

City Development Strategies in Eight Cities

Despite Latvia's impressive economic growth performance and successful macroeconomic management during the last seven years, this country of 2.4 million inhabitants is still characterised by high unemployment, poverty, uneven development, and economic and social inequalities.

Consequently, Latvia's recent Poverty Reduction Strategy (PRS) sets the goal to reduce the number of poor by half by 2015. Although the PRS is well embedded in a National Development Plan and a Public Administrative Reform Strategy, all three national initiatives have been severely hampered by the lack of a coherent focus on implementation. Action plans, which prioritise and sequence policy interventions and investments, are embryonic and often lack local inputs.

In order to advance the implementation of the PRS, eight leading cities of Latvia (Daugavpils, Jelgava, Jurmala, Liepaja, Rezekne, Riga, Valmiera, and Ventspils) and the Open Society Institute have joined forces with the World Bank and UN-HABITAT to develop a Cities Alliance-supported

CDS programme that encourages local economic development and the promotion of an entrepreneurial and competitive economy. The CDS programme aims to mobilise local resources and to provide local answers to some of the economic and social challenges Latvia faces today.

The CDS programme, which started in 2003, focuses on: (a) devising local economic development strategies and action plans; (b) improving governance structures in the cities, based on stakeholder participation and partnerships between local government, citizens, and the private sector; (c) increasing the capacity of local governments to take advantage of significant potential investment opportunities, including public-private partnerships and EU accession funds available for Latvia; and (d) building capacity and capability within the cities and regional development agencies to ensure scaling-up and replication on a national scale.

Each city has established a steering committee/partnership forum, made up of key stakeholders from all sectors, which advises and guides the CDS process. In addition, the CDS process has been anchored in the 2003 city budgets by the elected city councils.

An interesting feature of the Latvian CDS programme was the intense preparation and building of partnerships that preceded the application process to Cities Alliance funding, as

well as the close coordination among national authorities. In several meetings and workshops, mayors, the Ministry of Finance, regional development agencies, and other stakeholders systematically developed a common approach to the CDS, which rooted it firmly in national development priorities and underlined the need for effective delivery of projects and investments. Thus, even during the preparation process, the city development strategy had an impact on how Latvian local governments will interact with different stakeholders in new and innovative forms of urban governance.



Peshawar, Pakistan

Pakistan

Peshawar's CDS: Institutional Reform and Governance

The Peshawar CDS, which focuses on the creation of an enabling environment and on making better use of existing resources and institutions, has prioritised institutional development and improved governance. Although very ambitious in scope, the strategy does not rely on large donor assistance or federal and provincial grants for implementation, but is rather a pragmatic response to the city district's needs and priorities that can be largely implemented within the mandate and current capacities of the city district. It offers significant potential for sustainable benefits to over 2.5 million city district residents.

The CDS process in Peshawar was initiated in May 2001 by the Peshawar Municipal Corporation and supported by UN-HABITAT and the World Bank through a Cities Alliance grant. Shortly after the CDS was initiated, the national devolution and decentralisation process brought unprecedented changes in the structure of local government. In August 2001, the federal government announced its plan to devolve power, changing the entire system of development planning and administration. All key agencies for service provision were decentralised and re-structured at the provincial and district levels. The Peshawar Municipal Corporation was abolished and replaced by four autonomous town municipal administrations representing each of the towns in the Peshawar City District.

At the same time, the scope of the Peshawar CDS expanded. With the introduction of the new local government system, the geographic boundaries of Peshawar increased fivefold to 1,257 square kilometres. Faced with high expectations from the rural constituencies, representing 50 percent of the city district, the district government recommended that the geographic and sectoral scope of the CDS be expanded, to move beyond the initial focus on urban development and municipal service provision.

A series of stakeholder consultations held during the CDS formulation process highlighted institutional and governance issues as the most pressing concern in the new city district. These priorities were further validated by the first citywide consultation workshop, which concluded that the city district must prioritise its limited resources. As a result, the CDS has focused on eight broad areas of concern that impact on a wide range of local government institutions:

- Devolution and decentralisation;
- Policy issues;
- Human, material, and financial resources;
- Capacity building;
- Accountability and transparency;
- Equity;
- Improving law, order, and justice; and
- Roles and responsibilities of provincial and local governments, civil society, and citizens.

There was near unanimity among the key city stakeholders that no sensible developments could take place in Peshawar unless the government first addressed the core institutional issues of the city district – issues relating to services and the living environment of the city district. Through its recommendations the CDS has offered direction and strategic choices that will in turn allow the Peshawar City District government to better manage its mandate of local governance and service delivery.

In fact, the CDS review showed that: (a) available resources could be far better utilised, (b) local revenues could realistically almost be doubled, and (c) an even larger potential exists for new capital investments by the private sector through partnerships in the municipal service sector, health, education, and transport.

Although the Cities Alliance support to the CDS process concluded only very recently (March 2003), as a direct result of its impact and realistic short- to medium-term approach, the Provincial Local Government Department has already circulated the Peshawar CDS reports to all the 23 other districts in the province for “...guidance for resolution of similar issues in their jurisdictions”.

South African Cities Network

www.sacities.net

The South African Cities Network (SACN) was launched in October 2002 by South Africa’s nine metropolitan areas – Buffalo City (East London), Cape Town, Ekurhuleni (East Rand), eThekweni (Durban), Johannesburg, Mangaung (Bloemfontein), Msunduzi (Pietermaritzburg), Nelson Mandela (Port Elizabeth), and Tshwane (Pretoria) – together with the Department of Provincial and Local Government and the South African Local Government Association (SALGA). Together these cities contribute more than 60 percent to South Africa’s gross domestic product and represent more than 17 million inhabitants.

SACN is a direct outgrowth of several key transformation processes in South Africa’s post-apartheid history. First and foremost, all local governments in the country have been

redemarcated to abolish racially-based local government. Second, the newly demarcated cities require radically new development strategies to deal effectively with the goals of the democratic era. Johannesburg pioneered this strategic transformation process through their *iGoli* process which included CDS-related activities supported by the Cities Alliance through the World Bank, UN-HABITAT, USAID, and others from 2000-2002. SACN’s core objective is to build upon these strategic transformation experiences through the exchange of information and best practices of large city governments in achieving the goals of equitable economic development and poverty reduction.

Tshwane has stopped the talking and started the walking—we are doing something practical, innovative, and achievable to achieve connectivity. We are willing to share our experiences with not only other South African cities, but in the spirit of NEPAD, all African cities. The City of Tshwane supports the SACN to contribute to the increase in national economic growth and development by strengthening the competitiveness of major cities through mutual support, learning and cooperation.

*Father Smangaliso Mkhathshwa, Executive Mayor, City of Tshwane
13 December 2002*

Source: South African Cities Network, www.sacities.net.

The SACN has adopted the city development strategy as its core integrating programme, promoting sustainable cities which are productive, inclusive, sustainable, and well governed. SACN is supporting the analysis of the strategic challenges facing South Africa’s cities and promoting a learning partnership between civic leaders and different spheres of government. Cities Alliance support to the SACN includes contributions to its city development strategy programme, enhancing the effectiveness of citywide slum upgrading in the framework of the National Urban Renewal Strategy, developing strategies to more effectively deal with urban poverty and HIV/AIDS, and indicators to help measure city performance. SACN also seeks to

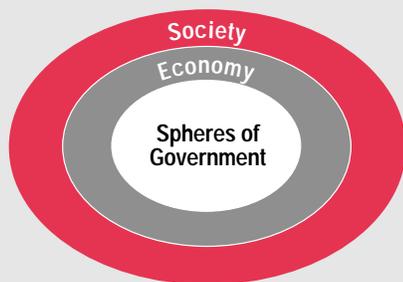
elevate the urban policy debate and good practices to a broader audience within the country and region and internationally through the annual State of South African Cities Report, the first edition of which is due to be issued in November 2003.

Not only will SACN activities lead to improved governance, knowledge, and networking of the cities, they are also linked to major national, provincial, and local investments. To support cities in designing and implementing city development strategies, the National Treasury has established the Financial Restructuring Grant fund with approximately R700 million. This fund was created partly as a consequence of the *iGoli* CDS process in Johannesburg and is now being expanded to assist restructuring in large cities throughout the country. Additional finance for follow-up investments of the CDS may include various government infrastructure grants totalling R2.3 billion; as well as pro-poor economic development programmes totalling more than R5 billion. New initiatives are upcoming: in

this financial year the government has introduced the Regeneration Tax Credit which will allow accelerated depreciation of private investments in targeted urban areas, as well as the Community Reinvestment Bill, scheduled to become an Act in the ongoing Parliamentary session, which will further encourage private lending in poor urban areas currently 'redlined'.

The SACN will also play a pivotal role in supporting implementation of the National Urban Renewal Strategy, which has over 2 million potential beneficiaries in major South African cities; working with the Department of Trade and Industry in promoting employment and support for entrepreneurs; with the Department of Housing in rethinking the ways in which housing subsidies are supplied and targeted; and generally at the national policy level in contributing to the form and content of the country's policy and fiscal framework on issues of urban growth, productivity, and poverty reduction.

City Development Strategy: Mobilising Tool



- Average investment and employment in cities:
 - 20% from government
 - 80% private sector
- Critical mass depends on mobilising business and other stakeholders to support vision and implementation

City Strategic Framework: Structure for Strategic Agenda



Source: Andrew Boraine, Advisor to Minister for Provincial and Local Government, South Africa; and Chairman, SACN Board of Directors. Presentation at World Bank, 18 March 2003.



Ribeira Azul, Salvador, Bahia, Brazil

The Challenge of Scale – Nationwide Upgrading

What support do national governments provide to their cities undertaking citywide slum upgrading? What powers and functions should be decentralised, and what role should national governments take? How can the resources of slum dwellers, and the risk capital of the private sector, be mobilised? How can land markets be opened? What lessons can we learn from countries that have already undertaken nationwide slum upgrading? How can the growth of new slums be prevented?

The Alliance has examined the experience of nine countries that have demonstrated leadership in addressing these essential questions, which lie at the very centre of the challenge of nationwide slum upgrading. This assessment includes countries that have implemented nationwide upgrading for more than two decades and those that are just beginning to develop nationwide strategies.

The countries included in this overview are: Brazil, Chile, Mexico, Mauritania, Morocco, South Africa, Tunisia, Thailand, and Vietnam. The Cities Alliance is working with each of these governments with the exception of Tunisia and Thailand, where individual Alliance members are active. This analysis focuses on several basic indicators of political will, land policies, and the essential features of strategies for moving to scale.

Slum upgrading is not new. The following review highlights some key lessons from past experience.

Fifty Years of Lessons: An Abridged History

A half century of experience has demonstrated many ways to successfully upgrade slum communities. Each community has unique conditions, needs, priorities, and potential, so no single model for upgrading fits all. On the contrary, each offers new lessons, and the thousands of upgraded communities serve as the foundation for understanding how to scale up. Three role players in strategic upgrading – slum dwellers with their NGO intermediaries, governments, and international development agencies – influenced practice, just as each decade's circumstances shaped outcomes.

The 1950s and 1960s: Planned cities collide with unplanned growth; the poor see cities as opportunities, but find slums and official indifference.

Two parallel worlds emerged – *formal* and *informal* – and clashed around the dilemma of housing. Governments bulldozed slums and built expensive housing projects. The poor built for themselves and began to organise for change. In a few places like Peru, Indonesia, and Brazil, slum dwellers mobilised political power to seek improvements to their communities, creating the first examples of slum upgrading.

Lessons:

What did *not* work and should be avoided:

- Slum demolition, forced evictions, mass relocations;
- High-rise public housing blocks, public rental housing;
- Government-provided housing.

What *did* work:

- Indonesia's home-grown upgrading took root;
- Peru's organised squatter invasions and Brazil's favela movement gained political recognition;
- Housing theories emerged.

The 1970s: Slums reach the political agenda; alternatives to public housing are tested. Some international development agencies merge official policy and informal practice. Learning by doing characterises agency and NGO efforts.

