Cities Alliance
Cities Without Slums

2002
ANNUAL REPORT

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Cities Without Slums

T A B L E   O F   C O N T E N T S

Cover: The shantytown of Damunagar, one of Asia's two largest,
continues to grow and is eating into the countryside
around Bombay, India, 1995.

Meeting the Challenge of Cities Without Slums

Rt Hon Clare Short MP
Secretary of State for International Development

The world is continuing to urbanise rapidly – particularly in developing countries. Nearly half of the world's population is now living in urban areas and an increasing proportion of these people are poor. Poor people are drawn to cities and towns because they provide employment opportunities. However, taking up such opportunities all too often requires the poor to live in squalid conditions, in slums and shanties, and to endure inadequate services, insecurity, and consequent social and political problems.

The Millennium Development Goals, agreed to by the entire United Nations membership, include a clear international commitment to meet this growing challenge of poverty in urban areas. Development assistance works most effectively when the recipient countries themselves drive the process. At the national level, when a developing country government prepares a Poverty Reduction Strategy, they set the agenda. International development agencies can then collaborate in the effort. The Cities Alliance supports the same approach at the city level. Urban poverty is a global problem, but cities and their citizens need to deal with it at a local level, and international agencies should support them in doing this.

The experiences captured in this Annual Report demonstrate the value of cities taking the lead and forging partnerships with civil society, the private sector, and the poor urban residents themselves, in order to eliminate poverty. These partnerships work to challenge the systematic exclusion of the urban poor, develop new livelihood opportunities, improve services, and empower poor people to live as full citizens.

The Alliance's focus on citywide initiatives, rather than localised pilot interventions, is already resulting in innovative community-led financial facilities that increase poor people's access to credit for housing and infrastructure, and in new mechanisms for engaging the public and private sectors in the provision of services to the poor.

DFID activities are aligned with the Cities Alliance agenda to promote city-level strategic planning and to work towards cities without slums. As members of the Cities Alliance, our collective goal must be not only to work towards, but to exceed, the target of improving the lives of 100 million slum dwellers by 2020.

I am pleased to have this opportunity to commend the work of the Cities Alliance in this, its second Annual Report.

Clare Short

Clare Short
Secretary of State for International Development
United Kingdom

Introduction

Three years after its creation, the Cities Alliance is already making development impacts at both the global and local levels. Principal among these is the adoption by world leaders of an international development target which, for the first time, focuses on tackling poverty where it is growing most rapidly — in cities. The Alliance's Cities Without Slums initiative has been endorsed as a Millennium Development Goal – *"by 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers"*. This goal is already being adopted as a challenging vision by civic leaders worldwide, who are responding with specific actions and concrete targets for improving

the living conditions of their most vulnerable and marginalised urban residents.

The Alliance is helping its members define a new strategic course for urban development co-operation, a course increasingly led by civic leaders who are tackling head-on the negative effects of growing inequalities and social exclusion. By focusing on the city as the unit of analysis, rather than on sectors, and on solutions promoted by local authorities and the urban poor themselves, city development strategies (CDS) supported by the Alliance provide a framework for city-wide poverty reduction. And by engaging potential investment partners from the outset, the Alliance is encouraging the

A pipeline carrying drinking water to more prosperous districts of Bombay passes through the shantytown of Mahim. Bombay, India, 1995.

development of new investment instruments to expand the level of resources reaching local authorities and the urban poor.

This report highlights Alliance impacts at both the local and the global level. Examples from all regions demonstrate Alliance partners in action during Fiscal Year 2002 (FY02), as well as the achievements and impacts of Alliance activities initiated in FY01. It is clear that Alliance partners have already begun the process of drawing lessons from these experiences and are adapting their approaches based upon these lessons.

Achieving the promise of Cities Without Slums will require new thinking and behaviour from slum dwellers, governments and international agencies alike. To continue business as usual is to guarantee the creation of the next slum, and the misery that it embodies.

Anna Tibaijuka, Executive Director of UN-HABITAT, Co-Chair of the Cities Alliance Consultative Group, World Habitat Day message, October 2001.

At the global level there is growing evidence that international commitment to the Cities Without Slums Millennium Development Goal (MDG) is influencing the operations of Alliance partners and the way they do business:

- "Secure Tenure" was adopted as an indicator for measuring progress towards the Cities Without Slums MDG Target – a significant step as insecure tenure is a causal factor of both urban poverty and slum formation.

Cities Without Slums Millennium Development Goal

Target 11

By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers

Progress will be monitored through...

Indicators 30 and 31:

(30) Proportion of people with access to improved sanitation

(31) Proportion of people with access to secure tenure

United Nations General Assembly (A/56/326) 6 September 2001.

- Speaking on "The Economics of Sustainability" in April 2002, macro-economist Jeffrey Sachs, advisor to the UN Secretary-General on the MDGs, stressed the need for an "urban-based poverty reduction strategy", arguing that "the current rural-based strategy does not address the plight of cities…".

- Norway became the latest Alliance member to issue an urban development policy paper. NORAD's position paper *Poverty and Urbanisation - Challenges and Opportunities* (April 2002), quotes the Alliance's 2001 Annual Report on its cover page, and strongly commits NORAD to contributing to the Cities Without Slums MDG.

Introduction

■ The World Bank's *World Development Report 2003: Sustainable Development in a Dynamic Economy*, devotes a full chapter to "Getting the Best from Cities". Sections on "Inclusion and access to assets – challenging the institutional roots of urban slums" and "Empowerment through access to assets – security of tenure" highlight critical issues directly linked to achieving the Cities Without Slums MDG.

■ The Asian Development Bank (ADB) joined the Cities Alliance. ADB's commitment, as spelled out in its Technical Assistance programme "Promoting Urban Poverty Reduction Though Participation in the Cities Alliance" (March 2002), will support CDS and citywide upgrading in the region and should also strengthen Alliance efforts to mobilise investment follow-up.
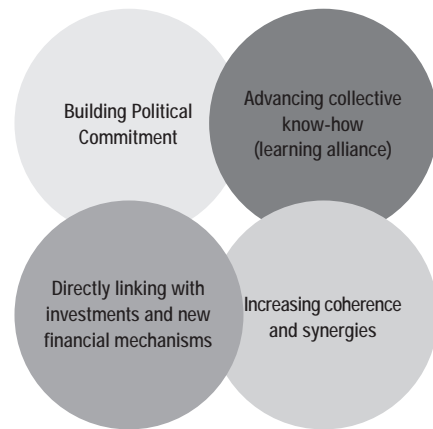
The events and activities of this last year have broadly reinforced the Alliance's strategic focus on urban poverty reduction. Alliance members committed to achieve this goal on 16 December 1999, the day they launched the *Cities Without Slums* action plan. Moving forward, the Alliance needs to continue to strengthen its ability to fill strategic knowledge gaps through learning and information-sharing among its members. In reviewing its activities, it is important to determine what works, what does not, and why. To this end, though the Alliance is less than three years old, it has commissioned an independent evaluation of the impacts of the Alliance partnership. An initial report to the membership is scheduled for the fall of 2002. What are the early results of the interventions? How should impact be measured and monitored? Are the interventions being conducted with efficiency and efficacy? The Alliance must ask these questions of its own partnership, and of the partners with which it engages, to ensure that it achieves results.

Cities Alliance in Action

The Cities Alliance is a unique policy forum in that it brings together representatives of the world's cities as equal partners in a direct dialogue with bi-lateral and multi-lateral development agencies and financial institutions. A principal motivating factor for Alliance members to join forces is their recognition that they have much to learn from each other and that drawing on their collective experience will help fill critical knowledge gaps.

The Alliance seeks to advance the collective know-how of local authorities and their international development partners on ways to reduce urban poverty and improve the quality and impact of urban development cooperation. Building on the common elements of their respective urban strategies, Alliance partners have joined forces to promote a more comprehensive approach to urban poverty reduction by focusing on action at the country level in two key areas: city development strategies (CDS) which reflect a shared vision for the city's future and local priorities for action; and citywide and nationwide slum upgrading to systematically include the most vulnerable and marginalised urban residents as both partners and beneficiaries in the city's growth.

To achieve its goals at the global level the Alliance is pursuing four interrelated strategic objectives:

Building Political Commitment

Advancing collective know-how (learning alliance)

Directly linking with investments and new financial mechanisms

Increasing coherence and synergies

Early outcomes of this strategy are encouraging. Alliance support to build political commitment around the goal of Cities Without Slums has led to the adoption, for the first time, of an international development target for urban poverty reduction. And as described in this report, focusing on CDS and citywide upgrading has met with an enthusiastic response from cities of all sizes, in more than 25 developing countries, which are working in partnership with Alliance members to achieve this goal.

Cities Alliance in Action

Becoming a learning alliance

The challenge of becoming a learning alliance has two critical dimensions: to systematically analyse and effectively communicate policy and operational lessons from experience, and to fill critical knowledge gaps. Over the past year it has become increasingly clear that each of these functions merits much greater attention, as well as a greater share of the Alliance's resources. This implies the need to more systematically incorporate these learning and communication activities as an integral part of the Alliance's work programme.

While this learning alliance objective has yet to be satisfactorily achieved, there are signs of progress. Alliance partners are already pooling their resources to begin to fill two knowledge gaps which are critical to scaling up: how to mobilise private capital to extend financial services and infrastructure to the urban poor; and the range of policy options to increase security of tenure, property rights, and access to public services. The Alliance is also beginning to receive more proposals which focus on the learning alliance function, and which are more systematically engaging existing networks of local authorities, urban professionals, academics, universities, and urban policy research institutes.

The Alliance is working with interested members and partners to develop a learning and communications strategy which will help guide and strengthen these critical functions.

Targeting results

Cities Alliance activities are designed and carried out by Alliance partners, and focus on marshaling their resources to improve the quality and coherence of urban development cooperation and its poverty reduction impacts.

Since its inception, the Alliance has invested US$30 million in 27 countries, 17 regional and global learning activities, and in one facility (the Community-Led Infrastructure Finance Facility - CLIFF). Alliance funds are catalytic. They are seed funds used to help Alliance partners build strong foundations for citywide and nationwide slum upgrading and city development strategies. They also leverage the public and private sector capital investments required for implementation. The Alliance is selective in the initiatives it funds. All proposals are evaluated against the ten core criteria that are reflected in its charter.

Cities Alliance Criteria

▲ **Targeting the objective** – city development strategies and/or scaling up slum upgrading;

▲ **Government commitment and approval** – approved by local and national authorities;

▲ **Linkage to investment follow-up** – potential investment partners are involved from the design phase;

▲ **Partnerships** – conceived in a participatory process with local stakeholders, including private sector and community organisations;

▲ **Co-financing** – combines seed funding from the Alliance with co-financing from cities as well as other sources;

▲ **Coherence of effort** – promotes cross-sectoral coordination and inter-agency collaboration;

▲ **Scaling up** – moves beyond pilot projects to citywide and nationwide scales of action;

▲ **Institutionalisation and replication** – helps cities and their national associations institutionalise city development strategies and citywide slum upgrading;

▲ **Positive impact on environment** – achieves significant environmental improvements, especially in the living conditions of the urban poor; and

▲ **Duration** – achieves deliverables within well-defined time frames, preferably within 24 months.

City Development Strategies

Strategic decision-making in managing urban growth is not yet common practice in developing-country cities — many of which are growing at rates unprecedented in human history. The Alliance has sought to promote city development strategies (CDS) as a collaborative decision-making process designed to help reduce urban poverty and provide the basis for sustainable urban development. The Alliance is supporting CDS in all regions, and in cities varying in population from 100,000 to city-regions having more than ten million inhabitants. Over the last three years, virtually all members of the Alliance have directly engaged in supporting this process at the country level.

What have we learned so far? The summaries of six Alliance-supported CDS processes, provided below, illustrate several key lessons. First, to be effective, participants need to see implementation, rather than the development of the CDS, as their primary goal. At the same time, providing it is results-oriented, the CDS process itself can achieve significant impacts on governance, accountability, and transparency.

Another key finding is that implementation should not be limited to new investments —it can be led by the adoption of new policies and by the enhanced capacity of citizens and local authorities to make informed choices and achieve greater equity in sharing costs and benefits. In several cases, city-regions have been considered by the local and national authorities to be the most productive units of analysis. And finally, the sustainability of the CDS process depends to a great measure on the active involvement of national authorities and national associations of local authorities.

