Official attention to the slum dwellers of the world has been largely a matter of inaction, inappropriate action, or insufficient action. The most common government policies over the past 40 years have been to ignore slums or, when they are on valuable land, to bulldoze them.

Since the late 1960s various alternative approaches have been tried. The most common were slum upgrading and housing finance systems. Slum upgrading was usually limited in extent and seldom maintained over time; it was rarely implemented on a scale that helped more than a few slum dwellers. Housing financing systems often included inappropriate financial conditions for slum dwellers. Forced evictions remained common (UNCHS 1996).

Since the early 1990s major infrastructure and redevelopment projects in many cities have increased eviction risks for tens of millions of slum dwellers—usually with no prospect for resettlement (Douglass 2002). The number of slum dwellers continues to grow. In the face of official neglect, they are usually left to design and plan their survival by themselves. This widespread and official neglect needs to be transformed into policies and plans to markedly improve the plight of the more than 900 million slum dwellers in the world.

The task force's concern with the conditions of slum dwellers lives has been reinforced by its own meetings, by its interactions with the UN system, and by its discussions with policymakers from high-, middle-, and low-income countries. These meetings led the task force to conclude that this neglect stems not from indifference but from a failure to understand the challenge of urbanization—its magnitude and unique characteristics; the connection between the lives of the urban poor and the prospects for a vibrant, equitable, and productive urban system; the contribution of urban development to development as a whole; and the centrality of target 11 to achieving the Millennium Development Goals.
The dimensions of the problem

The urban population of the world is growing

By 2007 the world’s population will be predominantly urban for the first time in human history. UN projections suggest that over the next 30 years, virtually all of the world’s population growth will occur in the urban areas of low- and middle-income countries.

The world’s urban population is projected to grow by more than 2 billion by 2030, while the rural population will stabilize and then decline by an estimated 20 million (UN-HABITAT 2003a, d). Ninety-four percent of this urban population growth will be in less developed regions, and by 2030 the urban population will have far surpassed the rural population (figures 1.1 and 1.2). This means that virtually all the additional needs of the world’s future population will have to be addressed in the urban areas of low- and middle-income countries.

Increasing numbers of the world’s poor will be city dwellers. Poorer families consistently have higher birth rates (due in part to inadequate reproductive health services), and most rural-urban migrants are poor. This implies that the percentage of the poor in the cities and towns of low-income countries will increase. But even if the percentage of slum dwellers in these cities remains

Almost one of three urban dwellers already lives in a slum
the same, by 2030 almost 1.7 billion of the expected approximately 3.9 billion urban dwellers in low- and middle-income countries will be living in slums. According to this pessimistic no-action scenario, the slum population in low- and middle-income countries is likely to double in less than 30 years.1

More than 900 million people live in slums

More than 900 million people can be classified as slum dwellers, most living under life- and health-threatening circumstances (UN-HABITAT 2003a, d). Almost one of three urban dwellers—one of every six people worldwide—already lives in a slum.

As a result of the adoption of the “slum Goal” in the Millennium Declaration and its subsequent incorporation as target 11 of Goal 7, it was necessary to reach a consensus on an operational definition of “slum dwellers.”2 “Slum households” were defined as a group of individuals living under the same roof lacking one or more of the following necessities: access to improved water, access to improved sanitation facilities, sufficient living area, structural quality and durability of dwellings, and security of tenure.

Based on the detailed definitions of these conditions, more than 1 million household records from 2001 household survey data were examined.3 This allowed for estimates of the number of slum dwellers by country, and in turn, for regional and global estimates.

The validity of such an exercise is, of course, debatable. It is likely to improve in the future, as the reliability of statistical definitions and methods improves. Much greater effort must be made at the international, national, and local levels to quantify the nature, extent, and special characteristics of urban poverty.

This definition and the subsequent enumeration generated an overall global figure of 924 million people living in slums. Some 874 million of these people live in low- and middle-income countries (figure 1.3).

The largest number of slum dwellers is found in Asia, with the largest clusters found in the two largest countries in the region, China and India (figure 1.4).

**Figure 1.3**

Most urban slum dwellers are in Asia

Number of slum dwellers by region (millions)

The dimensions of the problem

But the world’s slum dweller population is dynamic. Although many countries have relatively small urban populations and concentrations of poverty in rural areas today, small- and medium-size cities and towns worldwide are witnessing some of the most substantial urban growth, frequently reflected in both the physical and numerical growth of slums (UN-HABITAT 2003d).