Slum communities, with the support of NGOs, developed better ways of building for themselves. Some international agencies applied pressure to alter policies. The Tondo Foreshore project, a very large upgrading programme with a land development component in the Philippines, was financed conditioned on the government's agreement to stop slum eradication and forced resettlement.

Lessons:

- Upgrading slums is a viable, low-cost, and effective way to help the urban poor solve their shelter needs;
- Land and services provision are also viable and necessary to meet demand;
- Centralised implementation is imperfect, and local agencies are weak;
- Land regularisation issues are a stumbling block.

The 1980s: First pilots yield success; integrated projects develop; first large-scale upgrading begins. Land tenure revealed as a major issue. Local NGOs take on the task of upgrading. Decentralisation takes hold.

Indonesia's Kampung Improvement Programme demonstrated a citywide approach, while El Salvador and Madras (Chennai, India) Sites and Services focused on slum mitigation by supplying land and services. Sri Lanka launched its Million Houses Programme, with the government providing support to people building and improving their own houses. Early theories (e.g., titled land for mortgages) frequently proved too cumbersome, costly, and unnecessary, and were dropped. Slum dwellers and NGOs pointed to the need to include communities in project decisions and add broader development objectives. International agencies increased – but then decreased – support for upgrading. A few countries, such as Ghana, Tunisia, Senegal, and Morocco, asked aid agencies to continue their support for slum upgrading.

Lessons:

- Upgrading is a process. Everything need not be done at once: start with the basic infrastructure and services – little will happen as long as water is unsafe, open sewers threaten public health, or children have no safe places to play;
- Slum communities have more at stake and should have decision-making roles because they:
 - ▲ Know their community and issues;
 - ▲ Have to live with the results;
 - ▲ Can, want, and have a right to participate; and
 - ▲ Can and will pay for affordable improvements of their choosing.
- Upgrading is *worthwhile*, producing:
 - ▲ Equity, which benefits both poor and other citizens alike by improving health, security, productivity, and so forth;
 - ▲ Legal rights: right of the poor to basic services and citizenship; and
 - ▲ Political gains: social stability and responsiveness from politicians.

The 1990s: Civil society and NGOs are stronger; community involvement increases; and secure tenure is more widely recognised as key. Necessity of upgrading is widely accepted, and slum prevention is on the agenda.

International agencies and governments moved to large-scale upgrading. Programmes in Jordan, Morocco, and Tunisia began to assume a national scope, but land and local government issues persisted in slowing progress. The City Summit in Istanbul produced the *Habitat Agenda*, but failed to establish a global target. But in September 2000, the Cities Without Slums action plan was incorporated into the *Millennium Declaration*, establishing both a global target and the framework for a global slum upgrading agenda.

Conclusion: the stakes are getting higher

In the last 50 years the estimated global population living in slums rose from 35 million to almost 924 million. At the same time many countries saw dramatic improvements in governance. Local governments became more powerful and responsive in providing services and better able to hear their citizens, and NGOs organised to work more effectively with governments. Slum communities developed politically and became willing and able to pay for services. And in an increasing number of countries politicians are responding to the increasing voting power of poor communities.

Yet . . .

Slums are growing faster than the response, particularly in Sub-Saharan Africa and South and Southeast Asia. Urban poverty is increasing, while urban environmental degradation is creating severe public health hazards. Security and safety have emerged as high priorities for slum dwellers and cities, as crime and violence escalate. Political will for nationwide slum upgrading strategies is becoming a central development issue.

Political Will

Slums are not the inevitable result of rapid urbanisation, but the products of failed policies, bad governance, corruption, inappropriate regulation, dysfunctional land markets, unresponsive financial systems, and a fundamental lack of political will.⁵ In countries where the dominant official response to poor people already living in, or moving to, urban areas has been a hostile one, new and established slum dwellers find themselves facing formal and informal measures denying them access to urban services, social amenities, and political voice. This policy and practice of social and political exclusion has been, and continues to be, *the single most important factor in the growth of slums*. The fact that many countries continue to ignore the impact of urbanisation reinforces these policies of exclusion and at best defers growing social unrest and increased costs to future generations.

Each of the nine countries has taken decisive steps to move away from this attitude and by so doing has created the first, necessary condition for tackling urban poverty and the growth of slums. The decision to ensure that the urban poor are treated as full citizens and can benefit from urban infrastructure and services is primarily a political one, requiring vision, commitment, and leadership. Political commitment for inclusion can emerge within cities, as well as at the national level. It can be supported, but not created, by international assistance and conditions.

...I know what it means for a person to receive a piece of paper and to have a fixed residence, an electricity or water bill. Sometimes they cannot even afford to pay the bill, but the fact that they have it is something great. We call this citizenship.

*Luiz Inácio Lula da Silva, President of Brazil
8 April 2003*

These case studies demonstrate different approaches, each with unique features designed to respond to a particular set of circumstances. It is not coincidental that political leaders at all levels of government in both Brazil and South Africa are highly motivated, since their countries share the dubious distinction of having the most extreme inequalities of income.

In Brazil the issue of political will has assumed a centrality that is matched in few other countries. With a predominantly urban population, with high levels of urban crime violence coupled with high levels of autonomy enjoyed by city governments, and with an active civil society, issues of social justice and poverty dominate the political discourse. While the government has not yet set national targets for slum upgrading and is still working on its budgetary commitments, it has taken steps to develop national policies and strategies to support citywide upgrading.

Brazil

A political consensus has been building in Brazil for well over a decade through the activities of innovative cities and inspirational mayors and governors, often in partnership with a very active civil society. This has culminated in the recent election of a national government that has put poverty at the top of its priorities and that has created a Ministry of Cities to spearhead and coordinate some of the new policy approaches even in the face of severe budget constraints.

Brazil's larger cities have traditionally taken the lead in slum upgrading, most notably through the pioneering *Favela Bairro* programme in Rio de Janeiro and the Guarapiranga project in São Paulo. Throughout Brazil municipalities have been moving from sectoral projects towards comprehensive upgrading frameworks designed to integrate slums into the city fabric. This is done by land tenure regularisation, social development initiatives, and community participation schemes.

Through the adoption of the City Statute, an innovative and far-reaching legal framework for urban policy has been created. Resulting from an intense negotiation process that lasted more than ten years, the City Statute confirmed and widened the legal and political role of municipalities in urban policy, while also fundamentally asserting a social approach to urban property rights, which will have a profound long-term impact on urban upgrading and social inclusion.

⁵ Cities Alliance. Cities Without Slums Action Plan. (See pages 1-5 for causal factors of slum formation.)



Alexandra, Johannesburg

The South African government is also clearly committed to a national policy of inclusion. Although it has not made as much progress in supporting slum upgrading, it has thus far subsidised the building of some 1.5 million homes, following its 1994 commitment to 1 million homes in the first

five years (1994-99) of the democratic government. While the government has not set new national targets for its housing and upgrading programme, although some cities and provinces have set their own, the recently established National Urban Renewal Programme should provide both incentives and clear targets for citywide upgrading nationwide.

With a very different history, Mauritania has undergone one of the world's most rapid national urbanisation processes. Although its civil society is just emerging, the country's leaders have shown a quite singular political determination and focus.

Measuring and Monitoring Results: South Africa

The 2001 census quantified major improvements in the quality of life for South Africans between 1996 and 2001, which also saw significant urbanisation trends over the same period:

- Over 2 million new houses were constructed, mainly in low-income areas;
- The increase in informal housing was contained, rising by a mere 0.4 percent.

In 2001:

- Over 70 percent of households were electrified;
 - 85 percent of households had ready access to potable water;
 - However, one in eight households still lacked access to a toilet.
-

Chile

Chile has been implementing a comprehensive national housing programme since the late 1970s. Linking a capital subsidy to household savings and credit, this programme constituted an explicit shift towards a more demand-side approach to housing. Notwithstanding the successful social policies implemented by the democratic government, by 1996 almost 3 million people were still living below the poverty line. In 1997 the government launched the *Chile Barrio* programme to try to reach those very poorest households that have yet to benefit from state assistance. *Chile Barrio* displays a very clear pro-poor emphasis and provides for an increasing role of local government in addressing social exclusion through an inter-institutional approach contained within a local Share Action Plan. These plans focus simultaneously on four areas:

- (i) Community development and social integration;
- (ii) Employment generation;
- (iii) Housing and neighbourhood upgrading; and
- (iv) Institutional development of poverty reduction programmes.

The government recently introduced a number of reforms to the housing programme, which is widely credited with having made a significant contribution to poverty reduction. The subsidy has been increased to try to reach the poorest 20 percent and to meet the rising costs of social housing, which is now as high as US\$7,000 per unit, and also to compensate for the anticipated lack of commercial credit attracted by the new *Fondo Concursable* programme.

Mauritania has incorporated slum upgrading targets in its PRSP and is now implementing a comprehensive plan to upgrade all its slums with clear targets and funding allocations.

The government of Tunisia's consistent support for upgrading over the past three decades has all but eliminated the national backlog, which now stands at some 24,000 units.

Mauritania: Setting National Targets and Monitoring Progress

PRIORITY OBJECTIVES AND PERFORMANCE INDICATORS	REFERENCE SITUATION		TARGET FIGURES		
	Date	Value	2004	2010	2015
Increase incomes and improve living conditions in the shanty towns of large and secondary cities					
Target population (in thousands)	2000	540	266	540	700
Working population with access to micro-credit (in thousands)			20	40	80
Cumulative volume of micro-credits (in UM* millions)	2000	200	2,500	5,000	6,000
Number of regularized land titles in poor districts	2000	800	16,000	30,000	40,000
Number of new lands developed			8,000	20,000	35,000
Access to subsidized housing in poor districts (families)	2000	300	10,000	20,000	35,000
Drinking water consumption (l/d)** per inhabitant in poor districts	1997	10-20	20-30	40	50
Rate of access to drinking water in poor districts	1997	35%	40%	50%	60%
Price per m ³ of water (in \$US) in poor districts	1997	2-3	< 1	< 0.5	< 0.50
Price per m ³ of water in poor districts compared to other districts	1997	5 times	1 time	0.8 times	0.8 times
Rate of access to sanitation in poor districts***	2000	10%	15%	26%	36%

*National currency unit (ouguiya) **Litres per day ***This involves operations financed in the context of public urban programmes.

Source: Islamic Republic of Mauritania: Poverty Reduction Strategy Paper, 13 December 2000.

Mauritania

With approximately 60 percent of its total population of about 2.7 million living in its cities, Mauritania has one of the highest rates of urbanisation in Sub-Saharan Africa. The capital, Nouakchott, which is home to about 25 percent of the country's population, experienced explosive growth from 1955 to 2000 when it grew from 1,800 inhabitants to 612,000. By 1975 almost 55 percent of the city's residents lived mainly in tents.

The Mauritanian government has been decisive in responding to the challenge and has developed a ten-year national programme, underwritten by an investment programme of US\$193 million, to improve the living conditions of 431,000 persons in Nouakchott, 10,000 in Nouadhibou, and 100,000 in the provincial capitals.

The major components of the urban policy are: (a) urban structuring and densification; (b) district restructuring and the provision of infrastructure, especially in slums; (c) job creation activities, particularly in poor districts; and (d) establishment of a link between urban development strategies and the economic development of cities. The *Twize* programme has also contributed by making micro-finance available to the urban poor in Nouakchott and, increasingly, the secondary cities.

At 20,000 households per year, Chile's targets are also relatively small, mainly reflecting the positive impacts of a consistent housing policy and nationwide programme over the previous decades. National efforts are now focused on targeting state assistance to the very poorest.

Political will includes appropriate and strong policy pronouncements emanating from the most senior levels of government. While there are very few governments that do not make tacit public commitments to deal with poverty and appalling living conditions, results often ultimately depend on explicit time-bound commitments to improve the living conditions of the urban poor.

To try to quantify political will for the purposes of this exercise, we have identified three indicators:

- The setting and publicising of a national target, through which the government commits itself to improve the lives of a specific number of slum dwellers by a certain date;
- The underwriting of this commitment through budgetary commitments to achieve the target; and
- A programme of necessary policy, legal, and/or regulatory reforms to facilitate the achievement of the target.