While variation in the challenges, priorities, and potential of each city makes each CDS unique, many of them have produced innovative tools and practical approaches which have helped spawn city-to-city learning processes. Nowhere is this more evident than in East Asia where, through the active engagement of national associations of local authorities, more than 60 cities are engaged in this process, and where the Alliance is supporting city-to-city knowledge sharing with national and regional networks of local authorities. This replication process has also produced national guidelines for formulating CDS, which the Alliance's global and regional local authority partners are helping to assemble and disseminate through their networks.
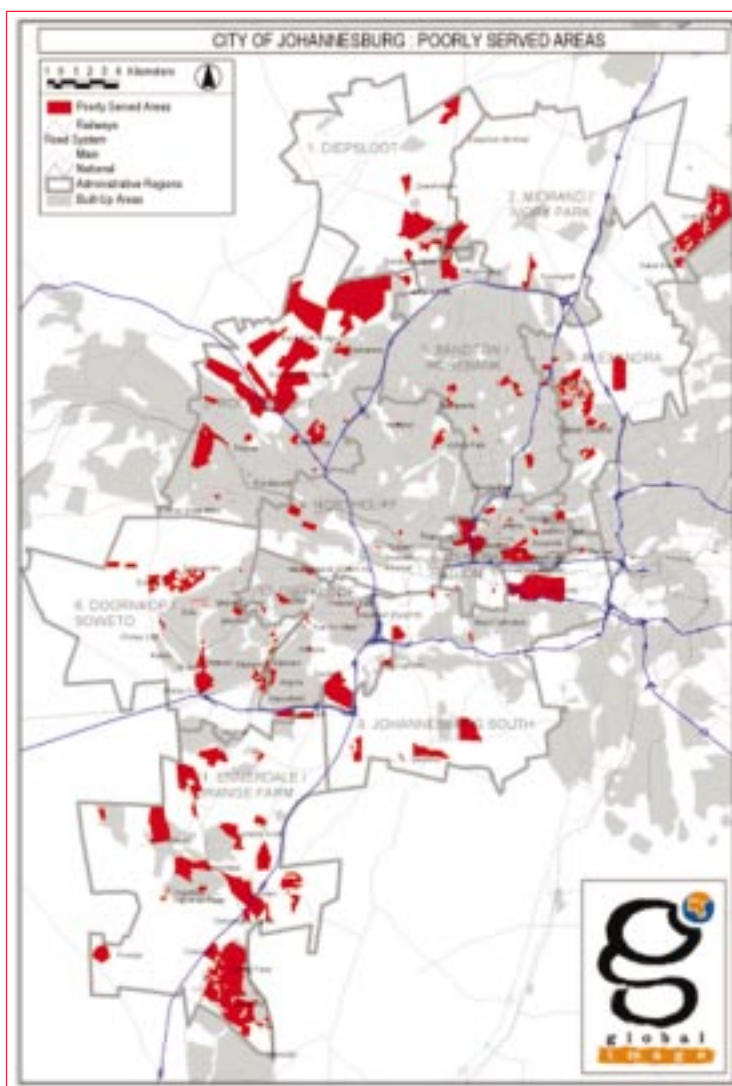
Johannesburg

City-Level Comprehensive Development Framework and Slum Upgrading

The metropolitan region of Johannesburg has an enormous influence on the economy of South Africa. With its 2.8 million inhabitants, it produces almost 16 percent of the country's gross domestic product (GDP) and provides employment for 840,000 people. Despite its vast economic potential, in 1998 Johannesburg found itself bankrupt and facing serious institutional and service delivery challenges. The five autonomous municipal governments that then made up the Johannesburg metropolitan region took up the challenge by introducing a radical reform plan, which combined short-term stabilisation measures with medium- and long-term strategic planning approaches.

Through these reform plans, known as iGoli 2002 and iGoli 2010, the Greater Johannesburg Metropolitan Council (GJMC) undertook the following measures:

■ A strategic reorganisation of the five autonomous Municipal Councils into a single Metropolitan Council.

■ The formation of ten companies to deal with key services, including water and sanitation, public transport, road maintenance, gas, electricity, property, and the zoo. The gas company and the municipal airport were sold outright. The remaining companies are wholly owned utilities of GJMC, and each company has a corporatised management relationship with the private sector and the council, tailored to suit its specific needs.

■ Creation of a Contracts Management Unit, functioning as a virtual Public Utilities Commission — the first of its kind at the city level in South Africa.

■ Requirement that the key revenue-generating utility companies pay dividends to the council to support social services, including the council-wide informal settlement programme.

Source: South Africa: Monitoring Service Delivery in Johannesburg (draft) World Bank, Southern Africa Department, April 2002.

Cities Alliance in Action: City Development Strategies

Service Delivery Monitoring System

To improve decision-making related to service delivery to the urban poor, the City of Johannesburg has established a service delivery monitoring system as an integral part of its city development strategy with the support of the World Bank, the Netherlands and the Cities Alliance.

The underlying idea was to give political representatives and communities access to information to increase accountability. The challenge was to pilot a simple and affordable survey of poorly served areas, and to integrate the generation and use of information with annual budgetary allocation decisions as well as political processes to give voice to the city's poor residents. The monitoring system, based on current information regarding the status of service delivery to poor households, allows better targeting of sectoral expenditures towards poor neighborhoods. By establishing a one-to-one link between sectoral budget allocations and their impact on poor households, the monitoring system should also help keep municipal officials and the citizens of Johannesburg abreast of the city's progress towards Joburg 2030's goal of becoming a world-class city.

Among the criteria for the monitoring mechanism were simplicity, affordability (time and financial costs), user friendliness, and fiscal accountability. Using a geographic information system (GIS), poorly served areas where households received less than basic services were identified and mapped. Hand-held computers (palms), programmed with consistency checks to reduce errors, were used to record information. The data was then transferred to a server every other day and transformed into Excel format for immediate use. The Excel database is available to city officials and other stakeholders in user-friendly formats, and the city is now planning to install the database on its website for public use.

The survey of poorly served areas is an important step towards establishing a system to monitor the delivery of essential services, particularly to the poor. The effectiveness of the monitoring system rests on several important factors, including: the kinds of information collected through surveys; how various stakeholders use the information; how it may contribute to building accountability for improving the delivery of essential services to the poor; and how its results, i.e., changes in the status of service delivery on the ground, may in the future help to improve the city's fiscal efficiency with respect to service delivery.

The city of Durban is now implementing the systems pioneered with Cities Alliance support in Johannesburg; these systems are expected to spread through the Cities Learning and Support Network to the other seven large cities in South Africa. Lagos, Nigeria, Africa's largest city with a population of more than 12 million, has also expressed interest in adopting the Johannesburg service delivery monitoring system.

Source: South Africa: Monitoring Service Delivery (draft); World Bank, Southern Africa Department, April 2002.

Cities Alliance in Action: City Development Strategies

Doing More and Doing it Right

Executive Mayor Amos Masondo,
Excerpts from Mayoral Budget Speech, May 2002

Tiyiselani Manganyi was born in Mofolo Village, Soweto, on 11 November 1996. She is six years old and attends a preschool. She will be starting school next year. She stays with her parents in Klipfonteinview (now part of the City of Johannesburg), an area with no schools, no proper sport facilities, no clinic, nor a creche. The area is partially electrified. The majority of the children attend school in one small hall.

…Tiyiselani was just a year old when the Constitution of the Republic of South Africa crafted a vision for local authorities. Chapter 7 of the Constitution wants to see her live in a sustainable social and economic environment, in which her basic service needs will be met and her views will be listened to and respected….This is a promise the Constitution made to her. This is a promise we in local government are obligated to realise.

…The Joburg 2030 strategy marks an important paradigm shift in our approach to planning. The strategy is data-driven and forward-looking in approach. Joburg 2030 repositions the Council from being perceived simply as an administrative entity and a service utility. Local government should also be seen as an agent for economic growth.

…That brings me to the 2002/03 budget. This budget sets the foundation for Tiyiselani Manganyi. When she turns 36 in 2030, she will be an adult in a city with adequate job opportunities, living in a house that has running water, electricity and an environment where her refuse is being removed regularly. She will live in a street without potholes and will have access to a reliable and efficient public transport system. She will also live in a safer city. Eventually, Tiyiselani will enjoy a quality of life that makes her a proud citizen.

…But a budget on its own cannot get us to our destination. Involvement of the people is a critical ingredient for the city's ultimate success. There are various ways in which this can be done. One way is to be actively involved in government processes, including budget formulation, as has already been demonstrated by the participation of the residents of Johannesburg during this budget process.

Cities Alliance in Action: City Development Strategies

The progress made to date has widely exceeded expectations and enabled the City of Johannesburg to move beyond the stabilisation and restructuring of the city. With a return to operating surpluses, the city is able to offer a social package to the poor that provides them with free access to municipal services. The city's return to creditworthiness that has resulted from the iGoli restructuring has also enabled it to tap hundreds of millions of rands in private financing for urgently needed public investments.

Its new long-term strategy, Joburg 2030, focuses on economic growth, job creation, and poverty alleviation. It is being operationalised through revolving three-year integrated development plans and three-year medium-term budget frameworks. Despite the plan's long-term horizon, the city took early measures to integrate Joburg 2030 into the next budgeting exercise: more than 2700 participants discussed the budget in 33 sessions over five months; a stakeholder summit was held, and a tariff objections process was institutionalised. According to city officials, the consultation and participation processes in the CDS have helped to develop better strategies and achieve wider support. To ensure that the broader spectrum of community organisations is actively involved in governance issues, the city established ward committees comprising civil society representatives.

China

City-Regional Development Strategies

CDS activities supported by the Cities Alliance in China have been conceived within the framework of China's national policy to promote the growth of small and medium sized cities. This national policy is designed to capture the benefits of the urbanisation process to both economic and social development. City-regional development strategies which complement existing planning mechanisms are seen as particularly useful during this period of rapid urbanisation.

The initial phase of these activities began in October 2000 in the city-region of Changsha - Zhuzhou - Xiangtan in Hunan Province and Guiyang in Guizhou Province. The focus of these activities was to support the development of regional strategies for overcoming the deficiencies of a fragmented governance structure of a large metropolitan area. One of the outputs was a comprehensive, prioritised investment programme to be financed through a mixture of local, national and international sources.

Cities Alliance in Action: City Development Strategies

Subsequently, with co-financing from DFID (UK) and the World Bank, the Cities Alliance and China have moved into a second round of CDS, focused on development strategies in the Chengdu, Zhengzhou, Lanzhou, and Erdos/Dongsheng city-regions. These CDS will highlight the regional urban perspective, as these regions are anchored by one major city, or constitute a corridor, including a few smaller cities and towns. This work will also benefit from the analysis of vulnerable groups and the minimum living standard scheme in these city-regions. With strong urban-rural linkages, these cities can play a prominent role in improving the living standards in their surroundings by facilitating migration and developing peri-urban areas.

Working closely with the Chinese Association of Mayors and Chinese urban experts, the key objective of this second generation of CDS is to assist the cities in western China to develop region-based strategies for economic development; strategies will include labour market, infrastructure and service delivery and regional coordination of environment and social services activities. With China's strong policy orientation to promote urbanisation, both the Ministry of Finance and the State Development Planning Commission are closely following this process. It is anticipated that these CDS will broaden the understanding of the role of city-regions in development, while identifying corresponding institutional reform and strategic policy issues. An excellent outline of the methodological steps in "Formulating City Development Strategies in China" has been produced to guide this process and is available on the Cities Alliance website.

Philippines

Scaling up Poverty-Focused City Development Strategies

Rapid urbanisation and increasing urban poverty pose a special challenge to the Philippine local government units that have principal responsibility for basic service provision.

Drawing on the experience of seven cities which piloted the CDS process in the Philippines, the League of Cities of the Philippines (LCP), is implementing a Cities Alliance grant to take CDS to scale in the Philippines. With implementation support provided by the World Bank and UN-HABITAT, an additional 31 cities in the Philippines are now preparing CDS.

At the heart of the Philippine experience is the Urban Karte, a comprehensive planning tool for understanding present conditions and trends, identifying issues and problems, and measuring performance by the local government to improve the efficiency of urban

League of Cities criteria for scaling up

▲ City mayors personally lead their CDS exercise;

▲ Cities wishing to undertake a CDS pass a City Council resolution approving funding and other inputs for the CDS;

▲ All stakeholders are involved in the development of the CDS;

▲ The LCP organises national workshops, and provides tools and guidance through its website (www.cdsea.org), enabling mayors and local government units to exchange their practical knowledge and experience.

policy and management. It consists of a Baseline Profile and four key criteria: livability, competitiveness, governance, and bankability. Each of the criteria is characterised and measured by a set of indicators which provides the basis for a transparent and accountable local government. The Urban Karte is created with the broad involvement of the city's stakeholders, including central government agencies, the private sector, NGOs, CBOs, leaders, academics, and others.

According to the mayors of participating cities, empowering civil society and institutionalising consultative mechanisms through the CDS process have clearly contributed to the sustainability of government programmes and projects. Such mechanisms have also allowed poverty issues in their cities to be addressed more effectively. Close to 40 percent of the priority projects of the first seven CDS cities have either already been realised or are being implemented. Here is what some of these city managers have said:

Together with more than 250 representatives of the civil society in Naga, we have crafted a holistic vision for our city. This participative visioning process helped crystallize the aspirations of our

people, in the process helping build stakeholdership across society. The vision and mission statements define the city's agenda, functioning as anchor of all local development efforts. The CDS has brought focus on attainable targets for the city, considering the city in terms of poverty reduction, local economic development, and good governance.

