Ribeira Azul, Salvador, Bahia, Brazil

The Challenge of Scale – Nationwide Upgrading

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

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

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

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

Fifty Years of Lessons: An Abridged History

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

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

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

Lessons:

What did *not* work and should be avoided:

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

What *did* work:

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

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

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

Lessons:

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

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

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

Lessons:

- Upgrading is a process. Everything need not be done at once: start with the basic infrastructure and services – little will happen as long as water is unsafe, open sewers threaten public health, or children have no safe places to play;

- Slum communities have more at stake and should have decision-making roles because they:
  - ▲ Know their community and issues;
  - ▲ Have to live with the results;
  - ▲ Can, want, and have a right to participate; and
  - ▲ Can and will pay for affordable improvements of their choosing.

- Upgrading is *worthwhile*, producing:
  - ▲ Equity, which benefits both poor and other citizens alike by improving health, security, productivity, and so forth;
  - ▲ Legal rights: right of the poor to basic services and citizenship; and
  - ▲ Political gains: social stability and responsiveness from politicians.

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

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

Conclusion: **the stakes are getting higher**

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

Yet . . .

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

Cities Alliance
Cities Without Slums
2003
ANNUAL REPORT

Political Will

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

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

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

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

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

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

Brazil

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

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

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

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

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

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

Alexandra, Johannesburg

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

Measuring and Monitoring Results: South Africa

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

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

In 2001:

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

Chile

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

(i) Community development and social integration;

(ii) Employment generation;

(iii) Housing and neighbourhood upgrading; and

(iv) Institutional development of poverty reduction programmes.

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

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

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

Mauritania: Setting National Targets and Monitoring Progress

PRIORITY OBJECTIVES AND PERFORMANCE INDICATORS	REFERENCE SITUATION		TARGET FIGURES		
	Date	Value	2004	2010	2015
Increase incomes and improve living conditions in the shanty towns of large and secondary cities					
Target population (in thousands)	2000	540	266	540	700
Working population with access to micro-credit (in thousands)			20	40	80
Cumulative volume of micro-credits (in UM* millions)	2000	200	2,500	5,000	6,000
Number of regularized land titles in poor districts	2000	800	16,000	30,000	40,000
Number of new lands developed			8,000	20,000	35,000
Access to subsidized housing in poor districts (families)	2000	300	10,000	20,000	35,000
Drinking water consumption (l/d)** per inhabitant in poor districts	1997	10-20	20-30	40	50
Rate of access to drinking water in poor districts	1997	35%	40%	50%	60%
Price per m³ of water (in $US) in poor districts	1997	2-3	< 1	< 0.5	< 0.50
Price per m³ of water in poor districts compared to other districts	1997	5 times	1 time	0.8 times	0.8 times
Rate of access to sanitation in poor districts***	2000	10%	15%	26%	36%

*National currency unit (ouguiya)   **Litres per day   ***This involves operations financed in the context of public urban programmes.
Source: Islamic Republic of Mauritania: Poverty Reduction Strategy Paper, 13 December 2000.

Mauritania

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

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

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

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

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

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

- The setting and publicising of a national target, through which the government commits itself to improve the lives of a specific number of slum dwellers by a certain date;

- The underwriting of this commitment through budgetary commitments to achieve the target; and

- A programme of necessary policy, legal, and/ or regulatory reforms to facilitate the achievement of the target.

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

Incremental housing development, Riyad, Nouakchott, Mauritania

Land Policies

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

Mexico

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

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

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

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

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

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

The case of Tunisia is instructive. Prior the 1970s, the government utilised a simple and repressive 'bulldozer' strategy which consisted of slum demolition and the relocation of the inhabitants to rural areas from whence they were supposed to have come. Financially and socially expensive, the strategy failed, and in the 1970s a new type of slum emerged with better quality housing better adapted to the residents' affordability constraints but built illegally on land bought from informal developers. In the mid-1970s, the government changed its strategy and started providing basic infrastructure and services. Since this policy reform, some 250,000 units have been upgraded, benefiting about 1.5 million people. Tunisia implemented an efficient slum upgrading policy on a sustained basis from 1975 to 1994, which led to a decrease in the percentage of slums from 23.7 percent of the total housing stock in 1975 to 2.7 percent by 1994.

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

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

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

Morocco

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

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

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

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

- *Usucapião Especial Urbano*, which allows for families (including low-income families on a collective basis) that have been occupying residential land for five uninterrupted years and without legal action by the land owner to be granted land ownership. In this way, an irregular settlement with 5,000 households can be regularised through the granting of a single *Usucapião;*

- *Direito de Superfície*, which allows housing regularisation through transfer of the surface right from the land owner to the occupier for a number of years; and

- *Dação em Pagamento*, which enables an indebted landowner to donate the land to the municipality in exchange for the debt.