Public targets, backed by resources and reforms, have had demonstrable impacts in those countries where they have been established. Given the importance of political will at a city level and of setting realistic targets, national targets are arguably most effective when they are an aggregation of local, city targets.



Incremental housing development, Riyad, Nouakchott, Mauritania

Land Policies

Of the various obstacles to nationwide slum upgrading, the issue of dysfunctional land markets is by far the most pervasive. In many countries significant obstacles endure, even in identifying the ownership of and rights to land.

Mexico

Mexico has recently introduced its Habitat Programme, a comprehensive initiative aimed at reducing poverty in precarious neighbourhoods through integrated action in land-use planning, infrastructure, and the expansion of public utilities. This national programme relies on a formal partnership between the federal government and Mexico's states and municipalities; it has set ambitious targets to 2006.

The programme has six related components: urban poverty reduction, assistance to female-headed households, physical upgrading of poor neighbourhoods, creating a land reserve for the construction of affordable housing, effective land use planning to manage marginal lands at risk from natural hazards, and the promotion of urban and social development institutions to support and implement urban local government initiatives for the poor. The government forecasts that in the next 25 years more than 80 percent of the country's population, will live in the urban and metropolitan areas, and at least 35 percent of them will be poor. Based on the highest concentrations of urban poor households, the programme was launched in 32 major cities in 2003.

The physical upgrading component focuses on high-density neighbourhoods and slums with more than 500 households identified through citywide surveys. Provision of water, sanitation, and waste disposal, among other upgrading elements, are determined by the communities through a participatory process.

Frequently, these and other factors, such as inappropriate standards and regulations, conspire to make it impossible for either the market or local authorities to make available a sufficient quantity of well-located, serviceable, and affordable land to relieve pressure from overcrowded settlements and to anticipate future needs.

Control of land is all too often connected to political patronage and corruption, often making it difficult to obtain clear information about land ownership, land use, and availability. This is frequently compounded by administrative weaknesses in the local government system, as well as outdated information within property cadastres.

Countries that are committed to making real progress in reducing the size of existing slums and taking proactive developmental steps to prevent the growth of new slums are implementing a variety of policy reforms. These reforms focus on inclusion, such as recognising the rights of the urban poor to the city, providing them with access, and welcoming their contribution to the urban economy.

The case of Tunisia is instructive. Prior the 1970s, the government utilised a simple and repressive ‘bulldozer’ strategy which consisted of slum demolition and the relocation of the inhabitants to rural areas from whence they were supposed to have come. Financially and socially expensive, the strategy failed, and in the 1970s a new type of slum emerged with better quality housing better adapted

to the residents’ affordability constraints but built illegally on land bought from informal developers. In the mid-1970s, the government changed its strategy and started providing basic infrastructure and services. Since this policy reform, some 250,000 units have been upgraded, benefiting about 1.5 million people. Tunisia implemented an efficient slum upgrading policy on a sustained basis from 1975 to 1994, which led to a decrease in the percentage of slums from 23.7 percent of the total housing stock in 1975 to 2.7 percent by 1994.

Brazil has been progressively designing and implementing instruments to facilitate slum upgrading, with many innovations emerging at the local level before becoming more widely accepted. The Zones of Special Urbanisation (ZEIS) concept was first introduced in Recife in the 1980s and subsequently adopted by several municipalities. Civil society pressure for policy reform, including from organised housing movements, think tanks, and academia, resulted in the recognition of housing as a constitutional right in 2000.

In 2001, the Brazilian Federal Congress approved the City Statute, which incorporates a number of instruments that facilitate both slum regularisation and upgrading, including:

- ZEIS, which are local authority-demarcated areas allowing for the application of more flexible standards to promote upgrading and protect the right to housing;

Morocco

Morocco has been engaged in large-scale slum upgrading since the late 1980s and, from an early stage, recognised the need to take steps to anticipate future urbanisation. A parastatal agency, ANHI, was established and operates almost entirely on advances from project beneficiaries and a close working relationship with the private sector to finance its operations.

Despite some notable successes, the country has found it difficult to maintain the momentum and get ahead of the demographic and poverty curves. In 2001, 56 percent of the country lived in urban areas, with 518,787 households living in housing developed by informal land sub-dividers without government approval, services, or title and another 262,128 households living in rudimentary shelter (*bidonvilles*), often on marginal lands on the urban periphery. Yet another 90,000 households lived in deteriorating housing in old cities (*medinas*).

The King reinvigorated the upgrading policy in 2001, when he identified it as one of four national priorities; he has now launched a ten-year programme to upgrade some 720,000 households.

The renewed initiative will have three components: (a) in-situ upgrading, extending basic services, land tenure, and post-facto planning approval; (b) development of serviced resettlement plots with legal title; and (c) resettlement housing to assist *bidonville* households that need to be moved.

- *Usucapião Especial Urbano*, which allows for families (including low-income families on a collective basis) that have been occupying residential land for five uninterrupted years and without legal action by the land owner to be granted land ownership. In this way, an irregular settlement with 5,000 households can be regularised through the granting of a single *Usucapião*;
- *Direito de Superfície*, which allows housing regularisation through transfer of the surface right from the land owner to the occupier for a number of years; and
- *Dação em Pagamento*, which enables an indebted landowner to donate the land to the municipality in exchange for the debt.

The City Statute provides a framework for slum upgrading, not only defining what to do, but also how to do it. The City Statute is innovative, path-breaking legislation. However, the challenge of implementation lies ahead and will require significant training and capacity, as well as political commitment, within the municipalities and the judicial system alike.



Soweto, South Africa

In South Africa, where the national housing programme has been criticised for not sufficiently undermining the spatial divisions created by apartheid, the Development Facilitation Act was similarly designed to provide fast-track mechanisms to facilitate the land rights of the poor. Yet, a combination of bureaucratic weakness and reluctance inhibited use of the legislation, preventing the desired impact.⁶

South Africa

South Africa introduced its capital subsidy-based housing programme in 1994, the year of its transition from apartheid to democracy. The capital subsidy is generally sufficient to procure tenured land, install water and sanitation services, and, in most cases, construct a rudimentary formal housing unit. The government estimates that approximately 98 percent of all subsidies are allocated to the lowest-income households.

Almost 1.5 million housing units were constructed in South Africa between 1994 and May 2003 as a direct result of the implementation of the national programme, with a further 300,000 housing units currently under development. The estimated current housing backlog remains high, at approximately 2.3 million households.

Local governments are now assuming a more direct role in managing the subsidy scheme, identifying and releasing land to try to curb unplanned settlements. Complex urban renewal projects have been launched since 1994, including in-situ upgrading of informal settlements, the construction of new individual housing, and the conversion of buildings for residential occupation. Despite the success in production, concerns persist about the location and quality of houses, the weak consolidation process, the reluctant engagement of the private sector except as contractors, and the limited involvement of beneficiaries themselves.

⁶ The Act has had an impact in promoting a number of key development principles, including integration, concentration, and the utilisation of existing infrastructure.



El Mina Kebbé, Nouakchott's largest slum, Mauritania

In Mauritania, the government has been very forthright in identifying the problems associated with land management. In a formal statement of urban development policy, the government noted that “the existing legal framework governing land tenure and urban development is incomplete and has not been adapted to the prevailing situation. It was designed for centralised management and has discouraged the emergence of private planners and real estate developers. Moreover, legislation governing land tenure does not allow rapid mobilisation of land for urban expansion”.⁷ This description of some of the problems associated with its land markets would be substantially applicable in many countries around the world, although few

have responded as decisively as Mauritania by committing to secure tenure for all as an integral part of its national upgrading programme.

Like many other countries, and despite some very effective public-private partnerships, Morocco still suffers from a shortage of serviced land for low-income housing development. Some of the major reasons for this include a lack of local capacity and finance, the inability of specialised government agencies to reach the necessary scale, and the inhibition of private sector participation due to the complexity of administrative procedures and lack of infrastructure.

Thailand

Thailand has been developing its own approach to respond to the challenge of Cities Without Slums, now part of the national development agenda. Investments made by the government to support the mobilisation of slum communities and networks of slum communities, initially through savings and credit and subsequently through a broad variety of development activities, had created a sound basis for scaling up to a national programme. In 2003, the Thai government approved a national community upgrading programme that aims to achieve 200 cities without slums within five years.

Since 1977, the National Housing Authority has been the sole agency developing low-income housing and undertaking slum upgrading. In 1992, the government of Thailand established the Urban Community Development Office under the umbrella of the National Housing Authority. Its initial US\$50 million capital base allowed it to make loans to organised communities for land acquisition, housing construction, neighbourhood improvement, and income generation.

As community groups became stronger and more experienced and began developing links across cities, provinces, and regions, loans were increasingly provided to networks of community groups, and by 2000, 950 community savings groups had been established and supported in 53 of the country's 75 provinces. In the same year, the Urban Community Development Office merged with the Rural Development Fund to become a nationwide public organisation called the Community Organizations Development Institute.

⁷ Letter of Sector Policy issued by the Ministry of Economic Affairs and Development in June 2001 as part of developing Mauritania's PRSP.

In Vietnam the issuance of Building Ownership and Land Use Certificates on a large scale should greatly streamline land development procedures and help to speed up the process. At the same time, the government is revising construction standards with a view to their simplification.

The lack of secure land tenure for the urban poor has long been a problem in Thailand, often resulting in the eviction of poor families. One of the more interesting and well-known innovations that has been developed and implemented in Thai cities is the strategy of land sharing, whereby communities involved in land disputes have been able to negotiate agreements with landowners in which some portion of the land is returned to the landowner, while the balance is sold, rented, or donated to the community to redevelop their housing. Other mechanisms include in-situ upgrading, reblocking, land readjustment, and relocation to land close by.

Overall, the country reviews reveal the extent to which those countries that have embraced nationwide upgrading approaches have moved away from a policy of forced evictions and become willing to consider a range of tenure options for the urban poor. Elsewhere in Africa and Asia, some governments still rely on forced evictions and have not taken any steps to provide viable options for the urban poor to benefit from secure tenure, which directly undermines poverty reduction.

Strategies for Moving to Scale

Dealing with the sheer scale of the backlog and anticipated growth is among the most daunting challenges facing developing countries. This is particularly the case in Africa and Asia, where many cities will double in size over the next 15-20 years. The challenge of moving to scale has profound implications for official responses to slum upgrading and cannot be satisfied by the traditional project-based response, utilising off balance sheet-financing often provided by international donors.

Among the most clearly identifiable requirements for scale delivery are:

- Local government needs to make slum upgrading core business, particularly through a budgetary commitment;
- The need to move away from single, non-replicable projects to rethinking the fundamental workings of local government, implying systemic reforms at local and national levels; and
- The involvement and resources of slum dwellers and the private sector, alike, need to be mobilised.

Tunisia

Tunisia recognised slums as an urban reality only in the late 1970s, after previously following a policy of slum demolition and the relocation of people to rural areas. After undertaking some foreign-funded upgrading programmes, the government created the Urban Upgrading and Renovation Agency in 1981, which provided a new impetus to slum upgrading.

For the past 25 years, the Tunisian government has been strongly committed to integrating poor informal settlements into urban areas. It has created an institutional framework to encourage partnerships between the urban upgrading agency, municipalities, service providers and private developers, allowing Tunisia to reduce dramatically the number of households living in slums. The success of the Tunisian government is reflected in the small size of the outstanding backlog of 24,000 units, which the government expects to completely remove by 2006.

Commitment to slum upgrading was constantly reaffirmed by the government in successive five-year Economic and Social Development Plans. This national commitment has been matched by the Tunisian municipalities in their Municipal Investment Plans and reflected in their annual municipal budgets.

Between 1984 and 1994, the housing stock increased by 500,000 units, accompanied by a noticeable improvement in housing conditions as well as an excellent connection rate to the basic infrastructure. These improvements have had a particularly beneficial impact on women and have facilitated their greater involvement and productivity.