**Mayor Jesse Robredo,
Naga City**

We didn't have to reinvent the wheel. Experiences of other cities in different programmes are good starting points in conceptualizing programmes and projects. Involvement of stakeholders through a consensus-building process in planning, implementing, monitoring, and evaluation of programmes and projects is a must for sustainable and successful development of the city.

**Mayor Sally Lee,
City Government of Sorsogon**

The entire process gives us a new perspective on how to manage the city properly… Through observations, surveys, and constant dialogue with the different sectors we were able to find out new things about the city.

Gil P. Lentejas, City Planning and Development Coordinator, Calbayog City

Consult the people before making decisions. Validate administrative data with the people concerned.

**Mayor Randolph Ting,
Tuguegarao City**

Cities Alliance in Action: City Development Strategies

The World Bank's East Asia urban team, supported by the Cities Alliance through a non-core contribution from the Government of Japan, has been assisting local government associations in Asia to set up city-to-city knowledge-sharing networks which allow mayors and local government officials to exchange and pool practical information and experiences.

The League of Cities of the Philippines (LCP) has been spearheading this activity among 40 cities through their own website (www.cdsea.org). **The China Association of Mayors (CAM)** has been developing its own knowledge-sharing platform (www.townsfuture.com) in both Chinese and English, allowing interested parties both inside and outside of China to access vital statistics and information about Chinese cities.

Local knowledge sharing is supplemented with cross-country dialogue, via the Global Distance Learning Network (GDLN) and face-to-face workshops. To date, three GDLN dialogues have been organised. The latest, "Voices of the Poor: Engaging the Urban Poor in CDS", connected more than 100 participants from cities and World Bank offices in six global locations, including Washington, Beijing, Hanoi, Jakarta, Ulaanbataar, and Manila. The latest workshop, "Singapore Urban Poverty Learning Workshop", organised by the World Bank and the Government of Singapore, brought together more than 20 mayors and city officials from China, Vietnam, Philippines, Mongolia, Cambodia, and Indonesia to exchange experiences and ideas on tackling urban poverty.

Key features of this networking include:

▲ Connecting cities to the relevant experience faster;

▲ Engaging experienced CDS cities as resource cities and building strong communities of practice among city administrators and local governments, as an alternative to continuously relying on external consultants and technical assistance. This allows for the sharing of local knowledge on a peer-to-peer basis with mutual benefits, rather than a one-way communication flow of global lessons and best practices that may not apply to the specific local context;

▲ Leveraging knowledge through technology, using a platform of low-cost and highly-flexible technologies to enable cities from across East Asia to learn from each other and share experiences: country websites linked to a regional portal; GDLN videoconferences supported by web-based learning tools; and face-to-face workshops;

▲ Creating strong partnerships and ownership in each participating country, currently in China with the CAM and soon the China Country Development Gateway and in the Philippines with the LCP;

▲ Facilitating the funding of local projects and investments through online investment marketplaces available to local governments, donors, the private sector and consultants, on each country website as well as on the regional portal page.

Cities Alliance in Action: City Development Strategies

Kigali:

Economic Development Strategy

In just over a decade, Kigali has grown from approximately 235,000 people to an estimated 600,000 people today. This growth has been driven by people in search of employment opportunities and a better quality of life, including access to education, health care, security, and social and cultural amenities.

However, this rapid increase in the city's population has come at a significant cost. The unrestrained growth has impacted the city's capacity to deliver adequate basic public services including water, energy, and basic sanitation. At the same time, the urban economy has not grown sufficiently to support the rural-urban influx, resulting in a severe unemployment crisis and an increase in urban poverty.

The Kigali Economic Development Strategy (KEDS) marks a new beginning for local government efforts to sustain economic growth in Rwanda's most important urban region. After surviving many years of economic crisis, Kigali is now at a point where there is the possibility of a more promising future. KEDS provides a vision of this economic future and a plan to lead the way. KEDS provides an opportunity for public and private sector individuals and organizations to work together to achieve and sustain a more prosperous future for all citizens of Kigali.

Mayor Théoneste Mutsindashyaka, City of Kigali, March 2002.

Turning challenges into opportunities, the City of Kigali, with the support of the Cities Alliance and USAID, decided to embark on a long-term strategic planning approach called the Kigali Economic Development Strategy (KEDS). An assessment of the problems and potential of the City of Kigali was conducted as the first step in the city's efforts to achieve sustained economic growth and reduce poverty. City officials decided on an inclusive decision-making process for the planning of Kigali's long-term future. KEDS has embraced public participation from all sectors – businesses, individuals, NGOs, representatives of the poor, women's associations, the central government, and community residents. All of these groups were involved in drawing up the strategies and actions that make up the KEDS.

In order to ensure the implementation of the strategic plan, specific actions were designed and incorporated into the city's budgeting process. These actions called for the commitment of resources from the city administration, including the creation of an Office of Economic Development. This new unit will coordinate policy, advocate long term investment, and work with the central government, the private sector, and relevant NGOs to implement strategic initiatives aimed at improving the business climate.

Cities Alliance in Action: City Development Strategies

The leadership of the City of Kigali is clearly committed to moving forward the implementation of the KEDS in a comprehensive and coherent manner, understanding that to achieve measurable progress, a multi-faceted approach and the cooperation of various partners and stakeholders are required. The World Bank is considering an important urban development programme which reflects the investment priorities identified by Kigali as well as the needs of some of the country's other municipalities.

Kigali Organises for Economic Growth

In its first year of operation Kigali's new **Office for Economic Development** is to be charged with the following responsibilities:

▲ Act as the voice of the economic development community to the City of Kigali and its budgetary process on the issues of economic development support and fiscal stability;

▲ Form partnerships with the private sector through local enterprise agencies to assist both new and existing enterprises by providing information, business counseling, technical support, entrepreneurship training, and promotional programs;

▲ Oversee the establishment of a Free Port at Kanombe Airport and new Enterprise Zones elsewhere in the city to stimulate business with countries in the neighbouring regions of Africa;

▲ Convene a council involving the private sector to review and make recommendations on reforming both the local government tax structure (with regard to business taxes and fees) and the general regulatory framework for business;

▲ Convene a council involving the private sector to streamline administrative procedures that delay the securing of land needed for investment;

▲ Oversee the establishment of a commercial court to reduce risk to the lenders from the increase of non-performing loans;

▲ Work with the Planning Office to ensure that the Master Plan for Kigali exploits every opportunity to plan for the needs of a growing urban economy;

▲ Work with the Government of Rwanda to create a more positive international image of the country as a stable and profitable place in which to invest.

Aden

City Development Strategy for Local Economic Development

Aden is a major port on the Red Sea. Despite Aden's position as the economic and commercial capital of the Republic of Yemen, local authorities are facing difficulties 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. Rural-urban migration has contributed significantly to the rise in urban poverty. Yemen's urban population is projected to grow to around 29 percent by 2005, with urban growth rates as high as 8 percent per year in its largest cities.

Until recently, Yemeni local governments were severely limited in addressing the problems their cities faced because of a highly centralised decision-making process.

However, due to the far-reaching Local Authorities Law on decentralisation that was enacted in February 2000, decision-making is being transferred from the central level to popularly elected local councils. These councils are charged with supervising the activities of the newly decentralised line ministries.

The Governorate of Aden intends to transform Aden into a fast-growing, productive, and inclusive port city with the help of the Aden City Development Strategy.

The CDS process has encouraged local council members to engage their communities so as to make informed decisions. Local council members have taken the lead in conducting assessments in these districts to identify the priority needs of citizens. These national- and local-level reforms have opened up new opportunities for understanding local conditions, addressing urban poverty, improving service delivery, and increasing local participation.

Cities Alliance in Action: City Development Strategies

The CDS is also providing input to a World Bank Adaptable Program Loan that will provide funding for key infrastructure investments and capacity-building and will support local administrative reforms. In order for the CDS plan to demonstrate quick results, these investments will initially concentrate on two projects: linking important commercial districts in Aden and upgrading infrastructure in selected commercial and industrial estate areas. There are plans to extend the World Bank lending programme to other Yemeni port cities, if these cities choose to draw upon Aden's experience to implement their own CDS. A number of additional development agencies, including UNDP, GTZ and FAO, are supporting the CDS through their ongoing programmes.

Sofia

City Development Strategy

Municipal reforms have become the cornerstone of a successful transition from a socialist to a market economy and a priority for central governments in Eastern Europe and Central Asia. The City of Sofia, which represents 14.5 percent of Bulgaria's population and accounts for an estimated 20 percent of the country's GDP, decided to take on the challenge of combating rising poverty and implementing far-sweeping reforms in order to qualify for EU accession. To achieve these goals, Sofia has adopted a long-term City Development Strategy based on sustainable economic growth, equitable social development, the reduction of poverty, and participatory local governance and decision-making.

> **Initiating systemic changes at the local level: lessons from Sofia's experience**
>
> ▲ Strong city ownership is a prerequisite for successful public consultations;
>
> ▲ Extensive consultations for municipal officials on the process and objectives of round table discussions with stakeholders is beneficial;
>
> ▲ Active citizen participation in strategy formulation and issues related to service delivery and governance is particularly important.

The city's "strategy for change" relies heavily on broad partnerships between the Municipality of Sofia and representatives of local NGOs and trade unions and professionals from Bulgarian institutions such as the Association of Local Governments, Ministry of Regional Development and Public Works. Other partners involved are the European Commission, GTZ, USAID-Local Government Initiative, and UNDP. The partnerships focus on research, policy advice, public consultation, and capacity-building. Sofia municipality enterprises are also in the process of securing financing for the rehabilitation of district heating and transport services from the World Bank, the European Bank for Reconstruction and Development, the European Commission, and the Japanese government.

The implementation of such a coordinated, strategic planning process marks a radical departure from the socialist, highly centralised style of urban management. In the past, public input into the urban planning and management process was not solicited, nor was there an opportunity to challenge decisions made at the central level. Formal channels for communication between the municipality and local communities had not been established.

It is expected that the Municipal Council will approve the CDS in September or October 2002, thus successfully concluding the first systematic test of the efficiency and appropriateness of a CDS in a transition economy.

Sofia's public participation and consultation processes

Drop-in boxes, questionnaires, exhibition. Drop-in boxes were situated in all city districts and in the Sofia Art Gallery. The gallery hosted an exhibition on the CDS approach and process, which highlighted major trends in the development of Sofia's economy, finance, and spatial development. The exhibition was officially opened by the Mayor of Sofia. The drop-in boxes allowed citizens to comment on the draft CDS and to prioritise the proposed strategic directions.

Sofia's Mayor Stefan Sofiansky takes questions at CDS stakeholder consultations, April 2002.

Information dissemination. Information packets were disseminated to major stakeholders. The city launched a media campaign to inform and involve the broader community. Both the city and the World Bank Resident Office have posted the CDS report on their websites.

Round table discussions. Two round table events were organised to discuss the issues, opportunities, and strategic directions for the development of Sofia. Discussions brought together city officials, central government representatives, NGOs, academics, and citizens.

Surveys. Surveys that explored the views of Sofia's residents and businesses on the quality of municipal public services and the investment climate were conducted.

Alexandra, Johannesburg
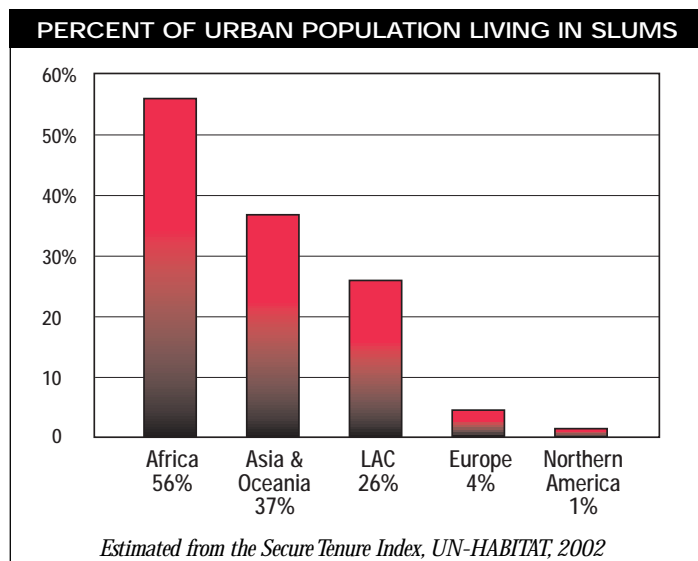
Citywide Slum Upgrading

The endorsement by all UN Member States of the Alliance's Cities Without Slums initiative in the Millennium Declaration and the adoption of "improved sanitation" and "secure tenure" as the two indicators to measure progress in achieving this goal have greatly empowered Alliance partners worldwide who are already striving to meet this goal.