Urban poverty is severe, pervasive, and largely unacknowledged

Many countries do not welcome urbanization, and urban poverty remains largely unaddressed. This despite the fact that, according to the latest Global Report on Human Settlements, 43 percent of the urban population in developing regions live in slums. In the least developed countries, about 78 percent of urban residents are slum dwellers (UN-HABITAT 2003a).

The pervasiveness of urban poverty is well documented. Although the quality of housing and services varies greatly in different regions of the world, almost every city and town in the world has slums. In the North as well as in the South, segments of the urban population have higher rates of unemployment, lower educational attainment, higher morbidity and mortality, worse environmental conditions, and isolation and exclusion from social integration and economic opportunity. Rapid population growth places additional demands on the availability of affordable shelter and other amenities. These problems are compounded by the even higher absolute and relative growth of poverty in the cities and towns of the South. Gender, age, class, ethnic, and religious identity often affect the severity with which these problems are experienced.

Many low- and middle-income countries have reacted to the scale of these problems by adopting anti-urban policies and by viewing urbanization as a problem rather than an opportunity. Development and poverty reduction strategies, particularly in the least developed countries, still focus largely on rural poverty (Mitlin 2004), in the hope that accelerated rural development will create viable livelihood opportunities for rural populations and discourage migration to urban centers.
Urban development is not inimical to rural development—quite the contrary. No country in the world has achieved sustained economic development without urbanization (figure 1.5). The reduction in the percentage of the workforce gainfully employed in agriculture is an unavoidable trend. Therefore, countries should be better prepared to face urbanization and to accept it as an unavoidable phenomenon that can accelerate economic growth and human development.

The lack of acceptance of urbanization has had the most severe impact on the urban poor. Too often poor urban residents, particularly the most recent waves of rural-urban migrants, are treated as a temporary presence on the urban landscape. There is a reluctance to regularize informal patterns of settlement, provide infrastructure and services, or provide alternatives to the ever-present threat of forced eviction.

These fundamental problems must be seen against the background of the correlation between the proportion of urban populations living in slums and the level of economic development. In 2001, 6 percent of the urban population in high-income countries but more than 78 percent of the urban population in the lowest income countries was estimated to live in slums (UN-HABITAT 2003d). Many of these countries are also those that find it most difficult to adopt pro-urbanization and pro-poor policies.

**Slum dwellers are excluded from urban life in many ways**

The common approach to measuring poverty is to apply income-based poverty lines that make little allowance for nonfood costs. These numbers do not tell the whole story. Slum dwellers are excluded from many of the attributes of urban life that are critical to full citizenship but that remain a monopoly of a privileged minority. A bundle of essential components for adequate urban living includes both quantifiable and unquantifiable factors, including political voice,
The urban poor suffer from the stigma associated with living in a slum

secure and good-quality housing, safety and the rule of law, good education, affordable health services, decent transportation, adequate incomes, and access to economic activity and credit. Differences in class, gender, age, ethnicity, and religion can affect slum dwellers’ access to and control over these amenities.

The sense of exclusion is amplified by urban slum dwellers’ proximity to but inability to attain the many benefits of urban life. Good hospitals and good schools can be around the corner, but slum dwellers rarely have access to them. Good medicines may be available, but they are unaffordable. Decent water is often plentiful and cheap, but it does not reach the slums. All citizens are equal before the law, but city hall is unresponsive.

Average urban incomes are higher than average rural incomes, but the earnings of most slum dwellers are low enough to guarantee no more than mere subsistence in places where median incomes are much, much higher. In their daily interactions, women, men, and children living in slums come into contact with people who have vastly different opportunities and lifestyles. The urban poor suffer from a stigma unknown to the rural poor, the stigma associated with living in a slum, often lacking even the most basic attribute of citizenship, a street address. The public spaces that are so important when housing densities are high and that many take for granted—play areas, green areas, shade-giving trees, spaces that encourage a public social life—are usually deficient or absent as well. Research from around the world has reported that children are acutely aware of their waste-strewn, dilapidated surroundings and the absence of trees and basic services and that they see these physical conditions as a humiliating reflection of their own worth (Chawla 2002).