Some telling examples of the long-term nature of this challenge include the case of Morocco. Having recognised the limits of its traditional approach to housing provision, the government introduced a new approach in the late 1970s, decentralising some of the programme and moving away from the subsidisation of formal housing in favour of legalising slum dwellers and promoting self-help construction.

The creation of a national parastatal agency, the National Shelter Upgrading Agency (ANHI), had some considerable success, and by 1991 it was the largest land developer in the country, working closely with the private sector. Yet, for all of its intent, government efforts to date have not been able to contain or limit the growth of substandard housing. By 2001 some 871,000 households constituted a growing backlog. Some commentators have noted the lack of adequate participation from local authorities and civil society, with the role of central government being too dominant.

The Moroccan government's response has been to reinvigorate the programme, and in 2001 the King declared slum upgrading one of four national priorities. A far greater emphasis on the

development of local plans for housing and city development is emerging. In addition, local governments will now make direct financial contributions to upgrading, and special local accounts will be created to enable local communities to finance their efforts to make housing improvements.

Tunisia's moves to scale delivery involve a complex institutional framework, with a range of institutions actively involved in the slum upgrading programme. These include the Housing Bank, the Solidarity Bank, the Municipal Finance Authority, the National Solidarity Fund, various municipalities, and some NGOs and CBOs. Despite its numerous actors, the system is well structured and functions very well with overall responsibility vested with the Urban Upgrading and Rehabilitation Agency (ARRU). The success of Tunisia's slum upgrading policy derives, in very large measure, from these sustainable institutional arrangements.

Brazil's cities are internationally recognised as incubators of policy innovation on a range of topics. One of the most comprehensive slum upgrading programmes over the past decade was Rio de Janeiro's *Favela Bairro* programme. Other major

Vietnam

While Vietnam does not yet have a national upgrading programme, the government is actively engaged in developing one, addressing the key policy changes that would be required. As part of this process, each province will be tasked with developing a five-year upgrading investment plan with a budget and financing proposals. The central government plans to work with donors to address the financing gap.

The central government is already preparing related investment in several of the major cities. In addition, the government is considering its policy options to deal with an increasing rate of urbanisation, which will change the face of the country over the next two to three decades—the urban population is expected to increase by 15 million by 2020.

The emerging policy work is based on lessons learned from a number of small-scale pilot projects, the Vietnamese tradition of locally and community-financed 'alley upgrading' schemes, and the Vietnam Urban Upgrading Project. A key element of these projects is the preparatory process of citywide, inclusive workshops to discuss the merits of in-situ upgrading and the challenges it offers in urban development for the country as a whole.

The Vietnam Urban Upgrading Project includes the four cities of Can Tho, Haiphong, Nam Dinh, and Ho Chi Minh City. The initiative deals not only with in-situ urban upgrading, the provision of loans for housing improvements, and the provision of tenure security through the issuance of land-use certificates to slum dwellers, but also attempts to prevent the creation of new slums. Implementation will be the responsibility of the People's Committee in each city. Donors and the local women's unions, as well as a local bank for housing micro-finance, will be active partners.

cities like São Paulo, with its *Bairro Legal* Programme, and Salvador⁸ are also developing citywide upgrading programmes, while the new national government aims to provide a nationwide framework as part of its mission to combat poverty and hunger in an economy with wide income inequalities. In a significant shift in the public policy paradigm, the new government created a Ministry of Cities, an institutional recognition of the urban reality of Brazil, where 82 percent of the population lives in cities. In June 2003, the Ministry of Cities launched a national land regularisation programme, *Cidade Legal*.

Many of the reforms that have been introduced in Brazil, Chile, South Africa, and Mexico have arisen, in part, from a combination of civil society engagement and pressure. In the case of Thailand, it is largely the activities of CBOs that have led the government to consider establishing a nationwide upgrading programme. The strength of the Thai

community organisations comes not only from their organisation around savings and credit, but also through their networking approach, linking different communities with each other in order to strengthen their development capacity and learning.

In January 2003, the Thai government announced a new housing strategy, which includes 600,000 houses to be supplied by the National Housing Authority over five years and 400,000 housing loans to be provided through the Government Savings Bank. In parallel, a new programme called *Baan Mekong* is to be more directly aimed at slum dwellers. This programme, which will be coordinated by the Community Organizations Development Institute (CODI), is designed to upgrade some 300,000 units in 2,000 slums in 200 cities over five years.



Upgrading in Salvador, Bahia, Brazil

⁸ In Salvador, the State Government of Bahia drives the process.

The Challenge of Scale – Nationwide Upgrading

	BRAZIL	MEXICO	CHILE	MOROCCO
Populationⁱ	172.6m	100.0m	15.2m	30.4m
Percent urban	82%	75%	86%	56%
GNI/ capitaⁱⁱ	US\$3,060	US\$5,540	US\$4,350	US\$1,180
Backlog (houses)	6.6m ⁱⁱⁱ	No figures	77,000	871,000
National target	Not yet set ^{iv}	170,000 units	All by 2006	720,000 units
Budget	Budget not finalised ^v	US\$85m 2003-04	US\$67m per year	US\$2.0bn over 10 years ^{vi}
Policy reforms and land issues	City statute; emerging national programme; ^{vii} scarcity of serviced land	New Habitat programme; focus on titling and ownership	Reform of housing policy, 2001; poorly located developments	National Programme for the Reduction of Slums; ^{viii} scarcity of serviced land
Preventative strategies	Delimitation of ZEIS in vacant land or in urban areas	Explicit policy, with 20% of funds earmarked	Through new programme, <i>Fondo Concursable</i> ^{ix}	Key feature of 10-year strategy (2001)
Resettlement policy	Generally avoided; in-situ upgrades	Negotiated, generally slow, cumbersome	Generally avoided; exceptions for safety or cost	Generally avoided; in-situ upgrades
Institutional arrangements	Mainly local government-driven; national policy process	Coordinated national, local, and community involvement	Local authority-driven Share Action Plan	Centrally driven; limited local participation
Access to credit	Very Limited	Very Limited	Some access, not for poorest	Limited; new micro-credit initiative
Subsidy	Variable; no national standard ^x	US\$500 maximum per household, per year	Variable; US\$6,750 maximum ^{xi}	Variable; direct and indirect
Innovation	Regularisation tools: ZEIS ^{xii}	Upgrading located within comprehensive poverty approach	<i>Chile Barrio</i> , combining housing, social, and economic interventions	Draft law to promote and regulate participation
Major obstacles	National financial constraints	Inadequate resources; inadequate coordination	Organising integrated public sector response	Weak community and local government participation

TUNISIA	MAURITANIA	S. AFRICA	VIETNAM	THAILAND
9.5m	2.7m	43.8m	79.2m	63.6m
66%	59%	58%	25%	20%
\$2,070	US\$350	US\$2,900	US\$410	US\$1,970
24,000	120,000	2.3m	No figures	1.6m
All by 2006	All in 10 years	No new target	No target set	300,000 units by 2007
US\$111m over 5 years	US\$193m over 10 years	US\$589m 2003-04	No upgrading budget	US\$590m over 5 years
Five-Year Development Plans; scarcity of affordable urban land	Streamlined land development; anti-speculation policy; secure tenure for all	Comprehensive legislation; ^{xiii} improvements in land release; overemphasis on ownership	Land certification; standards revisions; need for open and transparent land market	Security of tenure for poor; Cities Without Slums
Addressed through scale delivery	Policy in place: sell high-cost plots to subsidise for poor	More proactive release of land for rapid settlement	Policies under development; some site and service	New housing delivery and locally devised solutions
In-situ development	Community involvement; financial package (US\$293)	Generally with community involvement; Constitutional Court rulings	Moves towards choices and options	Local solutions; in-situ upgrading; anti-eviction
Centrally driven, strong multisector support	National, with local government and specialised agencies	Increasing role by/for local governments	Mainly national, some active local governments	National and local levels; central role for CBOs
Micro-credit and loans	Micro-credit through <i>Twize</i> Programme	Very limited	Very limited	Collective loans in model
Variable; indirect subsidies	US\$330 ^{xiv}	US\$2,800 (maximum); indexed	Cross-subsidies in projects	US\$1,900 maximum; cheaper loans ^{xv}
User-friendly environmental checklist	<i>Twize</i> programme: micro-credit, social housing, and slum upgrading	<i>Mayibuye</i> Programme, ^{xvi} Grootboom court ruling ^{xvii}	Donor/ government coordination through Urban Forum	Many land-use mechanisms; community savings-driven development ^{xviii}
Weak community participation	Inappropriate standards; technical capacity for scale	Consolidation; inflexible subsidy, lack of credit	Current lack of policy and budget	Stable funding; local government support; technical capacity

The Challenge of Scale – Nationwide Upgrading Footnotes

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- i Population figures (2000) are from *Human Development Report 2002*. New York and Oxford: Oxford University Press. UNDP. 2002.
 - ii Gross national income per capita (2001). *World Development Report 2003*. New York: Oxford University Press. World Bank. 2003.
 - iii The full backlog would also include a further 15 million substandard houses in need of rehabilitation.
 - iv Many city governments have set their own targets.
 - v In order to overcome the housing deficit in 10 years, the Brazilian government estimates it would need to allocate some US\$45 billion per annum.
 - vi This amount is 60 percent of estimated total cost of US\$3.3 billion.
 - vii The Ministry of Cities is designing a National Programme of Upgrading and Integration for the Regularisation of Precarious Settlements.
 - viii *Programme National de Resorption de l'Habitat Insalubre*, created in 2001 as part of a policy favouring the preventative aspect of slum development.
 - ix The Fund for Solidarity Shelter Projects (*fondo concursable para proyectos habitacionales solidarios*) was introduced in 2001 to help provide housing solutions for families below the poverty line.
 - x Major upgrading programmes such as *Guarapiranga* and *Favela Bairro* have set their own subsidy levels at a maximum per family cost of US\$3,500.
 - xi Of a US\$7,000 package for land, infrastructure, and house, the beneficiary would contribute US\$250, the balance is subsidised.
 - xii Various new instruments are being progressively implemented, including *Usucapião Especial Urbano* (land concession) and *Direito de Superfície* (Right to the Surface).
 - xiii Including tenure protection legislation (Prevention of Illegal Eviction from and Unlawful Occupation of Land Act), planning legislation (Development Facilitation Act), and lending disclosure legislation modelled on the Community Reinvestment Act.
 - xiv Of an estimated total cost of US\$660, US\$330 is provided by public subsidy, US\$220 is paid by the beneficiary, and the balance raised as a loan.
 - xv Thailand operates a sliding scale: US\$600/unit for in-situ upgrading; US\$1,200 for reblocking or landsharing, and US\$1,900 for relocation. In addition, there is a three percent subsidy on housing and land purchase loans.
 - xvi Proactive policy for land release and informal settlement development by the Gauteng Provincial Government.
 - xvii In a landmark judgement (Government of South Africa versus Grootboom, 2000), the Constitutional Court ruled on the state's obligations (in terms of policies, programmes, and budgetary support) with regard to the right of access to housing.
 - xviii An increasing feature of the Thai programme involves allowing communities to exercise control over the subsidy and to decide how to use it to redevelop their communities.

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Resource Mobilisation

In those countries where slum populations constitute a sizeable portion of the population – and in many countries in Africa and Asia they now constitute the majority of many cities – the government is unlikely to have either the financial resources or the capacity to attempt nationwide slum upgrading without leveraging very significant non-public sector resources.

Particularly in these circumstances, the key to success for city- and nationwide slum upgrading is often the extent to which government budgets leverage non-state resources and investments. Mobilising and supporting the energy and resources of the slum dwellers themselves, and women in particular, dramatically improves the sustainability of upgrading, which is a long-term, incremental process of consolidation and improvement.

To facilitate this, governments need to provide a long-term political vision for slum upgrading, with its political commitment underwritten by predictable and sustainable budgetary allocations, necessary policy reforms, and appropriate institutional arrangements. These conditions are most likely to engage the resources of the slum dwellers themselves, as well as the private sector.