Soweto, South Africa

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

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

South Africa

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

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

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

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

El Mina Kebbé, Nouakchott's largest slum, Mauritania

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

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

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

Thailand

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

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

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

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

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

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

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

Strategies for Moving to Scale

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

Among the most clearly identifiable requirements for scale delivery are:

- Local government needs to make slum upgrading core business, particularly through a budgetary commitment;

- The need to move away from single, non-replicable projects to rethinking the fundamental workings of local government, implying systemic reforms at local and national levels; and

- The involvement and resources of slum dwellers and the private sector, alike, need to be mobilised.

Tunisia

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

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

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

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

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

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

The Moroccan government's response has been to reinvigorate the programme, and in 2001 the King declared slum upgrading one of four national priorities. A far greater emphasis on the development of local plans for housing and city development is emerging. In addition, local governments will now make direct financial contributions to upgrading, and special local accounts will be created to enable local communities to finance their efforts to make housing improvements.

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

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

Vietnam

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

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

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

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

cities like São Paulo, with its *Bairro Legal* Programme, and Salvador[8] are also developing citywide upgrading programmes, while the new national government aims to provide a nationwide framework as part of its mission to combat poverty and hunger in an economy with wide income inequalities. In a significant shift in the public policy paradigm, the new government created a Ministry of Cities, an institutional recognition of the urban reality of Brazil, where 82 percent of the population lives in cities. In June 2003, the Ministry of Cities launched a national land regularisation programme, *Cidade Legal.*

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

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

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

Upgrading in Salvador, Bahia, Brazil

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

The Challenge of Scale – Nationwide Upgrading

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

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

The Challenge of Scale – Nationwide Upgrading Footnotes

i   Population figures (2000) are from *Human Development Report 2002*. New York and Oxford: Oxford University Press. UNDP. 2002.

ii   Gross national income per capita (2001). *World Development Report 2003*. New York: Oxford University Press. World Bank. 2003.

iii   The full backlog would also include a further 15 million substandard houses in need of rehabilitation.

iv   Many city governments have set their own targets.

v   In order to overcome the housing deficit in 10 years, the Brazilian government estimates it would need to allocate some US$45 billion per annum.

vi   This amount is 60 percent of estimated total cost of US$3.3 billion.

vii   The Ministry of Cities is designing a National Programme of Upgrading and Integration for the Regularisation of Precarious Settlements.

viii   *Programme National de Resorption de l'Habitat Insalubre*, created in 2001 as part of a policy favouring the preventative aspect of slum development.

ix   The Fund for Solidarity Shelter Projects *(fondo concursable para proyectos habitacionales solidarios)* was introduced in 2001 to help provide housing solutions for families below the poverty line.

x   Major upgrading programmes such as *Guarapiranga* and *Favela Bairro* have set their own subsidy levels at a maximum per family cost of US$3,500.

xi   Of a US$7,000 package for land, infrastructure, and house, the beneficiary would contribute US$250, the balance is subsidised.

xii   Various new instruments are being progressively implemented, including *Usucapião Especial Urbano* (land concession) and *Direito de Superficie* (Right to the Surface).

xiii   Including tenure protection legislation (Prevention of Illegal Eviction from and Unlawful Occupation of Land Act), planning legislation (Development Facilitation Act), and lending disclosure legislation modelled on the Community Reinvestment Act.

xiv   Of an estimated total cost of US$660, US$330 is provided by public subsidy, US$220 is paid by the beneficiary, and the balance raised as a loan.

xv   Thailand operates a sliding scale: US$600/unit for in-situ upgrading; US$1,200 for reblocking or landsharing, and US$1,900 for relocation. In addition, there is a three percent subsidy on housing and land purchase loans.

xvi   Proactive policy for land release and informal settlement development by the Gauteng Provincial Government.

xvii   In a landmark judgement (Government of South Africa versus Grootboom, 2000), the Constitutional Court ruled on the state's obligations (in terms of policies, programmes, and budgetary support) with regard to the right of access to housing.

xviii   An increasing feature of the Thai programme involves allowing communities to exercise control over the subsidy and to decide how to use it to redevelop their communities.

Acknowledgments for Nationwide Upgrading Chapter

Resource Mobilisation

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

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

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

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

i.   The national fiscus, increasingly reflected as an item in the national budget;

ii. Local government contributions;

iii. Beneficiary contributions, both in cash and in-kind; and

iv. Private sector investments, including credit provided by the private sector.

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

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

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

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

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

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

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

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

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

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

Chile's original national programme was designed to combine government subsidy, beneficiary savings, and both commercial and government credit. It was largely successful, mobilising nearly US$500 million in the savings accounts of over a million households by 1995, and reducing the housing deficit from 800,000 to 600,000 between 1991 and 1995.[11] The new programme is designed to reach the very poorest who have not yet received assistance, and Chile has now increased the subsidy contribution,

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

Summary

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

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

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

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

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

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

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

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

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

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

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

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

Essential Ingredients of Nationwide Slum Upgrading

1. Demonstrate political will

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

2. Set national and city targets

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

3. Put it in the budget

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

4. Implement policy reforms

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

5. Ensure open and transparent land markets

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

6. Mobilise non-public sector resources

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

7. Prevent the growth of new slums

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