Urban poverty is often underestimated

While the majority of the poor in many low- and middle-income countries continue to live in rural areas, official statistics tend to systematically underreport urban poverty due to lack of cost-of-living adjustments in income poverty estimates, the lack of disaggregation within urban areas, and inadequate definitions of access to water supply and sanitation, adequate shelter, or other infrastructure variables. The conventional wisdom is that urban areas are better off than rural areas and that urban slum dwellers live better lives than their rural counterparts. Because of the concentration of most new investment and employment opportunities in urban areas, higher average incomes are possible in cities, and revenues for basic services can more easily be raised. The concentration of people in urban areas also reduces the unit costs of such basic services as water, sanitation, drainage, healthcare, and transport.

This “urban advantage,” however, does not extend to all urban dwellers. In the absence of adequate investment, and without competent local government, cities can become life-threatening environments and the locus of poverty on a scale that equals or exceeds that in the poorest rural locations (UN-HABITAT 2003e). In many countries—including Bolivia, Colombia, Ecuador, Haiti,
Honduras, Madagascar, Malawi, Mozambique, Niger, and Zambia—more than half the urban population lives below the poverty line (World Bank 2003c).

Given that most middle- and upper-income groups live in urban areas and that there is an urban bias in the provision of infrastructure and services, one would expect infant mortality rates in urban areas to be considerably lower than those in rural areas. In fact, according to the Demographic and Health Survey, 25 of 53 low- and middle-income countries for which data are available since 1990 had urban infant mortality rates that were less than 25 percent lower than rural rates.6

Given these facts, why does urban poverty continue to be represented as less of a concern than rural poverty? The scale of poverty in urban areas is underestimated and misunderstood for several reasons, including the inadequacy of data and built-in biases in assessing the problems of the urban poor.

• **Inappropriate definitions of poverty.** The use of one income-based poverty line makes no allowance for the higher monetary cost of necessities in most urban areas. Housing, fuel, water, sanitation, education, and transportation all tend to be more expensive in urban areas. Poverty lines also fail to recognize the many nonincome aspects of poverty, such as overcrowding, insecure tenure, and the time that can be spent getting to work in urban areas.

• **Inaccurate assessments of infrastructure and service provision.** The access of urban dwellers to basic services is often overstated. Many of those classified as having “improved provision” of water and sanitation may be sharing facilities with hundreds of people. The UN agencies that collect the water and sanitation data acknowledge that the criteria for improved provision are inadequate to ensure protection from insufficient or contaminated water. Assessments of provision based on proximity may also fail to take account of access: poor urban groups can live next to water mains or hospitals without having access to them.

• **Overreliance on aggregate data.** Perhaps most important is the misleading quality of aggregated urban statistics, which hide the scale or depth of deprivation among poor urban populations. Because middle- and upper-income groups are concentrated in urban areas, urban averages inevitably show that the population as a whole is better off. But where figures are available for poor areas, it becomes clear that urban disparities may be enormous (box 1.1). In Kenya, for example, under-five mortality rates in the informal settlements in which half of Nairobi’s population live are more than twice the average for Nairobi (APHRC 2002).

**The benefits of the urban economy reach beyond city boundaries**

Improvements in the lives of poor people in urban areas affect the lives of rural people in several ways. Many rural-urban migrants—men, women, even children—use the city as an opportunity to earn income and send remittances...
The dimensions of the problem

The dimensions of the problem to relatives in rural areas. These remittances, however small, are vital in improving livelihoods (supplementing food intake, helping send children to school, improving shelter) and supporting farming activities (buying seeds, cattle, and tools). Over time remittances often allow rural people to save enough to extend their plots or buy additional plots elsewhere.

Much more is known about the scale and impact of the remittances of international migrants than those of internal migrants. A recent study indicates that in 2001, remittances from migrant workers abroad to low-income countries were $72.3 billion, more than total official flows and private flows other than foreign direct investment (Ratha 2004). Considering that internal migrants far outnumber international ones, it is safe to assume that the overall impact of the internal remittances economy is considerable, even though domestic wages may be lower than those abroad. A recent regional conference—the Conference on Migration, Development, and Pro-Poor Policy Choices in Asia, held in Dhaka, Bangladesh, in June 2003—concluded that internal migration is a strong contributor to pro-poor development.

The development of urban functions in predominantly agricultural regions can help promote rural development. The importance of market centers is well known. They extend the range of opportunity for would-be rural-urban migrants, provide vital commercial and social functions, and offer intermediate-level health and educational services that are not usually found in sparsely populated areas. They demonstrate the positive symbiosis between urban and rural economies and lifestyles.