While there are widely differing approaches to providing financial assistance to support slum upgrading, all the countries surveyed make some form of financial contribution. Governments often regard the provision of upgrading infrastructure as a public good and thus recover the capital cost from the general tax base rather than seeking to charge the full cost to the recipient community. Ideally, this is undertaken through transparent and explicit subsidy allocations within the national or city budgets. Generally, the financing for slum upgrading comes from a combination of the following sources:

- i. The national fiscus, increasingly reflected as an item in the national budget;
- ii. Local government contributions;
- iii. Beneficiary contributions, both in cash and in-kind; and
- iv. Private sector investments, including credit provided by the private sector.

Meaningful community participation is increasingly universally recognised as indispensable to development, and this is especially evident in

successful upgrading programmes where slum dwellers are partners contributing significant resources. To a large extent, the decentralisation of political power and responsibility has greatly facilitated improved engagement between local communities and public authorities. There has also been a dramatic change in the approach of many community organisations and non-governmental organisations over the past two decades, shifting from a confrontational approach to the establishment of partnerships with both the local government and the private sector.

However, low-income communities are still regarded as inherently risky, with high transaction costs, small margins, and low turnover. Private sector involvement in slum upgrading programmes is constrained by this risk assessment, yet, without the active engagement of both slum dwellers and the private sector, there is little chance of a slum upgrading programme achieving scale or sustainability. Among the most significant challenges for city and national governments is to create those conditions in which the private sector assumes parts or all of the development risk and does not act merely as a contractor for government-financed projects.

Improving the financial management capacity of local governments is a crucial requirement in fostering risk-sharing and investment. Long-term and predictable on-budget commitment to a national programme combined with appropriate policy measures can be instrumental in attracting non-public sector resources.

The specific requirements of the urban poor themselves for access to credit to improve their living conditions is also a part of the market that is often not well understood. Many potential partners have yet to understand that a mortgage market is not a solution for the urban poor. The availability and viability of alternative sources of credit has been well captured in the Cities Alliance's *Shelter Finance for the Poor Series*, which examines existing private shelter finance mechanisms that are targeting new financial products for housing tailored to the way the urban poor build: one wall at a time.⁹

In Tunisia, the government has continued to design, implement, and finance slum upgrading through its own resources, which has led to a substantial increase in the level of domestic investments in slum upgrading

⁹ These studies were published in a series of CIVIS notes in 2002-2003; see www.citiesalliance.org.

An evaluation of the national parastatal, ANHI, in Morocco showed that for every dollar spent in the period 1984 to 1992, nearly six dollars were invested by the private sector. The government has continued to make significant budgetary allocations for slum upgrading. The total cost of the current upgrading programme has been estimated at US\$3.3 billion, of which 60 percent would be provided as government subsidies, 25 percent as beneficiary contributions, and 15 percent through commercial bank loans. Of the government contribution, 15-20 percent is expected to be provided by local government.

The national upgrading programme in Thailand has been greatly influenced by the demonstrated success of poor communities and community networks in mobilising people and resources through savings and credit schemes managed by slum communities themselves. These initiatives have also demonstrated the critical leadership role of women in the development of upgrading programmes.

At this level of the housing market, it is often the small scale informal private sector that is most likely to respond to opportunity. In Brazil, for example, 4.4 million housing units were produced between 1995 and 1999. Of these, the formal market produced only 700,000, or 16 percent.¹⁰

Some governments have had less success in leveraging private sector financing. The South African government's recent decision to increase the capital subsidy to a maximum of some US\$2,800 and undertaking to index it to inflation is largely a reflection of the programme's inability to attract significant non-public sector resources. Attempting to move away from subsidy-only supply, the government has also introduced a requirement for beneficiary equity and has tabled legislation modelled on the U.S. Community Reinvestment Act in an attempt to induce the banks into this market.

Chile's original national programme was designed to combine government subsidy, beneficiary savings, and both commercial and government credit. It was largely successful, mobilising nearly US\$500 million in the savings accounts of over a million households by 1995, and reducing the housing deficit from 800,000 to 600,000 between 1991 and 1995.¹¹ The new programme is designed to reach the very poorest who have not yet received assistance, and Chile has now increased the subsidy contribution,

with an average of around US\$4,600 but rising to US\$6,750, which has to be met by a US\$250 beneficiary contribution, with limited contribution or investment anticipated from the private sector.

Summary

These case studies demonstrate a number of key points, the first of which is that upgrading works and not just for the beneficiary community. Social and economic benefits accrue to the wider society and to the public and private sectors – upgrading constitutes a public good.

However, the greatest impact is clearly on the lives of slum dwellers in general, and women and children in particular. In Tunisia, a formal review of the upgrading programme revealed how access to urban services has significantly relieved women of some painful housekeeping tasks. This, combined with the opening up and better communication of their previously excluded neighbourhood with the rest of the city allowed women to better intervene in the schooling and education of their children, the accompaniment of their small children, and the follow up of vaccines and treatments for the whole family.¹²

The political will to undertake and sustain nationwide upgrading has been demonstrated in these case studies. There is evidence that this political will is growing and that more countries will soon rise to this challenge of inclusion by developing nationwide slum upgrading strategies. For instance, the newly elected President Kibaki of Kenya, a country struggling with the consequences of over two decades of bad governance, corruption, and economic decline, recently posed the question: "How did we sink so low, to a point where 5 million people in urban areas live in slums and informal settlements?"¹³. Hopefully, his question will mark a new beginning for Kenya's slum dwellers.

While there is no single model or approach that applies to all situations, it is possible to discern both some trends and some strategic elements that are key to nationwide slum upgrading. It is clear that, at least in some countries, the worst policy approaches are on their way out. These include mass forced evictions, direct housing delivery by central governments, the building of high-rise apartments for the urban poor, and the constant relocation of the urban poor to the peri-urban periphery.

¹⁰ Instituto Cidadania. *Projeto Moradia* (2nd edition). São Paulo, Brazil. 2002.

¹¹ A. Gilbert. "What might South Africa have learned about housing subsidies from Chile?" *South African Geographical Journal*. 82 (1). 2000.

¹² F. Kraiem. "Evaluating Slum Upgrading Programs in Morocco and Tunisia". Report prepared for the Cities Alliance and the World Bank. June 2003.

¹³ Opening address to an Urban Housing Workshop, Nairobi, 9 June 2003.

Other major problems persist: most state assistance consistently fails to reach the very poorest, and governments need to redouble their efforts to prevent what is known as ‘middle-class’ capture. At best rigid and at worst dysfunctional, land markets remain a major obstacle, often because of an unwillingness to tackle vested interests, introduce full transparency, and simplify regulations for the transfer and development of urban land. For their part, many international aid agencies continue to provide support to cities on a sectoral, project-based approach.

Yet the demographic evidence forcefully underlines the importance of urgent action, and the consequences of inaction, by national and local governments. In Latin America most of the population is urban, yet populations in cities and slums are still increasing at alarming rates due to internal growth. In Africa and Asia, however, existing slums will continue to grow and new ones will be continually created for at least the next two to three decades unless governments combine the vision and resources to anticipate and provide for this certain urban growth.

On the positive side of the equation, it is possible to observe how much the international focus on good governance is increasingly impacting at city and national levels. The emphasis on transparent and accountable behaviour by all levels of government, the subsidiarity principle of devolving powers and responsibilities to their lowest effective level, and the importance of treating the urban poor as citizens all contribute to creating a climate in which slum upgrading and poverty reduction programmes are enhanced.

Overall, the message contained in this report is one of hope. A number of governments, including those covered in this review, are increasingly reaching out and responding to communities of slum dwellers in an attempt to promote real improvements in their living conditions. City and national governments alike are moving beyond short-term projects to long-term approaches designed to tackle the systemic causes that have led to social exclusion and economic decline. This is a good beginning and needs to be reinforced by a much more discerning and coherent response from their international development partners.

Essential Ingredients of Nationwide Slum Upgrading

1. Demonstrate political will

Both national and local governments must provide the vision, commitment, and leadership required to sustain nationwide upgrading.

2. Set national and city targets

Set clear targets and ensure public sector accountability by engaging stakeholders in planning and monitoring results.

3. Put it in the budget

Support slum upgrading as part of core business, nationally and locally.

4. Implement policy reforms

Ensure necessary reforms dealing with land, finance, and institutional frameworks.

5. Ensure open and transparent land markets

Reform closed and opaque land markets which encourage corruption, patronage, and exploitation of the urban poor, as well as constrain capital markets.

6. Mobilise non-public sector resources

Engage slum dwellers themselves, who have both the ability and the interest in promoting upgrading, and the private sector, which should be engaged as a risk-sharing partner rather than a mere contractor to the public sector.

7. Prevent the growth of new slums

Facilitate access to land and services by planning realistically for future growth.

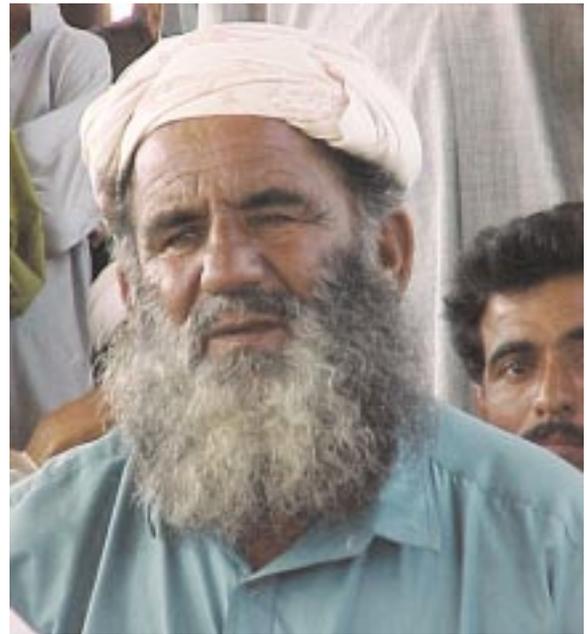
Learning and Knowledge Sharing

From the outset, a principle factor motivating Cities Alliance members to join forces has been their recognition that they have much to learn from each other and that drawing on the collective experience of cities and their development partners will help fill critical knowledge gaps. Supporting this learning process involves analysing and sharing lessons from experience and fostering the use of more effective tools, policy options, and standards of practice.

Learning and knowledge sharing take place as an integral part of the activities the Alliance supports worldwide. Lessons learned are analysed in the evaluation of these activities, as well as by proactively targeting key knowledge gaps. These learning and knowledge-sharing activities are carried out in partnership with national associations of local authorities, urban institutes, and universities in countries where Alliance partners support CDS and citywide upgrading. The Alliance is also increasingly engaging the dissemination capacity of its members and its NGO, CBO, and private sector partners to expand the reach of these activities to urban development practitioners worldwide.

Drawing on the related recommendations of the independent evaluation of the Alliance, the Policy Advisory Board (PAB), and the Consultative Group, the Alliance's 'learning alliance' functions were more clearly structured during the course of this year to strengthen their impact. At its October meeting in Brussels, the Consultative Group endorsed the key elements of the Alliance's Communications and Dissemination Strategy (see next page). In addition, a framework for the evaluation of completed Alliance activities was developed this year to ensure that the lessons learned are systematically extracted from all Alliance activities.

The Alliance's learning agenda is now also sequenced to achieve greater efficiency and synergy with its annual meetings. As is described below, one of our most important learning products this year is the series of case studies – commissioned under the Alliance's Shelter Finance for the Poor Initiative – which has now been published as a new CIVIS series devoted to shelter finance for the poor. The lessons learned from the financial institutions that partnered with Alliance members in this initiative are the areas of focus of the Alliance's Public Policy Forum (PPF) in São Paulo in October 2003, along with issues related to how cities in developing country can more effectively mobilise domestic capital. Sustainable financing strategies for cities, including how cities mobilise domestic capital will, in turn, be the focus of the Alliance's next strategic learning initiative, which will be launched drawing on the results of the PPF.