The commitment to provide secure tenure directly responds to a key causal factor of poverty, social exclusion and the continued proliferation of slums all over the world. The provision of secure tenure enables the poor to build their assets and income, and is fundamental to distributing the benefits of economic growth.

Alliance partners in this effort include organisations of slum dwellers, some of the world's major cities, and national authorities who are committed to establish the environment necessary to support nationwide slum upgrading. The challenge of scaling up slum upgrading is not a call for bigger projects. It requires regulatory, institutional, and policy reforms, coupled with long-term strategies. Citywide strategies should have clear targets and involve virtually all of the city's service providers, and must be coupled with effective land management policies to manage future growth and to prevent the formation of future slums.

PERCENT OF URBAN POPULATION LIVING IN SLUMS

Estimated from the Secure Tenure Index, UN-HABITAT, 2002

UN-HABITAT estimates that there are a total of 840 million slum dwellers worldwide.

Cities Alliance in Action: Citywide Slum Upgrading

Cities Alliance's Approach to Citywide Upgrading: Key Principles

▲ The urban poor already produce the housing they can afford. Both the poor and their housing are an asset, not a liability, for developing cities. The urban poor are already solving the housing challenge. Our job, as their partners, is to help them do it better, faster, and more permanently, and not to hamper their efforts.

▲ City governments and their partners should facilitate housing production by the poor through broad, participatory strategic planning in advance of slum construction (this is CDS), and the provision of basic services to slum areas after they are built (this is citywide slum upgrading).

▲ It is essential for national governments to encourage and support the efforts of city governments (not substitute for them) to facilitate the production of housing by and for the urban poor. This approach needs to be implemented consistently across ministries responsible for budget and finance, planning, local government, public works, and environment … as well as ministries directly responsible for housing.

David Painter
Director, Office of Urban Programs, USAID
As presented at Casablanca, Morocco, June 2002 at INTA's "Habitat for the Poor: Policy for Reducing Urban Poverty" seminar.

Security of tenure is a fundamental requirement for the progressive integration of the urban poor in the city…. It guarantees legal protection from forced eviction… and is one of the most important catalysts in stabilising communities, improving shelter conditions, reducing social exclusion and improving access to basic urban services.

UN-HABITAT: Global Campaign for Secure Tenure, Concept Paper (1999).

Cities Alliance in Action: Citywide Slum Upgrading

Scaling Up Upgrading and Managing Informal Urban Growth in the Metropolitan Mexico City Area


Informal housing on the urban periphery in the State of Mexico.

The Government of Mexico has made the provision of low-income housing a major priority in its five-year development plan, targeting the creation of 750,000 units by 2006. An estimated 4.6 million Mexican families are considered under-housed, and an additional 3.5 million households live in poor quality stock requiring remedial action, from repair to replacement. Approximately 1.1 million housing units are needed to alleviate the extreme overcrowding in existing stock.

Added to this existing backlog, the formation of new households creates demand for an additional 750,000 units annually. The defining feature of these new households is their poverty: more than half earn less than three minimum wages (equivalent to US$13 per day, at January 2002 exchange rate), and are unable to access the mortgage market to finance the purchase of a finished house.

New house supply in the formal market is almost entirely new developer-built units for the middle class.

This new housing initiative of the government will require an estimated 21,000 hectares of land annually. The significance of this figure is highlighted by the Ministry of Social Development's (SEDESOL) estimate that only 32,000 hectares of land are currently available – enough for some eighteen months of construction. Of the land available for urban use, only 9 percent has basic services. To complicate matters further, a significant proportion of the land is held by property developers interested in middle- to high-income development.
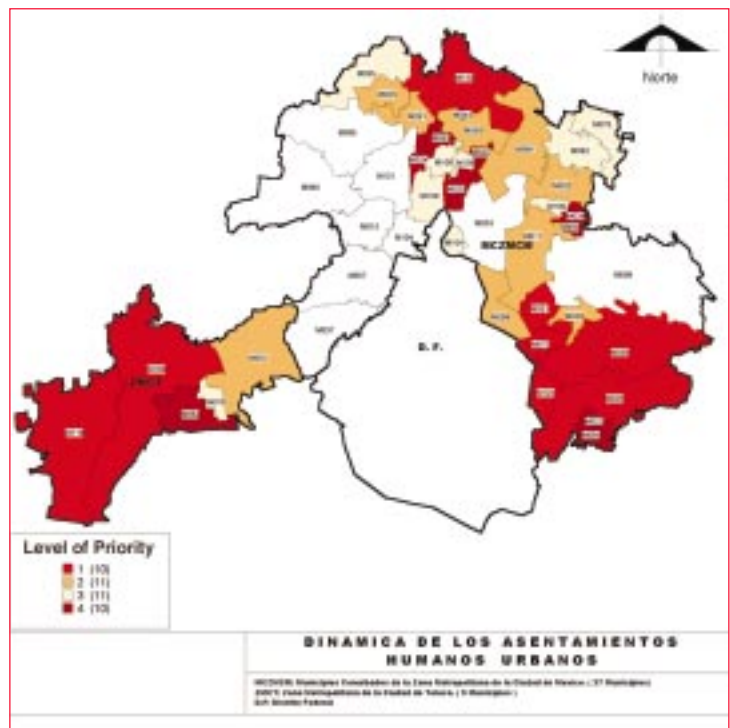
The State of Mexico identifies its poorer urban municipalities whose 'Basic Needs' are not met in terms of urban infrastructure, social services, municipal services and income.
Source: Centro de la Vivienda y Estudios Urbanos A.C.

Cities Alliance in Action: Citywide Slum Upgrading

Logging on: the original Web Concept created by slum dwellers in their efforts to access electric energy. State of Mexico.

Mexico's urban land market has three major obstacles: First, cumbersome procedures result in long lead times. Second, there is widespread jurisdictional overlap over urban land, leading to legal uncertainty. Third, the standards regime is inflexible and largely inappropriate to the needs of the poor. These obstacles severely limit the supply of urban land accessible to the poor.

Cities Alliance assistance to the State of Mexico is expected to have a direct bearing on policy options in the metropolitan areas of Mexico City and Toluca, with a combined concentration of some 10 million living in poverty. Like so many other cities in the developing world, the lack of basic information and accurate statistics hampers the policy process.

A major component of this assistance, managed through the World Bank and Metropolis, has focused on the related issues of land markets, urban infrastructure, and micro-finance, with an emphasis on the relationship between informal land delivery systems and statutory authority. The aim is to move to a citywide strategy. In the words of the local manager of the project:

The most important lesson so far is related to the importance of defining an integrated set of policies that tackles the problems associated with the poor. Traditionally the State of Mexico has alleviated the effects of poverty with isolated programs at state or regional levels. From this (Cities Alliance) assistance we have clearly seen the importance of defining actions that coordinate the state efforts with other stakeholders. It will not solve poverty, but will start new paradigms.

Cities Alliance in Action: Citywide Slum Upgrading

São Paulo

Bairro Legal Programme

The metropolitan region of São Paulo comprises 41 municipalities with a total population of some 16.6 million, of which 60 percent live in the city of São Paulo itself. The metro region accounts for more than 18 percent of Brazil's GDP and 15 percent of its industrial output.

Between 1973 and 1999, *favela* residents increased from 72,000 to 1.9 million, or from 1 percent of the city's total population to 13.3 percent. Another 38 percent lived in *loteamentos clandestinos* – almost 3,000 informal subdivisions lacking infrastructure that house the poor, alongside São Paulo's 612 main *favelas*, or slums. In all, over half of the population of the world's fourth-largest city now live in informal settlements and slums. Paradoxically, in this same city, there are 420,000 empty homes, 27 percent of which are in the central region with ready access to infrastructure and a wide range of urban services.

The City of São Paulo has selected the ten most deprived neighbourhoods for an integrated, area-based approach to citywide slum upgrading. The Bairro Legal Programme, launched at the end of 2001, will commence with interventions in four areas of the city to target close to 790,000 people: Paraisópolis (42,900), Jardim Angela (260,203), Brasilandia (246,932), and Cidade Tiradentes (239,938).

The city intends to draw on the lessons of previous urban upgrading interventions, including the large-scale Guarapiranga programme, as well as the unsuccessful "verticalisation" experience that focused on the resettlement of slum dwellers to new high-rise apartments built in the area of the original *favela*. The current city management has a clear idea as to why the impact and sustainability of previous interventions were limited. As observed in its proposal to the Cities Alliance:

Most of the housing and urban development interventions undertaken by the municipality of São Paulo in recent years focused on restricted areas and had a limited, project-based character that made them unable to have citywide impacts. The implementation of such projects brought about partial improvements. They did enhance the quality of urban space in these regions and improve the living environment and daily life of the poor, but not at a scale commensurate with the need. Too many people remained marginalized, without access to quality social services and urban equipment and, above all, without access to the legal, formal city.

The real challenge is to face up to the precariousness of the tenure and ownership of shelter on the part of those who are physically and socially excluded. In order to do this, what is really necessary is a paradigm shift: a project-based approach that is based on the production of new housing. Production and the extension of urban infrastructure networks, conceived and implemented in a sector-based way by the various line departments of a municipal administration, must be replaced by a programmatic, integrated approach.

The Bairro Legal Programme is being designed by the Housing and Urban Development Secretariat of the City of São Paulo, and Cities Alliance support for this programme includes the World Federation of United Cities (UTO), the World Bank, and the Governments of France and Italy. The Alliance is contributing US$300,000, matching the city's own contribution to programme design. For the long-term development of the programme, the City of São Paulo has budgeted US$189 million.

São Paulo's Citywide Strategy
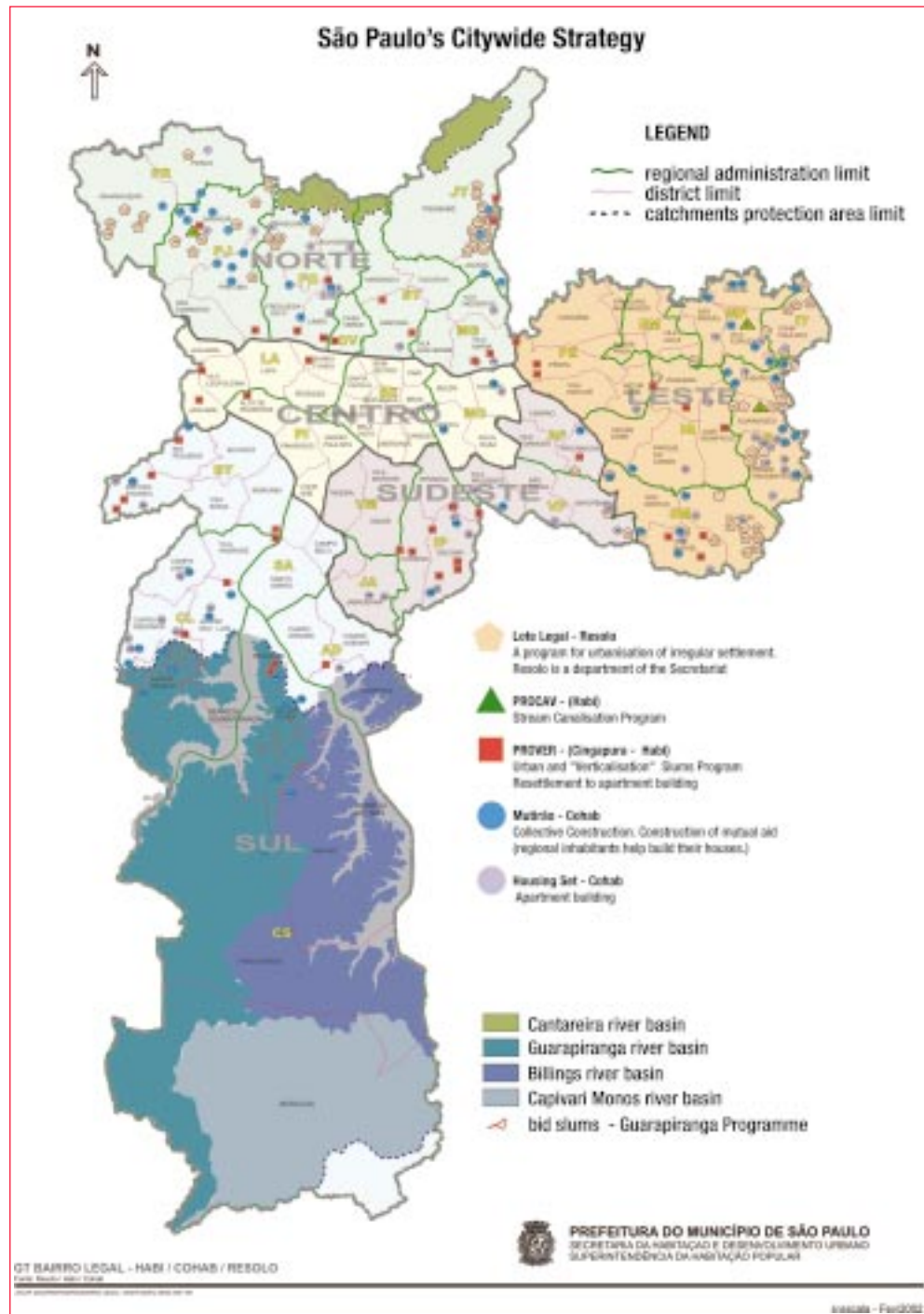
"In the future, São Paulo without slums"

São Paulo City Secretary for Housing and Urban Development, Paulo Teixeira, talks to "Jornal da Tarde" (June 10, 2002) about the Bairro Legal Programme.

