

## LATIN AMERICA AND THE CARIBBEAN

A few years ago, Latin America and the Caribbean was in economic crisis; however, since 2002 a noticeable recovery has taken place, with the region emerging from negative economic growth in 2002 to a modest 1.9 per cent in 2003 and exceeding five per cent in 2004. Nevertheless, many significant concerns persist: an unfavourable investment climate has led to low levels of new investment, unemployment rates have declined slightly despite the growth, huge inequalities remain and widespread disaffection with many social policies continues.

There is also a mixed message in relation to the region's progress towards achieving the MDGs. A number of countries, including Brazil, Mexico, Panama and Uruguay, made progress in reducing extreme poverty in 2004, whereas Argentina and

Venezuela both posted levels higher than in 1990.<sup>9</sup> It is worrying that the countries in the region with the most extreme poverty are those making the least progress.

In addition, most indicators show considerable environmental degradation in the region, particularly through the loss of forests and biodiversity, an increase in air pollution and the growth of slums in urban areas. The total urban population living in slums fell from 35.4 per cent in 1990 to 31.9 per cent in 2001, but the same period saw a significant increase in the number of people living in cities, thereby driving the number of slum dwellers up from 111 million to 127 million.<sup>10</sup>

The total urban population living in slums fell from 35.4 per cent in 1990 to 31.9 per cent in 2001, but the same period saw a significant increase in the number of people living in cities, thereby driving the number of slum dwellers up from 111 million to 127 million.



Aerial view of São Paulo, Brazil

<sup>10</sup> Economic Commission for Latin America and the Caribbean, *The Millennium Development Goals: A Latin American and Caribbean Perspective*, Fact Sheet, Santiago: Economic Commission for Latin America and the Caribbean, 2004.

<sup>11</sup> Ibid.

Latin America and the Caribbean continues to be a strong region for the Cities Alliance, primarily because of the large number of activities members are supporting in Brazil. As illustrated in the box below, the outcomes have also been impressive.

The Cities Alliance will continue to develop its portfolio in Brazil at the local, state and federal levels while also strengthening its relationship with existing partners like Chile, Colombia, Peru and Jamaica and exploring new possibilities with countries such as Argentina, Guatemala and Panama.

### MAJOR WORLD BANK SUPPORT FOR BRAZIL'S HOUSING SECTOR REFORM

The Brazil Programmatic Loan for Sustainable and Equitable Growth: Housing Sector Reform was approved by the World Bank's Board of Executive Directors on June 14, 2005. The US\$502.5 million loan supports a major reform agenda in the housing sector in four major components: (i) institutional strengthening; (ii) subsidy policy; (iii) housing finance markets; and (iv) land markets and land policy. The overall impact of the programme will be felt in increased access to housing finance, release of private savings which have been tied up in excessive down payments, high housing costs, and improved competitiveness among financial agents. It will also impact fiscal sustainability by improving the targeting and transparency of housing subsidies, and by increasing coordination with local governments and private agents.

The loan, the first of a package of four loans over four years, represents a major step in the commitment of the Brazilian government to improve the policy framework for the sector. Cities Alliance has been a key partner in the dialogue the Bank has entertained with the Brazilian officials, in terms of funding important pieces of analytical work, and constant assistance through the office in São Paulo.

*Mila Freire, World Bank.*



With approximately 8 million inhabitants, Metropolitan Lima, the capital of Peru, is home to one-third of Peru's population and 42 per cent of the country's poor. Lima is the country's economic, political and administrative centre, and accounts for 43 per cent of GDP and 75 per cent of industrial production. Nevertheless, in 2000, half the population of Lima lived in poverty and two-thirds were either underemployed or unemployed. Adding to the problem, population growth in Lima has been significant in recent decades, initially because of migration from rural areas, but more recently because of internal economic growth.

The 3,000-square kilometre metropolitan area is governed by a complex institutional framework. It is divided into 43 district municipalities, each with its own elected municipal authorities, mayor and municipal council. The metropolitan mayor is elected by a citywide election and has jurisdiction over the entire metropolitan region.