Peshawar CDS consultation, Pakistan

Communications and Dissemination Strategy

The Cities Alliance seeks to advance the collective know-how of city authorities and their development partners on how to reduce urban poverty and improve the quality and impact of urban development cooperation. Its communications strategy supports a learning process among all its partners and includes sharing lessons and fostering the use of more effective tools, policy options, and standards of practice. The effectiveness of its dissemination strategy depends not only on the quality and appropriateness of the outputs but also on having these outputs reach those who can make use of them in a form that encourages their use.

Learning, dissemination, and communication:

Key principles

- Maintain sharp focus on agreed-upon knowledge gaps;
- Engage learning, dissemination, and communications capacities of Alliance members (associations of local authorities, bilaterals, and multilaterals); and
- Make Alliance information easily accessible, in multiple languages.

The Learning Alliance

- **The Secretariat is to focus on content**, ensuring that core knowledge is extracted from the Alliance's work programme by analysing and distilling lessons and best practices, helping to address key knowledge gaps, identifying effective tools, and managing archive databases;
- **Monitoring and evaluation of results and lessons learned**: Engage the existing monitoring and evaluation capacities of Alliance members to analyse outcomes and garner lessons, best practices, and tools from CDS and upgrading activities;
- **Funding to fill knowledge gaps**: Alliance members can initiate and/or sponsor 'learning' proposals that address knowledge gaps. PAB and the Consultative Group help define critical gaps that need to be filled to support the Alliance's goals, e.g., learning from cities that have sustained impacts on poverty reduction, strategies to prevent the growth of new slums, etc.

Knowledge sharing: Dissemination strategy

- **Associations of local authorities serve as key 'wholesalers'** for their members, with support of bilateral and multilateral Alliance members; reaching out through their existing networks;
- **Alliance members disseminate** Alliance knowledge outputs within the frameworks of their own existing publications (newsletters, etc.);
- **Additional dissemination partners**, with well-developed capacities to reach urban development practitioners worldwide, engage in the preparation, packaging, and dissemination of knowledge products.

Communications strategy

- **Public Relations**: Manage the profile of the Alliance as a global partnership and establish and maintain relations with the Alliance's key constituents and clients, including cities, local authority associations, representatives of the urban poor, the private sector, national authorities, and the international development community;
- **Advocacy to catalyse action**: Launch a concerted and coordinated effort to mount campaigns for action at global, regional, and/or country level, including the Cities Without Slums Millennium Development Goal;
- **Systematic engagement with the media**: Alliance members are to actively reach out to the media with Alliance materials, establishing contacts with local newspapers, radio, and television to cultivate dissemination outlets by developing briefing documents for journalists and providing field-trips for journalists to visit particular projects or programmes.

Learning Alliance in Action in 2003

Shelter Finance for the Urban Poor: Private Sector Innovations

Lack of access to formal sources of credit by hundreds of millions of slum dwellers is one of the most significant obstacles to the reduction of urban poverty, hampering not only the improvement of shelter conditions, but also local economic development.

The Cities Alliance Shelter Finance for the Poor Initiative was designed to respond to both client demand and to the growing capacity of private sector financial institutions. Many of these have experience in serving the urban poor and are now looking to expand their services to include housing loans to poor clients on commercially viable terms and tailored to incremental building processes. Funded jointly with CGAP, the IFC, and USAID, the Alliance launched this initiative in partnership with private financial institutions. The objective was to examine shelter financing through the prism of scale, sustainability, and outreach to the poor to better understand emerging practise and how formal private sector financial institutions, governments, and donors might best support it.

This framework was applied to five case studies: Mibanco in Peru; SEWA Bank in India; FUNHAVI, an NGO in Mexico; a government-supported second-tier finance facility in Ecuador; and a study of the enabling environment for shelter finance in Kenya. A synthesis paper has been produced, identifying policy recommendations on taking shelter finance for the poor to scale.

The findings are being disseminated widely to inform and promote this emerging practise, inspire replication and adaptation, and to help mobilise the medium-term capital required to increase the availability and affordability of shelter finance for the world's poorest households. There is considerable demand for these learning products, and in addition to being made available on the websites of the Alliance and CGAP's Microfinance Gateway, importantly they have also been incorporated into practitioner course materials, including in the Wharton School's Housing Finance programme, the University of Colorado-Boulder's annual microfinance course, and the World Bank Institute's global learning events.

Scaling up Shelter Finance for the Poor: What Role for Governments and Investment Partners?

Recommendations to governments:

- Establish a conducive macroeconomic financial and regulatory framework for housing finance;
- Recognise that poor people build their houses incrementally, and set policies and regulations in accordance;
- Recognise that the poor value access to credit more than its cost;
- Ensure secure tenure; and
- Provide basic infrastructure and social services in poor neighborhoods.

Recommendations to investment partners:

- Work with governments that seek to promote enabling macroeconomic and financial policies and regulatory frameworks that encourage housing finance institutions to serve low-income clients;
- Partner with financial institutions with proven track records, emphasising financial sustainability and portfolio quality as key criteria for selection;
- Provide medium-term capital to financial institutions;
- Provide funds for building institutional capacity, not just for on-lending;
- Avoid conditions on funds that can (inadvertently) reduce the ability to experiment with housing finance; and
- Support applied research and its dissemination.

Source: Cities Alliance Shelter Finance for the Poor Series Synthesis, CIVIS Issue 4v, April 2003.

New Learning Alliance Partnerships

In accordance with its communications and dissemination strategy, this year the Alliance strengthened its partnerships with the IIED and ISTED, which each have well-developed substantive capacities and mailing lists to reach urban development practitioners worldwide.

IIED, a non-profit policy research institute, publishes an internationally respected journal on urban development, *Environment and Urbanization*, and produces working papers and policy briefs on urban poverty reduction. IIED and the Alliance are

already working together on several joint initiatives related to the Cities Without Slums action plan and MDG Target 11, as well as exploring together how best to share Alliance learning products with the close to 9,000 urban specialists, practitioners, and institutions on IIED's mailing list.

ISTED, a non-profit organisation which also has an extensive network of urban practitioners, supports research, workshops, and seminars and publishes one of the most widely disseminated newsletters, *Villes en Développement*, in French and English. ISTD has already included Alliance material in *Villes en Développement*, and this collaboration is set to expand this coming year to promote the Cities Alliance partnership, share knowledge and experiences from Alliance activities, and improve the availability and dissemination of information and publications connected to the Alliance and its activities. ISTD and the Alliance are also collaborating in preparation for the Cities Alliance session at Africités 2003 (Yaoundé, Cameroon, 2-6 December 2003).

IIED, ISTD, AUDI, the University of São Paulo, and other Alliance partners have been working to make Alliance information more accessible and in multiple languages. A user-friendly guide to the Cities Alliance and its funding application procedures has also been developed by the Secretariat and will support the Alliance's outreach initiatives.



Learning exchange in Pune, India

Strengthening CDS Knowledge Base

The Alliance's partnership with AUDI is also expanding. AUDI is becoming a significant partner in Alliance activities in the Middle East and North Africa region, working closely with the World Bank and other partners to facilitate the design and implementation of CDS in the region.

CDS were the focus of an Alliance workshop on poverty reduction hosted by the ADB in Manila, Philippines, in May 2003. The Philippines has had a very active CDS programme and the event, which was attended by a number of mayors and urban development practitioners, provided an opportunity for substantive discussion of CDS experiences and lessons learned.

March 2003 saw the addition of a new network to the Asian City Network (www.infocity.org): CDS Indonesia (www.cdsindonesia.org). Linking Indonesian cities with civil society, the private sector, donors, and other Asian cities, the Indonesian City Network portal, developed with support from the Cities Alliance and the World Bank, was designed not only to serve as a knowledge-sharing platform and to link cities with interested donors and private investors, but to encourage citizen participation in city development and increase transparency, as performance indicators are posted on the website.

The CDS section of the Cities Alliance's website was revamped in FY03 to offer a more comprehensive database of CDS experiences around the world, including Alliance-supported CDS, as well as tools, guidelines, and resources.

Organisation

In accordance with its charter, the governance and organisational structure of the Cities Alliance includes a Consultative Group, a Policy Advisory Board, and a Secretariat.

The Consultative Group

The Consultative Group – the Alliance’s board of directors – is responsible for setting the Alliance’s long-term strategy, approving its annual work programme and budget, and reviewing achievements. The Consultative Group is composed of financial contributors to the Cities Alliance Trust Fund and the political heads of the major global organisations of local authorities who have pledged their commitment to achieving Alliance goals. The Consultative Group is co-chaired by the World Bank’s Vice President for Infrastructure and UN-HABITAT’s Executive Director. Prospective financial contributors may serve as Associate Members for a period agreed to by the Consultative Group.

Membership in the Cities Alliance has continued to grow with UNEP formally joining in 2003.

Consultative Group meetings are held annually in connection with a global Public Policy Forum designed to share the lessons learned from experience and agree on policy orientations and standards of practice in areas related to the Alliance’s goals. The Consultative Group has also formed a five-member Steering Committee, made up of a subset of its members, to provide guidance to the Secretariat.

Consultative Group Meetings

- **Berlin**, December 1999: inaugural meeting, launch of Cities Without Slums action plan, and approval of Charter and 2000 work programme.
- **Montreal**, June 2000: first Public Policy Forum on the dimensions of pro-poor urban policies, Consultative Group review of application guidelines, and approval of Cities Alliance Vision statement.
- **Rome**, December 2000: second Public Policy Forum on ‘Local Partnerships: Moving to Scale’, Consultative Group approval of Charter amendments, 2001 work programme, and procedures to establish Policy Advisory Board and Steering Committee.
- **Kolkata**, December 2001: third Public Policy Forum on ‘Sustainable Partnerships for City Development’, Consultative Group review of procedures for the independent evaluation of the Cities Alliance, and approval of 2002 work programme.
- **Brussels**, October 2002: panel discussion at the European Commission on ‘Achieving the Millennium Development Goal of Cities Without Slums’, Consultative Group review of the independent evaluation of the Cities Alliance, and approval of 2003 work programme.

Consultative Group Members - June 2003*

Local Authorities

- International Union of Local Authorities (IULA)
- Metropolis
- World Federation of United Cities (FMCU-UTO)
- World Associations of Cities and Local Authorities Coordination (WACLAC)

Unification of FMCU-UTO and IULA

FMCU-UTO and IULA are to unite in 2004 to form 'United Cities and Local Governments'. The new global organisation will be headquartered in Barcelona. Its founding Congress is scheduled to take place in Paris in May 2004.

Governments

- Canada ■ France ■ Germany ■ Italy ■ Japan ■ The Netherlands ■ Norway ■ Sweden
- United Kingdom ■ United States

Multilateral Organisations

- Asian Development Bank ■ United Nations Environment Programme ■ UN-HABITAT
- World Bank

The Policy Advisory Board

The Alliance's Policy Advisory Board is composed of eminent urban experts from each region. They provide guidance to the Consultative Group on key strategic, policy, and regional issues and support the implementation of Alliance activities. The composition, terms of office, and operating procedures for the Policy Advisory Board were established by the Consultative Group at its meeting in December 2000. The board meets twice a year and is composed of eight members who serve two-year terms on a rotational basis. Six members were nominated initially (two from Africa, two from Asia, one from Latin American and the Caribbean, and one from the North). The board's two newest members, Yousef Hiasat from the Arab States and Ana Vasilache from Eastern Europe, were confirmed this year by the Consultative Group.

The Policy Advisory Board held its first meeting June 11-12, 2001, at the United Nations headquarters in New York, on the occasion of the General Assembly's special session on Istanbul+5. In October 2002, board members participated in a panel discussion on achieving the Millennium Development Goal of Cities Without Slums, hosted by the European Commission in Brussels on the occasion of World Habitat Day. Moderated by a BBC journalist, board member panelists provided different regional and substantive perspectives on improving the living conditions of slum dwellers, yet conveyed uniform messages: cities and urbanisation are here to stay; the urban poor should be engaged as partners not problems; and they should be viewed as citizens not simply project beneficiaries. Scaling up to meet the Cities Without Slums goal, members concluded, demands that attention equally be paid to preventing the growth of new slums.