Jornal da Tarde: *Mr. Teixeira, will the slums really disappear?*

Teixeira: *Our plan has as its main goal making a neighborhood out of a slum through urbanisation: laying out streets, paving them and equipping them with curbs and water drains, installing lights, basic sanitation and public equipment, as well as regularising land ownership. For the first stage, 14 areas were selected. Another aspect of the project is working on violence. There is a superposition between unacceptable housing conditions and violence....*

Jornal da Tarde: *Laying out squares and streets will require the eviction of some dwellings. How will that be done?*

Teixeira: *Since many of those neighbourhoods have no formal ownership registration, any family evicted will have the right to a similar dwelling in the same region, to be provided by the Housing and Urban Development Secretariat. After compensation and the cost of a new dwelling are computed, any remaining balance will be financed for the families. This financing system will also apply to families who will have their houses upgraded.*

Paulo Teixeira, São Paulo City Secretary for Housing and Urban Development

Jornal da Tarde: *Will the Department organise financing on its own?*

Teixeira: *The resources are being allocated under the city budget. The money will come from foreign, federal, state, and municipal sources. We will also be carrying out a decoding of the IBGE (the Brazilian Statistics Institute) census so as to, on the one hand, quantify slum dwellers, and, on the other hand, create a plan that would provide us with a timeframe and a cost range to achieve a city without slums.*

Jornal da Tarde: *Who will negotiate with the slum people? Will there be any form of registration?*

Teixeira: *The Secretariat has already begun to register families and to settle plots for the existing dwellings, through surveying and photographs. That would also, as a matter of fact, serve as a barrier against any outsiders taking advantage of the plan. This stage, the diagnosis, is already complete. The second one, involving the design work itself, is starting this June. The designer will present his/her study, proposing a set of different solutions, and then we will consult with the people, who will choose which plan is to be implemented.*

Jornal da Tarde: *Mr. Secretary, how long will it take until a slum such as Jaguaré is turned into a neighborhood?*

Teixeira: *That is not the point. The main problem is resource-related. With money, there are no problems in the work front. The main thing is giving priority to the slum upgrading programme. And Mayor Marta Suplicy is doing that. This provides a key thing, the involvement of forces that can channel resources. To that end, we must see*

what the city's Master Plan defines. A share of the money raised through the sale of building potential will be allocated to an urbanisation fund, and part of this money will be given to slum upgrading. As soon as we find resources, we will create a building timeframe.

Jornal da Tarde: *Will there be any citywide policy to fight the creation of new slums?*

Teixeira: *It is already being implemented by regional administrators who block any new settlement or clandestine occupation in their areas. It is a combined action, because, at one stroke, the existing problem is being fought and the formation of new irregular settlements is avoided. The private sector is also invited to fight for its own rights. What does that mean? Plenty of slums and clandestine settlements arise in private areas neglected by their owners. We will invite landowners in urban expansion areas to…reach an agreement with us and create new regular settlements through land parceling.*

São Paulo, Brazil
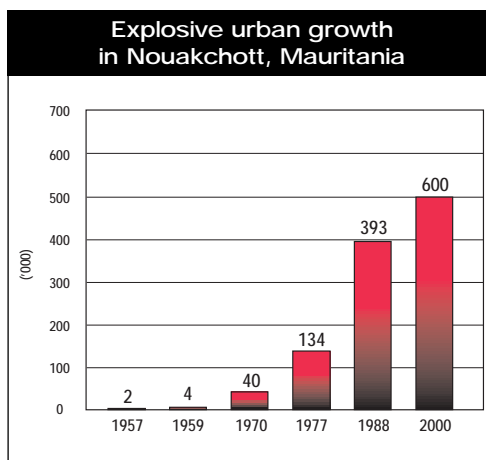
Cities Alliance in Action: Citywide Slum Upgrading

Nouakchott, Mauritania

Mauritania

Slum Upgrading and Poverty Alleviation

An estimated 61 percent of Mauritania's population of 2.6 million live in urban areas, a dramatic increase from just four decades ago, when less than 4 percent of the population was urban. The population of the two largest cities, Nouakchott and Nouadhibou, has grown fivefold in 20 years, far outpacing the capacity of both state and municipal governments to extend necessary urban infrastructure and services and to generate employment. Poverty has accompanied this rapid urbanisation. An estimated 35 percent of the urban population lives a hand-to-mouth existence. The urban poor reside in substandard squatter settlements, lacking basic infrastructure and services. In Nouakchott, close to 40 percent of the population lives in slums.

The Government of Mauritania is strongly committed to reducing urban poverty, signaled not least by the prominence of urban development in its national Poverty Reduction Strategy Paper (PRSP): a strategy whose implementation contributed significantly to the country's recent eligibility for

Source: Commissariat aux Droits de l'Homme à la Lutte contre la Pauvreté et à l'Insertion, July 2002.

Cities Alliance in Action: Citywide Slum Upgrading

debt service relief under the enhanced Heavily Indebted Poor Countries (HIPC) initiative.

Improving the living conditions of the urban poor and reducing the proliferation of slums are central to the government's strategy to alleviate urban poverty. In recent years central and local governments have demonstrated strong commitment to finding adequate solutions and mobilising resources

to address these issues. A specialised poverty institution, *the Commissariat aux Droits de l'Homme, à la Lutte contre la Pauvreté et à l'Insertion (CDHLCPI)*, was created and has already initiated participatory pilot operations for slum upgrading in Nouakchott. This includes a micro-credit programme for housing and income-generating activities, known as the Twize (or solidarity) programme, which CDHLCPI has been implementing with support from local and

Slum areas of Nouakchott and where priority investments have been planned.
Source: Mauritania - Urban Development Program, Project Appraisal Document, 26 September 2001, World Bank.

Mauritania set targets for improvements in the lives of its urban poor

Progress expected through a ten-year urban development programme will be measured by, among others things, increased access to basic services, increased access to credit for and improvements in shelter and sanitary facilities, increased involvement of CBOs in decision-making and service delivery, and simplified and accelerated procedures for tenure regularisation. Specific targets include:

▲ Dramatic improvements in the lives of at least 163,240 slum dwellers by 2005, a total of 281,590 slum dwellers by 2010, and 220,000 other urban inhabitants;

▲ Increased access to credit for improved shelter and facilities to result in 7,500 houses by 2005 and 15,000 by 2010;

▲ Employment generated or conditions of work improved for 40,000 workers;

▲ Affordable serviced land and/or shelter for 100,000 inhabitants to prevent development of new slums.

Cities Alliance in Action: Citywide Slum Upgrading

A slum in Nouakchott's Arafat district.

orities and city growth. The government will clarify the responsibilities for all aspects of urban development among the central government, local governments, communities, and the private sector. Municipalities, particularly Nouakchott and Nouadhibou, and CBOs are expected to have a more active role in infrastructure planning and delivery. Increased government transfers to municipalities will strengthen their management and investment capacities and allow them to earmark funds to promote community and private sector involvement. Pilot CDS elaborated for Nouakchott, Nouadhibou, and Kaedi have been very successful and will be extended to other cities and the regional capitals.

international NGOs. The government plans to extend this programme to all poor areas.

The government's national urban strategy, built on priorities identified through participatory processes, has resulted in a ten-year urban development programme to support Mauritania's central and local governments in improving living conditions and generating employment in the country's main towns, especially in slums. The US$99 million programme, funded by the government, the World Bank, the African Development Bank, AfD and KfW, also aims to strengthen the institutional framework and capacity for urban and land management.

Basic urban structure plans and investment programmes have been completed for 13 cities, including Nouakchott and Nouadhibou, through a participatory process. These plans are expected to assist municipalities in identifying investment pri-

Vietnam

Slum Upgrading in Four Cities in Vietnam

Poverty in Vietnam has traditionally been considered as largely a rural phenomenon: the urban population in 2000 was estimated at 18 million, accounting for 23.5 percent of the total population. However, this figure is expected to increase to 46 million by 2020, largely as a result of the current rural-urban migration rate of some 3-4 percent per annum.

Rapid economic and urban growth has resulted in significant disparities, particularly uneven development of urban infrastructure and services which, in turn, has led to very poor housing and infrastructure provision for the urban poor.

Cities Alliance in Action: Citywide Slum Upgrading

The poor tend to settle in marginal urban areas, isolated from economic activities and with little infrastructure. On the urban periphery, makeshift private accommodation has been built without planning permission. Dwellings are often only one room, in very poor condition, and referred to colloquially as "rats' nests". In Ho Chi Minh City and Can Tho many poor have settled in the city centre, often alongside the city's canals, and have been targeted for clearance by the city authorities.

Haiphong slums

Many low-income neighbourhoods are characterised by such housing, compounded by poor drainage and regular flooding. Sanitation is a major concern, as many of the public toilets are dilapidated and unusable. Many inhabitants have no access to toilets and dispose of human waste into plastic bags or directly into rivers and canals.

Until the 1990s, housing was provided by the state to state employees. There was little emphasis on comprehensive urban planning, resulting in inadequate public utilities and sanitation in many cities. In 1991, the Housing Ordinance recognised private ownership of housing, which led to a housing boom. However, housing development has been dominated by production for the higher end of the market, leaving the poor to fend for themselves. The poor thus either continue to occupy dilapidated state housing, or rent, or squat on unoccupied land and build whatever form of shelter they can afford. Much of this housing is outside the planning and building control system and is usually not adequately serviced.

In 1998, the government produced a draft National Housing Strategy through 2010, which attempted to place housing within a coherent urban planning framework. Although the strategy is still in draft form, it has nevertheless prompted larger cities like Ho Chi Minh City and Haiphong to move ahead and develop their own housing programmes.

The Cities Alliance is supporting work being undertaken by the Ministry of Construction, with the World Bank, UN-HABITAT, UNDP, and a number of other Alliance partners working through the Urban Forum. The objective is to establish a national urban upgrading programme.

Cities Alliance in Action: Citywide Slum Upgrading

The Alliance is funding studies which include an assessment of constraints faced by the urban poor in housing and infrastructure; a review of recent and ongoing urban upgrading programmes in Vietnam and comparison with international best practices; the development of a national policy statement on the provision of shelter and access to basic infrastructure services for the urban poor; and the development of a detailed action plan for a selected city (Can Tho) based on the draft policy statement.

These studies are also being used by the Government in the preparation of a national upgrading programme, the first component of which will be supported by a proposed World Bank urban upgrading project covering the following four cities:

- Haiphong, a major port centre;

- Nam Dinh, one of the main urban centres in the high-density, low-income Red River Delta;

- Ho Chi Minh City, the largest city in the country, experiencing significant immigration; and

- Can Tho, the centre of trade for the Mekong Delta, experiencing strong growth in the manufacturing and tourism sectors.

Can Tho

Railroad track through Manila is lined with shacks housing tens of thousands of squatters. Metro Manila, Philippines, 1999.

Metro Manila

Going to Scale in Metro Manila

The failure to cope with rapid growth in Metro Manila, a megacity of more than 12 million people, has given rise to a host of problems on a mega-scale: polluted rivers, smog-choked air, and a proliferation of slums. Some 35 percent of the city's population, or 4 million people, are living in poverty and informal slum settlements, many of which serve as gateways to a continuous influx of poor rural migrants. The demand for services has simply overwhelmed the capacity of Metro Manila's 17 local governments.

The Asian Development Bank (ADB) is piloting new approaches for on-site urban upgrading and off-site relocation of informal settlers under the Japan Fund for Poverty Reduction (JFPR). Two innovative US$1 million grant-financed initiatives are underway: the first is in Payatas, Quezon City, site of the tragic garbage slide in 1999, where 525 families are undertaking a community-led urban upgrading programme assisted by the Vincentian Missionaries for Social Development. The second initiative is in Muntinlupa, along the heavily invaded Philippine National Railroad right-of-way, where 565 families are working with the Muntinlupa Development Foundation to voluntarily relocate to a safer, off-site location. Both efforts involve sustainable revolving funds, and will be replicated in surrounding communities over time. A third JFPR project aims to develop strategic private sector partnerships for urban poverty reduction in Metro Manila with Philippine Business for Social Progress. Once

approved, the programme will leverage US$8 million in assistance from JFPR and leading Philippine corporations for slum communities throughout the city, to include training, capacity-building, and the provision of revolving funds for financing home improvements, urban services, and microenterprise development.