In recent years, in line with the return of democracy, the government has embarked on a programme of political and fiscal decentralisation. The decentralisation process aims to improve service delivery, enhance accountability and improve transparency in public institutions. The decentralisation efforts have been linked to participatory democracy-building processes, particularly the *mesas de concertación*, roundtables for participatory governance, where local stakeholders come together to discuss, debate and agree on proposals for the development of their own community, district or city. The impact of the *mesas* on policy and governance has been ambiguous, although a number of examples of good practice are available.

To bring more technical rigour to the participatory approaches of the *mesas* and to link democracy-building to actionable policy measures and investment, the Metropolitan Municipality of Lima, with the support of the World Bank and GTZ, in 2003 initiated a process to develop a City

Poverty Reduction Strategy, generally known as “*Construyamos el Futuro*,” based on a Future Vision through 2021. The strategy relies on technical sector analysis, primary data collection and analysis and participation by public, private and community stakeholders to crystallize a long-term and sustainable vision for improving the living standards of Lima’s poor. The strategy comprises the following five steps:

- Preparation of a poverty diagnosis based on technical studies and indicators for poverty reduction;
- Development of a shared vision on desired poverty reduction goals reached by means of a participatory process that includes making use of existing roundtables at the metropolitan and cone levels;
- Agreement on priorities for public-private actions focused on poverty reduction;
- Identification of resources needed, including those available within the metropolitan region, and those that have to be mobilised from external sources;
- Identification of changes in the institutional framework needed for more effective policies and programmes.

The objectives are to define approaches for Lima to successfully reposition, reorganise and democratise itself, to comprehensively address its lack of competitiveness, high unemployment, poor provision of basic services (health, education, housing, transport, water and sanitation and solid waste), inadequate security for its citizens and environmental degradation.

The process began by identifying the challenges, which were summarised as:

- The excessive centralisation of political and economic power in the capital;
- The ethnic segregation and racial discrimination between those from the mountainous regions and those from the coastal areas along social and residential lines;
- The crisis in the city’s ecological system (rural, marine and urban), degradation of natural



Digital Satellite view of North of Lima Metropolitan

resources, soil contamination, air and water pollution, and of the beaches.

- The urban sprawl that makes water provision, sewage systems, transport and solid waste services either impossible or too expensive;
- Poor security situation resulting from the city’s high rates of urban and domestic violence;
- Political crisis in the national government which directly affects the metropolitan area’s municipal management;
- The presence of two regional governments in the Lima-Callao metropolitan area, which constitutes a single economic and ecological system.

The process to shape the vision and the strategy started with a consultation process between the municipalities, civil society organisations (mainly grassroots social organisations, committees for coordinated poverty reduction and NGOs) and the business sector, as well as higher education institutions. A number of analytical studies on priority issues were produced and used as inputs for articulating the vision and the preliminary strategy. They also defined indicators for monitoring and evaluating the strategy.

Workshops with business people, civil society and the mayors were held in 2003–2004. The results of the workshops were used to articulate the preliminary version of the vision for future Lima. Some NGOs and Committees for Coordi-

nated Poverty Reduction in Metropolitan Lima, such as soup kitchens, “glass of milk” programme committees, neighbourhood organisations, micro- and small-enterprise organisations have tested various proposals.

The final step will be to draft a proposal containing the institutional strategies and conditions that will ensure the sustainability of the strategy to fulfill the vision. The draft will also identify the public, private, and community institutions that will be responsible for monitoring and evaluating the strategy. The vision and the strategy will be disseminated to civil society and institutions to create public awareness and build their legitimacy.

Lessons learned from the process so far include:

- The poor and the owners of micro and small enterprises have a strong desire to be involved;
- The large number and diversity of municipal authorities have resulted in coordination and governance problems;
- The largest problem facing the country as a whole is the lack of governance and this overshadows problems relating to the poor quality of public services;
- The city lacks institutions to train leaders and more emphasis must be placed on training different actors in governance issues;
- The academic community has yet to participate in the process, foregoing the benefits of the intellectual and scientific rigour they could have brought to it.