In April 2003, board members met in Washington, D.C., to continue discussions on meeting the Cities Without Slums MDG Target and review the thematic content of the Public Policy Forum to be held in São Paulo, Brazil, in FY04.

Policy Advisory Board Members – June 2003

The board brings together civic leaders and policy advisors with a formidable range of public and private sector expertise that spans the leadership of CBOs, NGOs and their networks, local authority organisations, community banks, community savings and credit schemes, commercial banks, and public sector financial institutions. What they have in common is practical knowledge and political experience in working with poor cities and the cities' poor worldwide.

Somsook Boonyabancha, Director of the Community Organizations Development Institute of the National Housing Authority of Thailand; Advisor to the Crown Property Bureau on slum improvement and land-sharing; and Secretary General of the Asian Coalition for Housing Rights, a regional coalition of NGOs, community organisations, and professionals based in Bangkok.

* Associate members that have attended meetings of the Consultative Group include: the African Development Bank, Austria, Denmark, the European Commission, Finland, Spain, the UNDP, UNICEF, and the ILO.

Yousef Hiasat, Director General of Beit Al-Mal Saving and Investment for Housing Corporation in Amman, Jordan; former Director General of Jordan's Housing and Urban Development Corporation; and former Principal Advisor to the Minister of Planning on housing and urban development issues.

Mary Houghton, President and Director of Shorebank Corporation in Chicago, USA, a US\$1.35 billion asset commercial bank holding company organised to implement community development strategies in targeted urban neighbourhoods and rural areas, and advisor to private banks and micro-credit lending institutions in developing and transition countries.

Akin L. Mabogunje, Chairman of the Presidential Committee on Urban Development and Housing, Nigeria; Chairman of the Board of Trustees, Ijebu-Ode Development Board for Poverty Reduction; and an internationally renowned African development scholar who has published and lectured widely on urban management, rural development, and spatial perspectives in the development process.

Jean Pierre Elong Mbassi, Coordinator of the Municipal Development Programme, West and Central Africa, based in Cotonou, Benin; Special Advisor to the Union of African Cities; and an experienced practitioner in urban management and slum upgrading

Sheela Patel, founding Director of the Society for the Promotion of Area Resource Centres in Mumbai, India, working in alliance with the National Slum Dwellers Federation and Mahila Milan in the federation of CBOs of the urban poor and the promotion of women's savings and credit schemes as a means to community mobilisation.

Ana Vasilache, founding Director of Partners Romania Foundation for Local Development (FPDL), a Bucharest-based NGO, supporting democratic processes of governance, decentralisation, and strengthening managerial capacities of local governments; former Head of the Settlements Management Office in the Ministry of Public Works and Regional Planning in Bucharest; and has extensive experience with planning legislation.

Richard Webb, former President of the Central Bank of Peru; former President of Banco Latino in Lima; former Director of the Instituto Cuanto; and a widely published scholar on public policy, income distribution, poverty, and economic reform.

The Secretariat

The Alliance Secretariat is a small team, housed at the World Bank headquarters, that carries out the Alliance's mandate and manages its operations.

Secretariat Staff

Manager, **Mark Hildebrand**

Senior Urban Upgrading Advisor, **William Cobbett**

Senior CDS Advisor, **Peter Palesch**

Senior Urban Finance Advisor, **Mohini Malhotra***

Programme Analyst, **Andrea Merrick**

Operations Officer, **Kevin Milroy**

Resource Management Assistant, **Françoise Aubry-Kendall**

Financial Management Consultant, **V. Rama Krishnan**

Regional Advisors

Latin America and Caribbean, **Ivo Imparato**

South Asia, **Alison Barrett**

**through January 2003*

Financials

Members continue strong support in FY03

Cities Alliance members announced new financial commitments of more than US\$16.5 million during FY03, including US\$5 million in new Core funding, US\$5 million earmarked for special Cities Alliance financing facilities, and more than US\$5 million for a statewide slum upgrading programme in Brazil. More than US\$57 million in financial commitments have been made to the Alliance during its first four years.

Nearly US\$17 million in contributions were paid in during the year, and more than US\$7.7 million in new funding allocations were approved. Of this, US\$4.1 million was approved from Core funds, an amount similar to FY02, for programmes in 16 countries in all developing regions. In accordance with the Consultative Group's decision, the Alliance began funding the Secretariat from Core funds in FY03. The Secretariat budget is supplemented through seconded staff and other Non-Core contributions.

Alliance members launched two special facilities during the year to help meet water and sanitation MDG Targets in slums and to provide special assistance to cities in Africa. The governments of Norway and the United States provided seed funding totaling US\$775,000 to establish the Cities Without Slums Facility for Sub-Saharan Africa. The initial funding is being used to help cities design CDS and slum upgrading programmes and to prepare funding applications for the Cities Alliance. The Facility is already helping to strengthen the

engagement of cities in Africa in designing citywide strategies to meet the Cities Without Slums MDG Target 11. In addition, SIDA contributed US\$215,000 to support a full-time advisor from the Southern Africa region to work with cities and Alliance members in support of these efforts. Norway also provided US\$250,000 co-financing for the South African Cities Network.

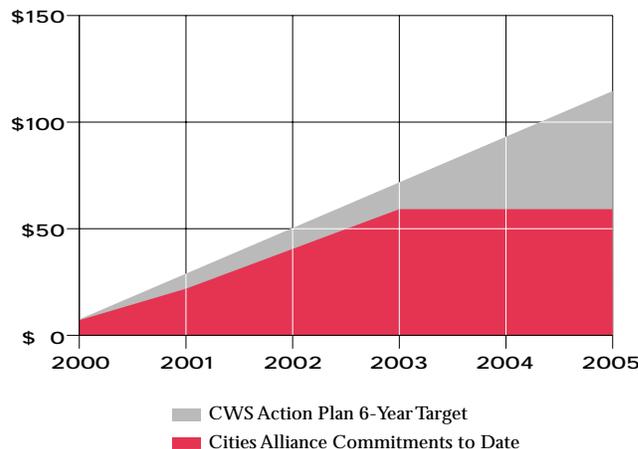
The United States committed US\$2 million during FY03 to launch the Community Water and Sanitation Facility. This Facility targets achieving MDG Targets 10 and 11 together by supporting community-initiated construction of improved water and sanitation services within the framework of citywide slum upgrading strategies.

SIDA also made a 20 million Kroner (US\$2.3 million) commitment to CLIFF, earmarked to support community-led development projects in India. UK's DFID established CLIFF in FY02 with a £6.84 commitment (US\$10 million). Homeless International, a UK-based NGO, implements the Facility and is also contributing US\$2 million in credit guarantees.

Italy announced a major new Non-Core commitment of € 5 million to support a statewide upgrading programme in Bahia, Brazil. This new grant will help the State scale up its successful experiences in Salvador, Bahia, also supported by Italian cooperation.

Japan continued its strong support for CDS activities in Asia, committing an additional US\$750,000 in Non-Core funds.

The sources and uses of Alliance funding are summarised on the next two pages, followed by a listing of activities approved to date in each region.



2000-2005 Targets: US\$115 million in grant assistance

Cities Alliance Commitments to Date: US\$57.5 million

SOURCES OF FUNDS FY00-FY03 (Unaudited)

(U.S. dollars as of 30 June 2003)*

Summary	Pledges	Paid-In
Core Funding	21,000,000	15,603,269
Non-Core Funding	31,060,000	13,736,879
Non-Core Secretariat Funding	5,420,000	4,650,000
Total Funding	57,480,000	33,990,148

Core Funding	Pledges	Duration	Paid In**
Asian Dev. Bank	250,000	2002	250,000
Canada	750,000	2000-2001, 2003	774,822
France	500,000	2000, 2002	483,496
Germany	1,000,000	2000-2003	1,141,964
Italy	1,370,000	2000-2003	1,165,526
Japan	1,250,000	2000-2003	1,000,000
The Netherlands	2,500,000	2000-2003	2,500,000
Norway	1,230,000	2000-2003	1,242,038
Sweden	750,000	2000-2002	717,794
UNEP	250,000	2003	0
United Kingdom	6,000,000	2000-2005	3,177,629
United States	1,000,000	2000-2003	700,000
World Bank	4,150,000	2002-2004	2,450,000
Total Core	21,000,000		15,603,269

Non Core Funding***			
Italy	10,975,000	2001-2006	3,528,445
Japan	2,750,000	2000-2003	2,000,000
Netherlands	50,000	2003	50,000
Norway	925,000	2003	924,592
Sweden	2,515,000	2003-2005	1,282,281
United Kingdom	11,045,000	2001-2007	5,251,561
United States	2,100,000	2003-2004	0
World Bank	700,000	2001	700,000
Total Non-Core	31,060,000		13,736,879

Non-Core Secretariat Funding****			
World Bank	2,950,000	2000-2002	2,950,000
UN-HABITAT	1,450,000	2000-2005	1,070,000
Other	1,020,000	2001-2005	630,000
Total	5,420,000		4,650,000

* Fiscal year covers the period July 1 to June 30.

** Amounts may vary from amount pledged due to exchange rate fluctuation.

*** Non-Core funding is earmarked for specific region or type of activity. Italy funding is earmarked for Salvador, Bahia, Brazil slum upgrading programme, as well as a new commitment for a statewide programme, and for other Latin America and Caribbean activities; Japan for Asian CDS networking activities; Netherlands for pro-poor LED in Africa; Norway for the Cities Without Slums Facility for Africa and co-financing for the South African Cities Network; Sweden for CLIFF and for an Africa regional advisor; DFID for CLIFF, for a South Asia regional advisor, co-financing for China city-region CDS, and for the Kolkata PPF; the United States for the Community Water and Sanitation Facility and for the Cities Without Slums Facility for Africa; and World Bank to support United Nations partnerships. In addition, the Asian Development Bank is financing parallel activities.

**** Secretariat funding includes in-kind funding for staff secondments from UN-HABITAT, Germany and U.K.

USES OF FUNDS FY00-FY03 (Unaudited)

(U.S. dollars as of 30 June 2003)

Summary	FY03		Cumulative	
	Allocations	Disbursements	Allocations	Disbursements
Core Activities	4,110,328	3,787,618	16,619,478	8,815,823
Non-Core Activities	4,052,620	5,886,994	25,384,620	12,106,931
Total Uses of Funds	8,162,948	9,674,612	42,004,098	20,922,754

Approvals by Type of Activity	FY03		Cumulative	
	Core Funds	Non-Core Funds	Core Funds	Non-Core Funds
City Development Strategies	953,427	191,620	4,875,012	1,791,620
Scaling up Upgrading	860,306	2,336,000	5,849,371	17,336,000
Both CDS & Upgrading	1,196,595	1,065,000	4,795,095	1,607,000
Secretariat	1,100,000	460,000	1,100,000	4,670,000
Total Approved Grants	4,110,328	4,052,620	16,619,478	25,404,620

Approvals by Region	FY03		Cumulative	
	Core Funds	Non-Core Funds	Core Funds	Non-Core Funds
Sub-Saharan Africa	500,000	692,620	3,286,640	692,620
Asia	535,640	600,000	4,698,705	1,750,000
E. Europe & C. Asia	458,427	0	858,227	0
Latin America & Caribbean	748,400	0	3,364,045	5,475,000
M. East & N. Africa	320,000	0	895,000	0
Global/ Multi-Regional	447,861	2,300,000	2,416,861	12,817,000
Secretariat	1,100,000	460,000	1,100,000	4,670,000
Total Approved Grants	4,110,328	4,052,620	16,619,478	25,404,620

Secretariat Expenditures	FY03	FY02	FY01	Cumulative
Operational:				
Secretariat Staff	451,443	625,295	527,215	1,799,953
Consultants, Other Labour	26,847	70,819	104,000	420,666
Travel	207,533	208,708	117,000	654,241
Other Costs	77,840	71,926	72,000	611,766
Sub-Total	763,663	976,748	820,215	3,486,626
Management & Administration:				
Secretariat Staff	601,218	533,784	428,785	1,860,787
Rent, Computing, Other Costs*	160,311	146,030	7,000	333,341
Sub-Total	761,529	679,814	435,785	2,194,128
Total Secretariat Expenses	1,525,193	1,656,562	1,256,000	5,680,755

* FY01 rent and computing costs were incorporated as part of staff payroll costs.