These activities are providing important lessons in the design of a Metro Manila Urban Services for the Poor Project (MMUSP), which includes the formulation of a 15-year metro-wide urban upgrading strategy in keeping with the Cities Alliance Cities Without Slums action plan. ADB is assessing the feasibility of a proposed US$50 million loan in early 2003 for this project, part of a larger US$200 million urban upgrading programme. Under the proposed loan, ADB intends to invest in three integrated urban development subprojects on large tracts of vacant national government land, with the catalytic aim of triggering further investments. Consideration is also being given to further scale up these activities by local authorities, NGOs, the private sector, and the communities themselves on a broad, metro-wide scale under the umbrella of the Cities Alliance.

The Manila Services for the Poor Project (MMUSP) involves the formulation of a 15-year metro-wide urban upgrading strategy in keeping with the Cities Without Slums action plan.

Financial Services for the Urban Poor

From shacks on stilts in polluted waters in Brazil to tin-roofed mud shacks in slums in India, the poor are constructing their homes, one wall at a time. Faced with insecurity of tenure, the poor build tentatively and progressively. And even with tenure security, they build incrementally to match their uneven income streams. Yet, despite the fact that in so many developing cities around the world a majority of the population lives in slums – 60 percent of Nairobi's population, 82 percent of Lima's population – and that most housing is built informally and progressively, the poor lack access to financial institutions and to financial products tailored to the way they build.

In response to this problem, the Cities Alliance launched the Shelter Finance for the Poor Initiative to focus on an emerging and still very nascent practice of financial institutions providing housing loans to poor clients on commercially viable terms. These loans are distinct from mortgages in that they are typically not for the purchase or construction of new units, but rather for home improvement and progressive building. They are being offered as a new product line by a generation of financial institutions that built their success on providing working capital loans to the urban poor, and are now looking to expand and diversify their products to meet the needs and demands of their poor clientele.

The Cities Alliance launched this research initiative as a lateral learning partnership with five networks of finance and housing institutions: Accion International, Cooperative Housing Foundation, Frontier Finance, Plan International, and MEDA; and with six development agency partners: Inter-American Development Bank, USAID, The World Bank, the International Finance Corporation (IFC), the Urban Management Programme (UMP), and the Consultative Group to Assist the Poorest (CGAP). The three institutions analysed under this initiative include two banks – SEWA Bank of India and Mibanco of Peru – and FUNHAVI, an NGO in Mexico. Policy and regulatory constraints for housing finance for the poor in Kenya, and a government-supported second-tier finance facility in Ecuador were also analysed. The intent is that these findings, which will be disseminated widely, will advance best practices, inspire replication and adaptation, and increase the availability and affordability of shelter finance for the world's poorest households. For donor agencies looking to increase the access of the poor to credit and to support financial institutions in their efforts to reach out to this market, this initiative will have distilled a set of practices and recommendations. The Shelter Finance for the Poor initiative is funded by Cities Alliance, CGAP, IFC, and USAID.

Initial operational impacts

The Alliance's Shelter Finance Initiative has facilitated an informal network among practitioners and development agencies which is already having operational impacts:

■ Accion International is introducing or expanding housing products in an additional five institutions to increase the number of affiliated institutions involved in housing loans from 6 to 11, and to eventually introduce the product line throughout the 21 Latin American and African partner institutions in its network.

■ Housing micro-finance loans are being designed drawing directly on these findings in World Bank operations in Indonesia and the Philippines.

■ The Alliance and the IFC are exploring the potential of a shelter finance facility extending medium-term local capital loans to financial institutions engaged in housing finance for the poor.

■ Sweden's SIDA is reviewing its housing portfolio and is developing guiding principles and policies for its housing micro-finance operations.

Shelter Finance for the Poor: Lessons from Experience

Experiences and case studies analysed have already produced a number of lessons and raised critical questions for further exploration.

Findings to date:

▲ Shelter finance loans tend to be larger and have longer terms than microenterprise loans;

▲ MFIs do not rely on land title as a guarantee for progressive housing loans;

▲ Loans area largely made to individuals;

▲ Shelter finance loans carry lower interest rates than traditional microenterprise loans.

Outstanding issues for further analysis:

▲ The institutional and macroeconomic factors that enable MFIs to successfully introduce shelter finance;

▲ The level of construction assistance, if any, that should be provided by the MFI and how it should be priced;

▲ Locating sources of medium-term capital;

▲ Forms of tenure that can be used to increase access to shelter finance;

▲ Public-private partnerships for shelter finance delivery.

Community-Led Infrastructure Finance Facility

The Community-Led Infrastructure Finance Facility (CLIFF) is a new finance facility designed to increase the access of poor communities to medium-term sources of capital from the private and public sectors; the capital is used for urban shelter and associated infrastructure, such as access to water, energy, and sanitation facilities. CLIFF aims to support the scaling up of community-driven slum development, rehabilitation, and infrastructure initiatives, in partnership with local authorities and the private sector in poor towns and cities.

EMERGING EXPERIENCE CHALLENGES TRADITIONAL HOUSING FINANCE PARADIGMS	
Traditional Housing Finance Paradigm	**Emerging Experience**
■ Finance must be for a complete housing solution ■ Loans large enough for a complete housing solution (> $5,000) must be long-term and subsidized to be affordable for low-income households	■ Low-income households are accustomed to a "progressive building" process ■ "Progressive build" loans with market rates of interest can more easily be customized to households' capacity to repay ■ Financing "stages" of a project with multiple, shorter-term loans rather than one larger, longer-term loan reduces interest paid by the household and risk for the lender
■ The interest rate is the key factor in households' decision to borrow	■ Access to capital for housing investment, simplicity, flexibility, and speed of disbursal are the primary factors in households' decision to borrow. Interest rates are important, but secondary
■ Low-income "housing" finance follows a paradigm similar to the mortgage finance industry in North America	■ Low-income "housing" finance follows a paradigm similar to the micro-finance industry in many countries
■ Design, planning, and construction must be done by outside, technical experts to reduce the cost of the project and ensure the quality of construction	■ Households can manage portions of the technical process on their own and still achieve an acceptable level of quality ■ Households have a strong preference to make their own design decisions ■ Role for external technical expertise likely varies depending on the project and the household. Role is as a consultant ■ Primary role for outside expertise is in the design and costing phase
■ Investment in housing is "non-productive"	■ In many, though not all, cases housing investments directly generate additional income (e.g., rentals, additional space for home-based microenterprise)

Source: Shelter Finance for the Poor Series: Micasa: Financing the Progressive Construction of Low-Income Families' Homes at Mibanco.

Micasa clients improve and expand their homes progressively.

The CLIFF will:

- provide bridging loans, guarantees, and technical assistance, both local and international, to initiate medium-scale urban rehabilitation in cities in the developing world;

- work in partnership with CBOs and NGOs who have a track record in delivery of urban rehabilitation;

- seek to attract commercial, local, and public sector finance for further schemes, thus accelerating or scaling up the response to the challenge of urban renewal.

An initial financing contribution of US$10 million equivalent has been pledged by DFID, to be contributed over three years, of which approximately US$7.4 million equivalent will be for capital for a revolving loan facility. The balance will be for technical assistance, operating, and management costs. SIDA is considering becoming a co-financier, and USAID has expressed interest (for 2003) in making local currency guarantee funds available through its country pro-

grammes. The World Bank will participate with DFID and other donors in the facility's governance.

CLIFF will initially be introduced in India, where there is considerable relevant experience.

Activities for CLIFF will be implemented by Homeless International (HI), a UK-based NGO, and its Indian partners, Society for the Promotion of Area Resource Centres (SPARC) and the National Slum Dwellers Federation (NSDF). HI will make available

Mibanco, Micasa

With almost 70,000 active borrowers, Mibanco in Peru is one of the largest MFIs in Latin America. In mid-2000, Mibanco expanded its product offering to include Micasa, a "progressive build" housing loan product – that is, the loans are designed to help households finance projects to improve, expand, subdivide, rebuild, or replace elements of their homes, rather than purchase or build a new home.

The Micasa loan programme is very similar to Mibanco's successful microenterprise lending methodology, but with four important distinctions: Micasa loans carry a lower interest rate, allow for longer terms (up to 36 months), tend to be slightly larger in size than Mibanco's typical microenterprise loans, and are available not just to microentrepreneurs, but also to low-income, salaried employees, who are poorer than the microentrepreneur clients. Micasa loans average US$916 over 11 months. Borrowers are not required to have legal title in order to obtain a loan and the guarantees used are generally not mortgages, but more traditional microenterprise guarantees such as co-signers or household assets. Loan turnaround time averages three days for new clients and one day for repeat borrowers.

For Mibanco, the addition of the Micasa product has been very positive. After 12 months of operations, Mibanco has almost 3,000 Micasa clients and portfolio at risk greater than 30 days on the Micasa portfolio of 0.6 percent. Preliminary estimates suggest that Micasa broke even on a free-cash-flow basis, including the initial systems investment, within nine months and, if it continues at current levels, will generate a return on loan portfolio of between 7 and 9 percent, significantly higher than Mibanco's overall return on loan portfolio of 3.4 percent.

SEWA Bank and the Parivartan scheme

India's SEWA Bank was registered as a cooperative bank in May 1974. The bank's initial capital came from the contributions of approximately 4,000 members of the Self Employed Women's Association (SEWA), a Gujarat-based registered trade union of poor women established in 1972. As of January 31, 2002, SEWA Bank's total outstanding portfolio was US$2,274,866, of which US$913,086 (40 percent) was housing loans. The number of active loans stood at 9,129, of which 3,677 (40 percent) were housing loans. SEWA Bank is the only micro-finance provider of scale in Gujarat, and one of two institutions offering housing finance to economically active poor people in Gujarat. The bank offers savings and a wide range of loan products designed to meet the financing needs of its clientele. Secured loans are backed by assets, such as jewellery or a lien on the client's fixed deposits held at SEWA Bank. Unsecured loans are backed by a lien on the client's demand deposits with the bank and guarantors. SEWA Bank estimates that 50 percent of its portfolio is used for housing. SEWA is a profitable bank, and has been profitable over the past five years, with the exception of 2001, when the ratio dipped slightly below 100 percent; however, the ratio is on track to be above 100 percent again in 2002.

SEWA Bank is a key partner in implementing the Parivartan scheme, a slum upgrading programme. Parivartan is an alliance of SEWA Bank, the Ahmedabad Municipal Corporation (AMC), the Mahila Housing Trust, and other local NGOs, and deserves particular mention for its innovation and its potential contribution to strategies for slum upgrading worldwide. Through the Parivartan scheme, which provides for the installation of roads, electricity, and water, AMC provides US$170 per participating household for slum upgrading. Participating households must provide a counterpart contribution of US$43; they can either borrow this amount from SEWA or use SEWA Bank's facilities to save the required amount. SEWA Bank has used the Parivartan programme to expand its client base beyond existing SEWA Union members and sees it as an important source of future growth. Based on its performance, the Parivartan model is being scaled up throughout Ahmedabad, in a linked effort funded by the Cities Alliance.

US$2 million in loan guarantees through its existing community guarantee operation. SPARC, with the assistance of HI, will work with community-based slum dwellers organisations to prepare packages for bridge loans and loan guarantees, to be presented to technical review and investment boards. Projects in India will primarily be for sanitation (e.g., toilet buildings) and housing (slum community resettlement).

Illustrative CLIFF Activity

The Municipality awards contracts to community organisations or individual contractors selected by community organisers to implement sanitation projects in their settlements. Typically the facilities comprise 20 toilets, special facilities for children, a community hall that can be rented out, and accommodation for a resident caretaker. Each facility services 1000 people. The Municipality provides the cost of land and construction, and the community pays to use and maintain the facility. However, contractors are expected to provide a 10 percent bond and to prove that they can cover 10 to 25 percent of the start-up costs. This has proven to be a real constraint on community-based contractors who do not have access to this capital. They do get reimbursed at later stages.

In this case, CLIFF would provide a guarantee to the Municipality which can substitute for the performance bond and may be sufficient to release start-up capital, or cover the performance bond through a guarantee, and provide a bridge loan to the community contractors for the start-up costs, to be repaid when municipal funds get released. Such an approach has already been negotiated in Mumbai with UTI Bank, where a guarantee was provided to the Municipality for the performance bonds and start-up costs for the construction of 220 sanitation facilities in Mumbai by slum dwellers.

The CLIFF model

▲ A local facility (CLIFF) provides pump-priming loans to a local NGO or CBO undertaking an infrastructure project;

▲ A commercial bank will loan funds to the NGO/CBO, backed by a guarantee from Homeless International;

▲ The pump-priming loan is repaid in local currency to CLIFF, and the bank loan is repaid at the end of the community project (when municipal funds for the project are released), allowing the guarantee to be extended to new community projects requiring the same financing vehicles.