*Manuel Castro Boca, Executive Director, Lima City Strategy Project.*



## HOUSING POLICY OF THE MUNICIPALITY OF SÃO PAULO

In São Paulo, a significant part of the population of 10.4 million people lives in precarious housing conditions—tenements, slums and irregular settlements. The Housing Policy of the Municipality of São Paulo is focused on four key action areas:

- Urban slum upgrading and land/property tenure regularisation for both slums (*favelas*) and irregular settlements (*loteamentos*);
- Inner-city regeneration to provide more suitable space for housing;
- Rehabilitation of environmental protection areas; and
- Upscaling of the relevant official administrative, technical and supervisory procedures in order to ensure improved services for the population of São Paulo.

The policy developed by the Municipal Housing Department of São Paulo (SEHAB), seeks to reduce the housing deficit by facilitating the delivery of new housing units and restoring existing social housing, thereby generating local employment and sustainable local development. SEHAB’s other major aim is to incorporate into the city the thousands of people living in precarious circumstances.

In order to execute such policies, the city of São Paulo currently possesses a range of juridical and legal instruments used to implement the city’s Strategic Housing Plan. Approval of the Strategic Master Plan (in 2002), together with the Strategic Regional Plans (in 2004), and the range of new tools now available to municipal managers, herald a completely new phase in the conduct of Municipal policy.

Among the prime objectives and guidelines of the Strategic Master Plan is the need to secure maximum economic, urban and land-use benefits from existing infrastructure and assets, thereby also ensuring the best possible use of Municipal funds. This involves improving the housing of low-income families in coordination with other

social policies. Thus, physical and security-of-tenure regularisation of ‘consolidated settlements’ will be prioritised, together with interventions in degraded areas where human life is at risk, while working with the local populations and their organisations.

São Paulo’s housing problems are all too well-known: the major issues to be confronted are slum upgrading, eradicating areas at risk, regularising the urban and land/property title situations of irregular settlements, improving living conditions in the tenements and making new accommodation available, above all for those families earning only between one to three minimum salaries.

SEHAB has developed programmes of slum upgrading and regularisation of clandestine and irregular settlements. These aim at improving the living conditions of families living in makeshift accommodations. Such infrastructural programmes consist, for example, of laying and paving roads, installing water and sewage networks, building public squares and basic sports facilities and ensuring access to public services and public community facilities such as schools, health posts and public transport. All programmes are undertaken within the context of land and home ownership regularisation, an initiative that will give the occupants of these areas the opportunity to obtain proper title.

At the same time, the Municipality of São Paulo owns a huge property-based asset in need of restoration and repair. An urgent programme is needed to stem the deterioration of the respective

buildings as well as to ensure that debts are collected—currently, some 80 per cent of families are seriously behind on their payments to the Municipality.

A campaign of debt recovery, restoration and recuperation of public housing assets was recently initiated, based on a range of integrated activities, and helping families living in publicly-owned buildings to organise themselves in groups to secure ownership of their own homes and preserve them. These activities are being implemented jointly with other sectors and government entities, principally those concerned with sanitation, education and law and order. Debt recovery and rescuing public properties amalgamates two key principles of an over-arching housing policy: the improvement of actual dwelling spaces, together with the creation of a revolving fund to invest in further activities.

The main target of the new administration is to introduce management, monitoring and evaluation mechanisms to oversee the policies implemented and to make it possible to adapt these whenever particular policies fail to produce the required results.

### *São Paulo’s partnership with the Cities Alliance*

The city of São Paulo is totally committed to meeting the “Cities without Slums” UN Millennium Development Goal and, between 2001 and 2004, developed its first project with the Cities Alliance,

Indicators	Favela (1)	Irregular settlement(2)	Tenement (3)	Street dweller (4)
Population	1,160,597	1,597,986	117,167	8,706
Dwellings	291,983	439,412	44,550	3,212
Habitant/Dwelling	3.97	3.67	2.63	2.71
Average income (Minimum Salary)	1.80 <sup>5</sup>	3.48 <sup>6</sup>	n/a	n/a
Average Density (inhabitants/hectare)	380	132	n/a	n/a

(1) Centro de Estudos Metropolitanos (CEM) / SEHAB/HABI—Calculated on basis of 2000 IBGE Census and PMSP digitalised cartographic base.