APPROVED PARTNERSHIP ALLOCATIONS**(As of 30 June 2003)**

	Allocation Amount (US\$)	Start Date	Country	Activity Title
SUB-SAHARAN AFRICA REGION				
	380,640	Mar-03	Burkina Faso	CDS and Local PRSPs for the Local Governments of Bobo-Dioulasso, Banfora and Ouahigouya
	249,000	Jun-02	Ethiopia	Addis Ababa CDS
FY03	75,000	Jul-03	Ghana	Preparing for a City Development Strategy in the Kumasi Region of Ghana
	0	cancelled	Kenya	Nairobi CDS and Upgrading of Informal Settlements
	240,000	Jul-02	Kenya	Collaborative Nairobi Initiative on Slum Upgrading Policy Frameworks
	152,000	Sep-00	Madagascar	Slum Upgrading and Community Development in Four Major Cities: Antsirabe, Antsiranana, Mahajanga and Toamasina
	286,000	Jun-01	Madagascar	CDS for Antananarivo- Infrastructure Development, Urban Services Improvement and City Poverty Strategy
	75,000	completed Jun-01	Mauritania	Slum Upgrading and Urban Poverty Alleviation
	495,000	Jul-02	Mozambique	Slum Upgrading and Vulnerability Reduction in Flood Prone Cities/Towns in Mozambique
FY03	41,870	Jul-03	Multi-Country	Preparation of the Johannesburg– Addis Ababa Partnership Programme (JAAPP)
	254,000	completed Jun-03	Nigeria	Scaling up Upgrading through a CDS Approach in Karu
FY03	74,750	Feb-03	Nigeria	Preparatory Assistance for Lagos Strategy Development
	100,000	completed Oct-01	Regional	Regional Roundtable on Upgrading Low-Income Settlements in Africa
FY03	215,000	Jul-03	Regional	Building Partnerships for Cities Without Slums in Eastern & Southern Africa
	165,000	completed May-02	Rwanda	Kigali Economic Development Strategy
	350,000	completed Mar-02	South Africa	Johannesburg City Level Comprehensive Development Framework
	40,000	completed Mar-02	South Africa	Preparation of Southern Africa Cities Alliance
FY03	750,000	Dec-02	South Africa	South African Cities Support and Learning Network (SACN)
FY03	36,000	Jul-03	Swaziland	Preparation of the Mbabane Comprehensive Slum Upgrading and Finance Programme (MUFF)

	Allocation Amount (US\$)	Start Date	Country	Activity Title
ASIA REGION				
	500,000	Sep-01	Asia Regional	City Networking and Investment Marketplace Development Initiative in Asia
	150,000	completed Dec-00	Asia Regional	"Asian CDS Workshop 2000"
FY03	600,000	Sep-02	Asia Regional	South Asia Regional Advisor
	0	cancelled Jan-02	Bangladesh	Khulna: Options for Sustainable Upgrading
	185,000	Mar-01	Cambodia	Scaling up Community-Driven Development Process in Phnom Penh
FY03	54,640	Mar-03	Cambodia	Improving Tenure Security and New Housing Options for the Urban Poor in Phnom Penh
	500,000	completed Dec-02	China	Metropolitan Level CDS in One Major City-Region and One Provincial Capital
	250,000	completed Dec-02	China	Changsha City-Region, Guiyang and Shengyan City Development Strategies: Urban Indicators Project
	900,000	Dec-01	China	City-Regional Development Strategies in China
	226,000	Jun-01	India	Local Partnership for Poverty-Focused CDS in Hyderabad
	67,000	May-01	India	Preparation of Gujarat State Urban Slum Policy
	150,000	completed Feb-03	India	City-Wide Scaling Up of Slum Upgrading (Ahmedabad)
	387,000	Cancelled	India	Creating Community Federations for Urban Partnerships (Orissa)
	98,065	Feb-03	India	Improving Access of Poor to Basic Urban Services in the Ludhiana Municipal Corporation
FY03	450,000	Feb-03	India	Scaling-up the Provision of Universal Minimum Sanitation to Slums in Cities
	30,000	completed Mar-01	Indonesia	Proposal Preparation: Poverty-focused CDS
	600,000	Mar-01	Indonesia	Institutionalizing poverty-focused CDSs
	160,000	completed Aug-01	Nepal	Katmandu CDS and Informal Settlement study
	30,000	completed Apr-01	Pakistan	Proposal Preparation: Peshawar CDS & City Assistance Program
	150,000	completed Jun-03	Pakistan	CDS and Cities Without Slums initiative for Peshawar
	30,000	completed May-01	Philippines	Proposal Preparation: Expansion of the CDS Program
	600,000	May-01	Philippines	Upscaling Poverty-Focused CDSs
FY03	31,000	Jun-03	Philippines	Preparation of a Proposal on Strengthening Urban Shelter Programs in the Philippines
	300,000	Apr-01	Vietnam	Enhancing Access of the Urban Poor and Vulnerable Groups to Basic Infrastructure and Housing

	Allocation Amount (US\$)	Start Date	Country	Activity Title
EASTERN EUROPE & CENTRAL ASIA REGION				
	75,000	Jun-01	Bosnia-Herzegovina	Preparation of Mostar's Local Economic Development- Capacity Building and Business Improvement Program
	75,000	completed Jun-01	Bulgaria	Sofia CDS - Phase I
	249,800	completed Jun-03	Bulgaria	Sofia CDS - Phase II
FY03	458,427	Mar-03	Latvia	Latvia Cities Program - CDS for Economic Development

LATIN AMERICA & CARIBBEAN REGION

	195,000	Approved Jun-02	Bolivia	Slum Improvement and Disaster Management Mitigation in the City of La Paz
	180,000	Jan-01	Brazil	Recife Metropolitan Region Development Strategy
	560,000	Apr-01	Brazil	Building an Enabling Strategy for Moving to Scale in Brazil
	5,000,000	Jun-01	Brazil	Salvador, Bahia, Technical and Social Assistance Project
	300,000	Jun-02	Brazil	"Bairro Legal" program (Sao Paulo)
	165,700	Feb-02	Brazil	Anti-Poverty and Anti-Exclusion Socio Economic Action Plan: City Networks for Development & Social Inclusion (Rio Grande do Sul)
	96,000	completed Jul-01	Central America	Urban Review
	84,000	completed Sept-02	Central America	Regional Coordination towards a Sustained Programme for Upgrading
FY03	498,400	Approved Jun-03	Chile	Local Development Strategies for Housing Solutions to Overcome Poverty
	320,000	Mar-01	El Salvador	Improving Execution Capacity for Urban Upgrading Program in Metropolitan Area of San Salvador
	256,445	Nov-02	Jamaica	The Kingston and St. Andrew Sustainable Development Plan
	475,000	Apr-01	LAC Region	Moving to Scale in Latin America and the Caribbean
	213,500	Jun-01	Latin America	Build LAC Capacities in Urban Knowledge Management
	245,000	Jun-01	Mexico	Scaling up Upgrading and Managing Informal Urban Growth in the Metropolitan Mexico City Area
FY03	250,000	Nov-02	Peru	Metropolitan Lima City Poverty Strategy

MIDDLE EAST & NORTH AFRICA REGION

	130,000	completed Mar-02	Egypt	Upgrading Informal Areas in Ismailia Governorate
FY03	75,000	Dec-02	Iran	National Dialogue on City-Wide Slum Upgrading
	295,000	Aug-01	Morocco	Upgrading Project for the Koraat Sbaa Neighborhood in Tetouan
FY03	245,000	Apr-03	Morocco	Metropolitan Cooperation in the Tetouan Region: the Role of CDS
	150,000	Feb-02	Yemen	Aden Medium to Long-Term CDS for Local Economic Development

	Allocation Amount (US\$)	Start Date	Country	Activity Title
GLOBAL & MULTI-REGIONAL ACTIVITIES				
	50,000	completed Jul-02	Global	Urban Indicators Linkages
	150,000	Mar-00	Global	Preparatory Assistance Fund
	49,000	Mar-00	Global	Cities Alliance Website
	50,000	Nov-01	Global	Knowledge Dissemination - increase (website, publications)
	50,000	completed Jul-00	Global	Public Policy Forum - June 2000
	60,000	completed Jun-01	Global	Urban Upgrading: A Resource Framework
	75,000	Jun-01	Global	CDS Action Plan
FY03	287,000	Jun-00	Global	CG/PPF Meetings, cumulative
	70,000	May-01	Global	Policy Advisory Board Meetings, cumulative
	20,000	Jun-00	Global	Building Political Commitment
	5,000	Sep-00	Global	Millennium Summit product/activity
	20,000	Jun-00	Global	Short Note Series
FY03	30,000	Jun-00	Global	Technical Peer Reviews, cumulative
	500,000	Sep-01	Global	Pro-Poor Slum Upgrading Frameworks in India, the Philippines and South Africa
	210,000	completed Jun-03	Global	Housing Finance for the Poor — Innovations and Good Practices from the Field
	450,000	completed Mar-02	Global	Consolidation of the Experience from Seven City Development Strategies of the UMP
	10,000,000	Oct-02	Global	Development of the Community-led Infrastructure Finance Facility (CLIFF) - DFID funding
FY03	2,300,000	Apr-03	Global	CLIFF - SIDA funding
	195,000	completed Nov-02	Global	Cities Alliance Independent Evaluation
	300,000	Cancelled	Regional	Regional Action Plans
FY03	13,195	completed Oct-02	Global	International Mechanisms to Promote Alternatives to Forced Evictions
FY03	249,666	Feb-03	Global	Building a Solid Foundation: Overcoming the Obstacles to Scaleability of Housing Microfinance for the Poor
FY03	100,000	Jul-02	Global	Knowledge Generation & Learning
FY03	1,100,000	Jul-02	Global	Secretariat Budget
	37,354,098			TOTAL APPROVED ALLOCATIONS

Acronyms

ADB	Asian Development Bank	IDB	Inter-American Development Bank
AfD	Agence française de développement [French Development Agency]	IFC	International Finance Corporation
ANHI	Agence Nationale de lutte contre l'Habitat Insalubre [National Shelter Upgrading Agency]	IIED	Institute for Environment and Development
ARRU	Agence de Réhabilitation et de Rénovation Urbaine [Urban Upgrading and Rehabilitation Agency]	ILO	International Labour Organization
AUDI	Arab Urban Development Institute	ISTED	L'Institut des Sciences et des Techniques de l'Équipement et de l'Environnement pour le Développement.
AVSI	Associazione Volontari per il Servizio Internazionale (Association of Volunteers in International Service)	KfW	Kreditanstalt für Wiederaufbau [German Development Bank]
CBO	community-based organisation	MDG	Millennium Development Goals
CDS	city development strategies	NEPAD	New Partnership for Africa's Development
CGAP	Consultative Group to Assist the Poorest	NGO	non-governmental organisation
CIDA	Canadian International Development Agency	PRSP	Poverty Reduction Strategy Paper
CLIFF	Community-Led Infrastructure Finance Facility	SACN	South African Cities Network
DFID	Department for International Development (UK)	SDC	Swiss Agency for Development and Cooperation
EBRD	European Bank for Reconstruction and Development	SEWA	Self-employed Women's Association
EU	European Union	SIDA	Swedish International Development Cooperation Agency
FUNHAVI	Fundación Habitat y Vivienda, A.C.	UN-HABITAT	United Nations Human Settlements Programme
GEF	Global Environment Facility	UNDP	United Nations Development Programme
GTZ	Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)	UNEP	United Nations Environment Programme
		UNICEF	United Nations Children's Fund
		USAID	U.S. Agency for International Development

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