Learning and Knowledge Sharing

While learning and knowledge sharing take place within the framework of all Alliance activities, the Cities Alliance also supports a number of global and regional learning activities. During FY02 these included:

- **Sustainable Partnerships for City Development – Kolkata Public Policy Forum**

  Kolkata, December 2001

  The 2001 Public Policy Forum focused on strategies and partnerships for pro-poor city development. The forum was hosted by the Government of West Bengal, and organised by the Asian Coalition for Housing Rights (ACHR) and Slum/Shack Dwellers International, with the support of DFID and in collaboration with slum communities and NGOs of Kolkata and the Government of West Bengal. The forum brought together national and international experts, business leaders, governmental authorities, development agencies, NGOs, community organisations, slum dwellers, and members of civil society from 11 cities around India as well as 30 other countries. Among the key messages emerging from the forum were the need to forge partnerships between government and civil society, to tackle urban poverty on a citywide basis, and to include the poor in planning processes for sustainable city development. The National Slum Dwellers Federation and

Public Policy Forum participants hear from Kolkata slum dwellers.

Public Policy Forum, Kolkata, India.

Cities Alliance in Action: Learning and Knowledge Sharing

ACHR led a session on constructive responses to eviction, which underscored the message running throughout the forum, namely, the significance of secure tenure. The four-day event also featured site visits throughout Kolkata and a model housing exhibition.

- ## Cities Without Slums session at the World Urban Forum

   ### Nairobi, April-May 2002

   The Cities Alliance and UN-HABITAT jointly organised a session on Cities Without Slums at the inaugural World Urban Forum held this spring in Nairobi. Chaired by Somsook Boonyabancha and Jean Pierre Elong Mbassi, members of the Cities Alliance's Policy Advisory Board, the event included a presentation by the World Bank, based upon the results of a study financed by the Government of Norway, on the lessons learned in urban upgrading activities in ten African countries. The session also included a presentation by São Paulo's Housing Secretary describing his administration's strategies for citywide slum upgrading and by the Homeless People's Federation of Namibia on actions taken by poor communities themselves. The Alliance also supported the most lively event of the World Urban Forum, a discussion on strategies to replace evictions with negotiated resolutions and voluntary resettlement.

I am here on behalf of the slum dwellers of SDI and also on behalf of all the slum dwellers of the world to stand and say – we are here to begin with a new partnership...Today we are standing here after completing of more than 50,000 houses right from South Africa, Zimbabwe, Namibia, India, Cambodia, Thailand, etc. Beyond our own strength we are building. We have already saved; our women have saved more than US$50 million worth savings in our own slum settlements....So we have come here as a group to say - we have strategies developed. We know how to deal with the cities. We have dealt with the city authorities. We have developed our own infrastructure for liasoning. We know what kind of improvement we need in the slums. Is there anybody in the world who can think about City Without Slums without the participation of the slum dweller? No, No, it is NOT possible. That is what you have seen in past years. We want all slum dwellers to participate in this process. Every time people think if the slum dweller comes we are coming here to beg. Certainly not. We are not come here to beg. Let's sit together. Slum dweller, the city authority and the bilateral...You need to have a partnership. We will have a strategy we develop, we are the resource, we are the assets.

Jockin Arputham, President, Slum Dwellers International (SDI), World Urban Forum, Nairobi, 29 April 2002.

Cities Alliance in Action: Learning and Knowledge Sharing

Fishermen attracted back to Ribeira Azul's bay as upgrading moves forward. Salvador de Bahia, Brazil.

- **Shelter Finance for the Urban Poor: Experiences and Innovations**

  Washington, D.C., April-May 2002

  In collaboration with the World Bank's research programme on "Low Income Housing and Land Strategies", the Cities Alliance hosted two seminars on the respective experiences of Mibanco in Peru and Funhavi in Mexico in providing housing finance for the poor. Both case studies have been documented as part of the Cities Alliance's Shelter Finance for the Poor Initiative and are two in a series of studies on this topic that will be disseminated in the third quarter of 2002. Other studies examine the experience of SEWA Bank in India, a wholesale finance facility in Ecuador, and the policy and regulatory constraints to shelter finance in Kenya. A synthesis of all the case studies, which

  will offer policy recommendations for governments and donors, is also being prepared. These outputs are being finalised for dissemination through publication of the CIVIS series, chapters of a book financed by Fannie Mae and USAID, incorporation in training programmes for finance practitioners, web access, and workshops.

- **Secure Tenure for the Urban Poor – Round Table Discussion**

  Washington, D.C., May 2002

  As part of ongoing international efforts to meet the Cities Without Slums Millennium Development Target, the Cities Alliance hosted a round table on secure tenure – one of the two indicators adopted by the United Nations to measure implementation of this target. Convened by World Bank Managing Director Mamphela Ramphele and

Executive Director of UN-HABITAT, Anna Tibaijuka, the round table heard presentations by four prominent members of the International Research Group on Law and Urban Space (IRGLUS): Alain Durand-Lasserve, Edesio Fernandes, Geoffrey Payne, and Martim Smolka. In addressing secure tenure, the panelists highlighted the importance of a range of options that exist as alternatives to formal property rights and the granting of title – options that provide the protection of due legal process as well as the opportunity to build economic assets, both essential elements of urban poverty reduction strategies. The presentations were based on case studies from different parts of the world, highlighting innovative tenure options for the urban poor that have already been implemented.

■   **Towards Productive and Inclusive Cities: the Role of City Development Strategies - International Seminar**

Santo André, Brazil, June 2002

More than 300 participants from local governments, universities, research institutes, civil society, and international organisations gathered for two days of intense discussions on the changing perspectives on local and regional development. The CDS experiences of seven cities were systematically compared and evaluated. Two years in the making, these CDS exercises were carried out by UN-HABITAT and UMP, with World Bank funding through the City Alliance. The experiences of Santo André, Brazil, Cuenca, Ecuador, and

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Elements of a tenure regularisation policy

While local conditions need to determine final policy choices, the following steps should be considered:

▲   Prioritise occupancy rights, and security of tenure;

▲   Promote records of land rights (including use rights) at local level, involving concerned communities;

▲   Develop appropriate regulatory frameworks for the regularisation of existing settlements and the development of new settlements for the urban poor;

▲   Promote a wide range of tenure options to respond to the diversity of needs within the broader community;

▲   Implement upgrading incrementally in order to limit the effects of formal market pressure, and market evictions on informal settlements.

Johannesburg, South Africa were presented by city officials and then discussed among local, national, and international organisations. Discussions were enriched by bringing in the experiences of Milan, Italy, Barcelona, Spain, and Los Angeles, USA in participatory strategic planning. A lively debate on the role of municipal governments in a local economic development strategy to reduce poverty was complemented by a discussion on how to scale up local development strategies through capacity-building, research, and evaluation. In the closing session, participants elaborated on the role of local and global partnerships in creating more inclusive and productive cities. The results of this

Cities Alliance in Action: Learning and Knowledge Sharing

Guarapiranga, Brazil

event and the role of CDS will be published in a special edition of the Brazilian business magazine *Livre Mercado*. In addition, a publication of the seminar proceedings and all of the papers presented is under preparation. The event was organised jointly by the Agency for the Economic Development of the Greater ABC Area, Brazil; UN-HABITAT; UMP; and the Cities Alliance.

■ **Slum Upgrading Course**
Cambridge, Massachusetts, U.S.A., June 2002

The Cities Alliance joined forces with the Massachusetts Institute of Technology (MIT) in presenting a week-long course on slum upgrading, covering key issues such as land acquisition, tenure policies, and sustainable financing. Participants included local partners from Alliance supported slum upgrading activities in Brazil, Mexico, India, South Africa, Cambodia, Vietnam, Philippines, and Madagascar. In addition to formal coursework, participants made informal presentations on slum upgrading issues from their respective

cities. The course is part of a wider initiative currently being explored which seeks to marshal the intellectual and institutional resources of universities and practitioners in different parts of the world to strengthen the local knowledge base and build the cadre of experts needed to implement citywide and nationwide slum upgrading.

■ **Addressing Urban Poverty: East Asian Responses**
Singapore, June, 2002

Mayors and senior local and national government officials from six East Asian countries (Cambodia, China, Indonesia, Mongolia, the Philippines, and Vietnam) joined World Bank urban staff for an Urban Poverty Learning Workshop in Singapore in June. The workshop was organised jointly by the World Bank and Singapore's Ministry of Foreign Affairs to exchange experiences and ideas on tackling urban poverty and discuss the public interventions that have worked. Four particular areas emerged as central to the reduction of urban poverty: local economic development for economic growth and job generation; land management for providing security of tenure and improving infrastructure services; social security for supporting access to social services; and municipal capacity-building for good governance and the elimination of corruption. These issues were examined from varying perspectives, including those of national governments, cities, and international donor agencies and development partners.

■ **Addressing CDS
Knowledge Gaps**

The Cities Alliance is supporting the development of a CDS interactive website to provide a platform for knowledge sharing and to facilitate further CDS tool development. This CDS website is being developed with local authority organisations to generate and disseminate this information through their networks. A working group of the local authority members of the Alliance has been established to facilitate this process and to guide the International City Managers Association (ICMA) which is developing the pilot phase of this effort.

■ **Building National
and Regional Capacities**

To help institutionalise the monitoring and evaluation of CDS and upgrading initiatives, the Cities Alliance is encouraging the engagement of universities and urban institutes in the countries and regions where it is active. The University of São Paulo, for example, has proposed to organise a partnership of local and national Brazilian institu-

tions and other actors to document and disseminate knowledge on projects, experiences, standards, and research findings on low-income housing and slum upgrading. This information will be maintained in Portuguese on a Cities Alliance website for Brazil. This will benefit the university's courses on slum upgrading, which are currently being expanded, as well as the scaling up efforts which are underway in Brazil. Alliance-supported CDS activities in China and Indonesia have similar strategies to take advantage of the in-depth knowledge of local universities while helping them to build their curriculum and train the cadre of experts who will be needed to sustain these initiatives. The Alliance is also establishing a partnership with the Arab Urban Development Institute (AUDI) to help strengthen city-to-city learning from the regional knowledge and analyses of successful slum upgrading and CDS experiences in the Middle East and North Africa region.

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.

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. Prospective financial contributors may serve as Associate Members for a period agreed to by the Consultative Group. The Consultative Group is co-chaired by the Vice President, Private Sector Development and Infrastructure, the World Bank; and the Executive Director, UN-HABITAT.

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, review of application guidelines and approval of Cities Alliance Vision statement.

- Rome, December 2000: second Public Policy Forum on "Local Partnerships: Moving to Scale", 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", review of procedures for the independent evaluation of the Cities Alliance, and approval of 2002 work programme.

Consultative Group Members — June 2002*

Local Authorities
- International Union of Local Authorities ■ Metropolis ■ World Federation of United Cities
- World Associations of Cities and Local Authorities Coordination

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

Multi-lateral organisations
- Asian Development Bank ■ UN-HABITAT ■ World Bank

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* Associate members that have attended meetings of the Consultative Group include: the African Development Bank, Austria, Denmark, the European Commission, Finland, Spain, the United Nations Development Programme, UNICEF and the International Labour Organization.

Organisation

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 America and the Caribbean, and one from the North). The board's two remaining members will be nominated by the Consultative Group from the Arab States and Eastern Europe.

Policy Advisory Board members, Sheela Patel and Somsook Boonyabancha in Kolkata

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 December 2001, the Policy Advisory Board took part in both the Public Policy Forum and the Consultative Group meeting in Kolkata. During this meeting, board members challenged the Alliance to move into innovative operations on the frontier of development cooperation. The two members of the board from Asia took the lead in organising the 2001 Public Policy Forum, which brought together participants from 11 cities around India and 30 other countries, including government officials, national and international experts, NGOs, slum dwellers, and members of civil society.

Policy Advisory Board Members — June 2002

The board brings together civic leaders and policy advisors with a formidable range of expertise in both the public and private sectors which 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 world-wide.

Somsook Boonyabancha is Director of the Community Organisations 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, Thailand.

Mary Houghton is President and Director of Shorebank Corporation in Chicago, USA, a US$1.1 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.

Organisation

Akin L. Mabogunje is Executive Chairman of the Development Policy Centre, Ibadan, 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 is 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 is 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 community-based organisations of the urban poor and the promotion of women's savings and credit schemes as a means to community mobilisation.

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

Secretariat

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

Secretariat Staff — June 2002

Manager, **Mark Hildebrand**

Senior Urban Finance Advisor, **Mohini Malhotra**

Senior Urban Upgrading Advisor, **William Cobbett**

Senior CDS Advisor, **Peter Palesch**

Programme Analyst, **Andrea Merrick**

Resource Management Officer, **Kevin Milroy**

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

Programme Assistant, **Karen Burke**

Regional Advisors

Latin America and the Caribbean, **Ivo Imparato**

South Asia, **Alison Barrett**

Financials

Scaling up to Meet Financial Targets

The Cities Alliance met its initial three-year funding target of US$40 million during FY02, with US$42 committed as of June 2002.