(2) Refers to total universe of irregular settlements, according to calculations by the Centro de Estudos Metropolitanos (CEM)/ Centro Brasileiro de Análise e Planejamento (CEBRAP) based on data supplied by the IBGE 2000 Census and the PMSP digitalised cartographic base.

(3) IBGE 2000 Census.

(4) 2000 Census of Street Dwellers drawn up by the Fundação Instituto de Pesquisas Econômicas (FIPE)- Institute of Economic Research Foundation.

Source: PMSP 2003.

<sup>5</sup> US\$ equivalent = US\$207

<sup>6</sup> US\$ equivalent = US\$401



Residents displaying their property titles

under the aegis of the Municipal Housing Department. The basic aim of this project was to intervene in degraded areas within the Land Tenure Regularisation Programme. The results of this work are detailed in the publication, *Integrating the Poor: Urban Upgrading and Land Tenure Regularisation in the City of São Paulo*.

São Paulo has now approached the Cities Alliance to support three basic interventions to sustain these efforts:

- Financing strategies for public authority initiatives in the sector;
- Giving appropriate support to families in already urbanized/upgraded areas to enable them to make improvements to their housing units through access to micro-credit facilities, and to ameliorate environmental conditions within the urban space by transforming and mainstreaming hitherto segregated and isolated degraded settlements; and,
- Strengthening the Municipal Housing Department institutionally and financially while pur-

suings the Strategic Housing Plan, enabling the Department to create and maintain citywide information systems for monitoring, evaluation and follow-up of public housing policies so that good practices can be shared and replicated at a national and global level, reflecting the endeavour to achieve the millennium goal of ‘cities without slums’.

This will also provide an opportunity to add value to and to disseminate the socially-oriented follow-up work that has been carried out among residents living in degraded urban areas. Over the past decades, SEHAB’s highly dedicated technical team has been a valuable part of this endeavour, fostering and nurturing the organisation of local people—rightly seen as an indispensable element for achieving the success of the activities designed to rehabilitate areas occupied in an irregular and precarious fashion.

*Orlando de Almeida Filho, Municipal Housing Secretary, City of São Paulo, Brazil.*

## INTERVIEW WITH ROBERTO MOUSSALLEM DE ANDRADE, SECRETARY OF URBAN DEVELOPMENT OF THE STATE OF BAHIA, BRAZIL

Roberto Moussallem de Andrade, Secretary of Urban Development for the state of Bahia, Brazil, has been Bahia's top infrastructure official for the past decade. He began his career in the mid-1970s with the state's power company. He was responsible for implementing the Ribeira Azul Programme, which increased the coverage of wastewater collection and treatment in the state capital, Salvador, from less than 20 per cent to more than 80 per cent with US\$600 million in investments. He was also responsible for putting slum upgrading squarely on the state government's agenda through the Viver Melhor Programme, which has benefitted more than 100,000 households since 1995.

The government of Bahia is now getting ready to roll out the ambitious new phase of the Viver Melhor Programme through a US\$50 million loan from the World Bank that will leverage an equal sum in state counterpart funding and complementary investments by municipalities. The government's intent is to scale up slum upgrading in Salvador and in the most important cities of the state's interior, emphasising the comprehensive approach demonstrated in Ribeira Azul, which combined social programmes undertaken in conjunction with infrastructure and housing improvements. Organising and managing such a broad array of interventions has been made possible by a US\$5 million grant from the Italian government channelled through the Cities Alliance, and executed by the Italian NGO, Associazione Volontari per il Servizio Internazionale (AVSI). Also expected is a new Euro 5 million Italian grant to support the scaling up through the Viver Melhor Programme.

Roberto Moussallem spoke to Ivo Imparato in Salvador on 8 July 2005.

**Imparato:** *With your engineering background and impressive record of achievements in the field of infrastructure, it is interesting to see that you are now one of Brazil's leading proponents of a poverty reduction strategy that focuses on families and their needs, not just on hard investments, on brick and mortar.*

**Moussallem:** I graduated as an engineer in 1975, a time of strong economic growth with many well-

paying jobs in industry. However, I was also interested in public administration, and this was the time when many towns in the interior of Bahia were being connected to the power grid for the first time, and when a young engineer could feel he was making a difference. My work in the interior also exposed me to widespread poverty I had not been aware of before, and it was then that I began developing a strong sense of social consciousness. Also, early in my career I began to interact with international financing organisations such as the World Bank and the IDB, and I was influenced by their commitment to poverty reduction.

When the Viver Melhor Programme began 10 years ago, it emphasised housing and infrastructure only, but we quickly realised that despite the significant quality of life improvements, the programme's impact on poverty reduction was limited. A striking feature of life in Bahia's slums is that families are often dysfunctional, and always vulnerable. If we can strengthen our families, we will have a fighting chance against poverty. Ribeira Azul taught us that social investments can be successfully combined with slum upgrading, and that slum upgrading is an ideal entry point for social development and for focusing social spending on the neediest. Don't get me wrong, Bahia needs all the investment in infrastructure and housing it can get, but what we are saying is that if we want a poverty reduction impact, a significant part of the investment needs to be in social programmes. And that's not just my view; it's the view of the governor and the cornerstone of this administration's policy.

**Imparato:** *This is an interesting time for Bahia, with the government taking stock of its slum upgrading programmes over the last 10 years and preparing to scale up. What are your thoughts on this?*

**Moussallem:** When we began the Viver Melhor Programme in 1995, Bahia's housing policy was not really succeeding at reaching the poor; we felt an alternative was needed so we could do something about the appalling conditions in the slums. We initially focused on risk areas, because every year during the rainy season landslides led to loss of several lives, especially in Salvador. Our focus yielded strong results, as people are no longer exposed to





Secretary  
Moussallem on  
a field visit to  
Salvador

the risk of landslides. Gradually, as the Viver Melhor Programme developed, our approach became more effective and interventions became less

infrequent. The turning point was Novos Alagados, and our partnership with the Italian government and AVSI, which attracted the attention of the World Bank and funding by the Bank's Programa de Desenvolvimento Urbano do Estado da Bahia. The government then went after financing to scale up the Novos Alagados approach to the settlements around it, and our success at mobilising the resources allowed us to put together Ribeira Azul, which is financed by the World Bank, by the IDB and by the federal government through Caixa Econômica Federal. The most important thing to me is that our programme grew continuously, and that we were improving our approach all along. Nobody develops such a programme in two or three years, so the continuity over the last 10 years was critical.

**Imparato:** *What was the role of the Cities Alliance in this process and how do you see its role going forward?*

**Moussallem:** We would not have been able to do all this without our partners. From the start, our partnership with the Italian government and AVSI was not just based on financial resources. Integrated slum upgrading is a complex process and requires a great deal of specialised knowledge and highly trained people. When the Cities Alliance came into the picture around five years ago, the partnership entered a new phase. Having the Alliance on board convinced the Italian government to increase its involvement, which allowed us to do much more. The involvement of the World Bank in helping us manage Ribeira Azul was important. We were able to establish an even stronger dialogue with the Bank and we had many informal discussions about how to scale up upgrading in the state. Before we knew it, we were already preparing the new phase of Viver Melhor, and because we had all our partners involved throughout, we benefitted from their technical input. Now we are working to get the new phase approved and to begin implementation soon, relying on the new Italian grant through the Cities Alliance to help us deal with the new challenges that scaling up will bring, and to consolidate the approach and methodology we are using. Continuity here also will be key.