The Alliance is now mobilising for the goal of US$115 million in grant support, which is targeted in the Cities Without Slums Action Plan for the 2000-2005 period. Meeting this goal will require bridging a financial gap of US$25 million per year over the next three years.

To provide more options for Alliance members to expand and leverage their commitments towards the Action Plan goals, Alliance members are considering the establishment of more open and flexible mechanisms and facilities. The Community-Led Infrastructure Finance Facility (CLIFF) is the first of these facilities approved by the Consultative Group in FY02. Such facilities

are particularly needed in regions where the process of decentralisation – and thus the capacity of cities and civic groups to partner in the development process – is less advanced.

In response to this need, a Sub-Saharan Africa Facility has been proposed by Norway to support the efforts of partners in the region (national and local authorities, civil society) to design and implement programmes of action and to set local targets as part of the Cities Without Slums initiative. This facility would provide Alliance members with an efficient vehicle for earmarking assistance within the framework of the Alliance's existing strategic approach, work programming, governance, administration, and reporting protocols. Preliminary discussions are also underway on a facility to assist towns and cities in the Middle East and North Africa region to carry out CDS.

Progress in Meeting Cities Without Slums Grant Assistance Targets

Legend:
- CWS Action Plan 6-Year Target
- Cities Alliance Commitments to Date
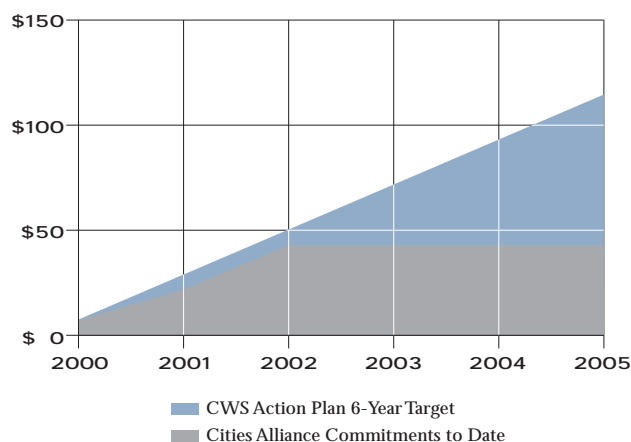
2000-2005 Targets:	US$115 million in grant assistance
Cities Alliance Commitments to Date*:	US$42 million

* Includes Italy's US$5.0 million non-core contribution to the Salvador, Bahia, Brazil slum upgrading initiative, and the U.K.'s US$10 million non-core contribution for CLIFF.

SOURCES OF FUNDS FY00-FY02 (Unaudited)
(U.S. dollars as of 30 June 2002)*

Summary	Pledges	Paid-In
Core Funding	18,400,000	9,872,053
Non-Core Funding	18,312,000	2,624,714
Secretariat Funding	5,295,000	4,172,152
Total Funding	**42,007,000**	**16,668,919**

Core Funding	Pledges	Duration	Paid In**
Asian Dev. Bank	250,000	2002	0
Canada	500,000	2000-2001	502,717
France	500,000	2000, 2002	243,184
Germany	1,000,000	2000-2003	373,233
Italy	950,000	2000-2002	713,207
Japan ***	1,750,000	2000-2002	1,500,000
The Netherlands	2,250,000	2000-2002	2,250,000
Norway	750,000	2000-2002	499,215
Sweden	1,250,000	2000-2004	468,063
United Kingdom	6,000,000	2000-2005	2,072,434
United States	750,000	2000-2002	500,000
World Bank	2,450,000	2002-2003	750,000
Total Core	**18,400,000**		**9,872,053**

Secretariat Funding****			
World Bank	2,950,000	2000-2002	2,950,000
UN-HABITAT	1,107,000	2000-2003	772,152
Other	1,238,000	2001-2005	450,000
Total	**5,295,000**		**4,172,152**

Non Core Funding*****			
Asian Dev. Bank	420,000	2002	0
Italy	5,475,000	2001-2003	1,424,714
Japan	1,250,000	2000-2002	500,000
United Kingdom	10,467,000	2001-2005	0
World Bank	700,000	2001	700,000
Total Non-Core	**18,312,000**		**2,624,714**

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

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

***   *Japan's FY00 included $750,000 earmarked for Asian CDS activities, but this contribution is reflected here as part of Core Funding since the funds were programmed as part of the regular CoreWork Program development.*

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

*****   *Non-Core funding is earmarked for specific region or type of activity. Italy earmarked $5,000,000 for Salvador, Bahia, Brazil slum upgrading programme (including $2,500,000 for technical assistance) and $475,000 for Latin America and Caribbean activities; Japan for Asian CDS networking activities; DFID $10,000,000 for CLIFF, $400,000 for China CDS, and $67,000 for Kolkata PPF; and World Bank $700,000 (FY01) for United Nations partnerships. The ADB's Non-Core funding will be administered by the ADB as a parallel contribution.*

Financials

USES OF FUNDS FY00-FY02 (Unaudited)
(U.S. dollars as of 30 June 2002)

Summary	FY02		Cumulative	
	Allocations	**Disbursements**	**Allocations**	**Disbursements**
Core Activities	3,941,850	3,134,003	12,509,150	5,291,060
Non-Core Activities	10,967,000	617,995	17,142,000	1,747,247
Secretariat	1,543,000	1,656,562	4,210,000	4,155,562
Total Uses of Funds	**16,451,850**	**5,408,560**	**33,861,150**	**11,193,869**

Approvals by Type of Activity	FY02		Cumulative	
	Core Funds	**Non-Core Funds**	**Core Funds**	**Non-Core Funds**
City Development Strategies	1,701,785	900,000	3,921,585	1,600,000
Scaling up Upgrading	1,865,065	10,000,000	4,989,065	15,000,000
Both CDS & Upgrading	375,000	67,000	3,598,500	542,000
Total Approved Grants	**3,941,850**	**10,967,000**	**12,509,150**	**17,142,000**

Approvals by Region	FY02		Cumulative	
	Core Funds	**Non-Core Funds**	**Core Funds**	**Non-Core Funds**
Sub-Saharan Africa	1,364,640	0	2,786,640	0
Asia	1,135,065	900,000	4,163,065	1,150,000
E. Europe & C. Asia	0	0	399,800	0
Latin America & Caribbean	917,145	0	2,615,645	5,475,000
M. East & N. Africa	150,000	0	575,000	0
Global/ Multi-Regional	375,000	10,067,000	1,969,000	10,517,000
Total Approved Grants	**3,941,850**	**10,967,000**	**12,509,150**	**17,142,000**

Secretariat Expenditures	FY02	FY01	FY00	Cumulative
Operational:				
Secretariat Staff	625,295	527,215	196,000	1,348,510
Consultants, Other Labour	70,819	104,000	219,000	393,819
Travel	208,708	117,000	121,000	446,708
Other Costs	71,926	72,000	390,000	533,926
Sub-Total	976,748	820,215	926,000	2,722,963
Management & Administration:				
Secretariat Staff	533,784	428,785	297,000	1,259,569
Rent, Computing, Other Costs*	146,030	7,000	20,000	173,030
Sub-Total	679,814	435,785	317,000	1,432,599
Total Secretariat Costs	**1,656,562**	**1,256,000**	**1,243,000**	**4,155,562**

* FY01 and FY00 rent and computing costs were incorporated as part of staff payroll costs.

Financials

APPROVED PARTNERSHIP ALLOCATIONS
(U.S. dollars as of 30 June 2002)

	Allocation Amount (US$)	Start Date	Country	Activity Title
SUB-SAHARAN AFRICA REGION				
FY02	380,640	finalising agreement	Burkina Faso	CDS and Local PRSPs for the Local Governments of Bobo-Dioulasso, Banfora and Ouahigouya
FY02	249,000	Jun-02	Ethiopia	Addis Ababa CDS
	0	cancelled	Kenya	Nairobi CDS and Upgrading of Informal Settlements
FY02	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
FY02	495,000	Jul-02	Mozambique	Slum Upgrading and Vulnerability Reduction in Flood Prone Cities/Towns in Mozambique
	254,000	Nov-00	Nigeria	Scaling up Upgrading through a CDS Approach in Karu
	100,000	completed Oct-01	Regional	Regional Roundtable on Upgrading Low Income Settlements in 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

Financials

Allocation Amount (US$)	Start Date	Country	Activity Title
ASIA REGION			
FY02 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
0	cancelled Jan-02	Bangladesh	Khulna: Options for Sustainable Upgrading
185,000	Mar-01	Cambodia	Scaling up Community-Driven Development Process in Phnom Penh
500,000	Oct-00	China	Metropolitan Level CDS in One Major City-Region and One Provincial Capital
250,000	Jun-01	China	Changsha City-Region, Giuyang and Shengyan City Development Strategies: Urban Indicators Project
FY02 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
FY02 150,000	Mar-02	India	Citywide Scaling Up of Slum Upgrading (Ahmedabad)
FY02 387,000	finalising agreement	India	Creating Community Federations for Urban Partnerships (Orissa)
FY02 98,065	finalising agreement	India	Improving Access of Poor to Basic Urban Services in the Ludhiana Municipal Corporation
30,000	completed Mar-01	Indonesia	Proposal Preparation: Poverty-focused CDSs
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	Apr-01	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
300,000	Apr-01	Vietnam	Enhancing Access of the Urban Poor and Vulnerable Groups to Basic Infrastructure and Housing

Financials

	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	Jun-01	Bulgaria	Sofia CDS - Phase II
LATIN AMERICA & CARIBBEAN REGION				
FY02	195,000	finalising agreement	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
FY02	300,000	Jun-02	Brazil	"Bairro Legal" Program (São Paulo)
FY02	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	Sep-00	Central America	Regional Coordination towards a Sustained Programme for Upgrading
	320,000	Mar-01	El Salvador	Improving Execution Capacity for Urban Upgrading Program in Metropolitan Area of San Salvador
FY02	256,445	finalising agreement	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

Financials

Allocation Amount (US$)	Start Date	Country	Activity Title

MIDDLE EAST & NORTH AFRICA REGION

	Allocation Amount (US$)	Start Date	Country	Activity Title
	130,000	Sep-00	Egypt	Upgrading Informal Areas in Ismailia Governorate
	295,000	Aug-01	Morocco	Upgrading Project for the Koraat Sbaa Neighborhood in Tetouan
FY02	150,000	Feb-02	Yemen	Aden Medium to Long-Term CDS for Local Economic Development

GLOBAL & MULTI-REGIONAL ACTIVITIES

	Allocation Amount (US$)	Start Date	Country	Activity Title
	500,000	Sep-01	Global	Pro-Poor Slum Upgrading Frameworks in India, the Philippines and South Africa
	210,000	Jun-01	Global	Housing Finance for the Poor — Innovations and Good Practices from the Field
	450,000	May-01	Global	Consolidation of the Experience from Seven City Development Strategies of the UMP
FY02	10,000,000	finalising agreement	Global	The Development of the Community-Led Infrastructure Finance Facility (CLIFF)
FY02	195,000	Nov-01	Global	Cities Alliance Independent Evaluation
	50,000	Mar-00	Global	Urban Indicators Linkages
	150,000	Mar-00	Global	Preparatory Assistance Fund
	99,000	Mar-00	Global	Knowledge Dissemination (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
	212,000	Jun-00	Global	CG/PPF Meetings
	70,000	May-01	Global	Policy Advisory Board Meetings
	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
	20,000	Jun-00	Global	Technical Peer Reviews
	300,000	Mar-01	Regional	Regional Action Plans

29,651,150			**TOTAL APPROVED ALLOCATIONS**

Acronyms

ADB	Asian Development Bank	HIPC	Heavily Indebted Poor Countries
AfD	Agence française de développement [French Development Agency]	IFC	International Finance Corporation
CBO	community-based organisation	KfW	Kreditanstalt für Wiederaufbau [German Development Bank]
CDS	city development strategies	MFI	micro-finance institutions
CGAP	Consultative Group to Assist the Poorest	NGO	non-governmental organisation
		PRSP	Poverty Reduction Strategy Paper
CLIFF	Community-Led Infrastructure Finance Facility	SEWA	Self-Employed Women's Association
DFID	Department for International Development [UK]	UMP	Urban Management Programme
		UN	United Nations
EU	European Union	UN-HABITAT	United Nations Human Settlements Programme
FAO	Food and Agriculture Organization of the United Nations	UNDP	United Nations Development Programme
GIS	geographic information system		
GTZ	Gesellschaft für Technische Zusammenarbeit [German Agency for Technical Co-operation]	USAID	U.S. Agency for International Development

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