## LEARNING FROM EVALUATIONS IN BAHIA

Evaluation has played an important role in the design of the World Bank's Bahia Integrated Urban Development Project. This project was designed after the Ribeira Azul Project in Salvador, Bahia, which combined slum upgrading and social interventions with substantial community participation. In considering how best to scale up these interventions, the World Bank carried out a poverty and social impact analysis to assess the potential impacts of the policy reforms and investments under the new project. This drew upon the lessons learned from the Ribeira Azul Project using bene-

ficiary, institutional, cost-effectiveness and sustainability analyses.<sup>12</sup>

The field study, carried out in early 2005, found that the overall experience of integrated urban development in Ribeira Azul has been considered highly successful in terms of its implementation and positive impact on living conditions. Feedback from beneficiaries highlights general improvements in the quality of life, reductions in urban violence, improvements in health and nutrition from the social programmes, expanded educational and training opportunities for children and youth, positive impacts from having educators in the community and increased opportunities in the labour market through cooperatives. Challenges include unmet demand for

<sup>12</sup> Judy Baker, 'Integrated Urban Development: The Experience of Ribeira Azul, Salvador, Brazil, Poverty and Social Impact Analysis', draft, Washington, DC, World Bank, 2005.

**Imparato:** *Now that the new phase of the Viver Melhor Programme has been prepared, what are the main challenges that lie ahead?*

**Moussallem:** I think this partnership we have is also important for our international partners. We are all learning from the activity and creating capacity. We are acquiring capacity to scale up slum upgrading with this integrated approach, but the World Bank, the Cities Alliance and the Italian aid programme are also learning through this experience, and we hope that they will be able to replicate it later on in other parts of Brazil, and in other countries. That is why we all need to do a better job of recording and disseminating our experiences, for use both in Brazil and abroad. We need to get Brazilian federal entities, such as the Ministry of Cities and Caixa Econômica Federal, more involved in this dialogue and in the whole process, since they are key sources of financing for upgrading; we would like them to also begin to include the social dimension in their programmes.

We are also refining our approach, which can be considered even more ambitious than what we've been doing so far. For example, in the next phase of the Viver Melhor Programme we will introduce some innovations, such as the “Casa do

Viver Melhor”, a local facility that will serve as a field office, a base for service delivery and a reference point for the local residents in each area where we will work.

We are also moving towards an entirely new model in terms of partnering with local governments. In Bahia, we have a strong tradition of state investment in municipal infrastructure and in housing, but all local services, including most social services, are in the municipal sphere of competence according to Brazil's 1988 constitution. In the new phase of the Viver Melhor Programme, each local upgrading project will be based on a participation agreement with the local municipality, in which the roles, rights and responsibilities of each partner will be clearly stated. My secretariat will have to set up and manage all these complex relationships, and this raises the bar for us in terms of forcing us to acquire the capacity that we will need. We also need to remind ourselves that even this much bigger programme we are about to launch is small in comparison with the extent of urban poverty in the state. This is a humbling and sobering realisation, but is also an incentive for us to keep pressing ahead, and to undertake more interventions of this kind.

the opportunities through the project, to education, health and job training and issues related to housing, such as complaints about designs and building materials.

Several key lessons for scaling up emerged from the poverty and social impact analysis, including the critical role of participation, and the need for an increased role by municipalities, recommended reforms in the system of land regularisation, effective models for community agents to promote enhanced cost recovery, the need for clear roles and responsibilities in relation to institutional arrangements, and for policy options to meet unmet demands for shelter (for instance, by providing inexpensive, serviced land and access to credit rather than housing).

The evaluation's findings will feed directly into the new project. Bahia officials recognise the value of such an evaluation and will include an extensive and innovative monitoring and evaluation scheme in the new project. This will include the regular monitoring of core indicators, a participatory monitoring scheme to allow for feedback from beneficiaries during project implementation, and a rigorous impact evaluation to capture the project's impacts over time.

This goes well beyond the monitoring and evaluation design of most projects, and through its adoption of such a scheme, Bahia has indicated a strong commitment to ensuring transparency and effectiveness in implementation.

Periodic monitoring of implementation and clear feedback mechanisms will allow for improvements during project implementation. The longer-term evaluation of the project's impacts on the population will contribute directly to future policy and project decisions pertaining to urban poverty reduction in the state. The World Bank will provide technical input on monitoring and evaluation

through the Development Impact Evaluation Initiative, a Bank-wide effort aimed at promoting impact evaluations of promising development interventions in a select number of thematic areas, including slum upgrading.

*Judy Baker, World Bank.*



Slum settlement in Salvador, Bahia