Box 1.1
Aggregate statistics conceal the problems of slum dwellers

Examining aggregate statistics can conceal important differences across segments of the population. In Kenya statistics on the prevalence of serious diarrhea in children under age three showed little difference between Nairobi and rural areas, because they concealed the fact that the prevalence of serious diarrhea in the informal settlements in which half of Nairobi’s population lives was more than three times the average for Nairobi and for rural areas. The prevalence of diarrheal disease among the inhabitants of slums in Bangladesh’s two largest cities was also significantly higher than the average for all urban areas or for all rural areas, although the scale of the difference was less dramatic than in the above example for Kenya.

A review by the International Food Policy Research Institute (IFPRI) suggests that childhood stunting, underweight, and mortality are generally lower in urban areas than in rural areas, whereas acute malnutrition or wasting (as measured by low weight-for-height) and morbidity from infectious diseases are often higher in urban areas. But there is considerable heterogeneity in poverty, morbidity, mortality, and nutritional status in urban areas, and the intrarural differences in these measures are generally greater than the rural-urban differences (Ruel and others 1998). Demographic and Health Survey data revealed that children’s height-for-age was greater in urban than in rural areas in all but one case (Uzbekistan), but the urban advantage for weight-for-age was smaller and for six countries weight-for-age was higher in rural areas than in urban areas (Montgomery and others 2003). There are likely to be gender differentials in nutritional levels as well (World Bank 1991).
The urban context is critical to meeting all of the Goals

If the urban context of poverty is not directly addressed, it will be impossible to achieve the Goals. Improving the lives of slum dwellers helps combat HIV/AIDS, improve environmental sustainability, and address gender inequality. As the world becomes more urban, the Goals can most effectively be addressed through the kind of integrated and synergistic attention that is possible in densely populated slum settlements.

Components of “full citizenship” are to some extent captured in the formulation of the Human Development Index (HDI), which measures longevity and educational attainment as well as such economic indicators as GDP per capita. There is a strong relationship between urban slum prevalence and low scores on the HDI, a proxy for human well-being or quality of life (figure 1.6). This suggests that the challenges faced by slum dwellers parallel the overall challenges in human development. In other words, slum prevalence is not an isolated concern but is closely related to the overall development trends and concerns addressed by all of the Goals and targets (table 1.1).

Specific actions must be taken to meet target 11

The problems of urban slum dwellers have not been given the attention they deserve. Without significant action and reforms, they will worsen. Inaction may exacerbate social instability, urban violence, and crime. At the same time, neglect of these problems risks losing the opportunity to benefit from urban growth and wealth creation.

The general public is, at best, familiar with the Goals only under their broad headings. Furthermore, the fact that target 11 is embedded under the environmental sustainability Goal makes it virtually invisible. To many, this is a sad reflection of the real-life invisibility of slum dwellers in cities, except when they are the objects of relocation or, far more rarely, improvement initiatives. This definitional problem is related to the difficulties in monitoring

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**Figure 1.6**

Slum prevalence is closely related to overall development trends

Share of slum dwellers in Africa, Asia, and Latin America (%)

progress toward the target. A casual reading of the Goal and its indicators could imply that eradicating slums (by implication, worsening the situation of the urban poor) would somehow be good for the environment. It is important to understand this target as more integral to the larger poverty reduction aim of the Goals than to the specific concerns of the environmental sustainability Goal. This understanding must shape the way in which the major challenges of this Goal are identified and addressed.

Target 11 states: “By 2020, improving substantially the lives of at least 100 million slum dwellers.” This formulation did not adequately reflect the letter and the spirit of the target set in the Millennium Declaration or in the UN Secretary-General’s We the Peoples proposal to the General Assembly. The urban challenge dictates a broader, more ambitious approach. In addition to slum upgrading, the provision of adequate alternatives to new slum formation must become core business for local and national governments alike, supported by international development agencies. A variety of challenges must be met (table 1.2).

### Table 1.1
Tackling the Goals in the world’s slums

<table>
<thead>
<tr>
<th>Goal</th>
<th>Impact on slum dwellers</th>
</tr>
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<tbody>
<tr>
<td><strong>Goal 1</strong> Eradicate extreme hunger and poverty</td>
<td>• Secure tenure for women and men slum dwellers allows them to invest in their own housing and economic opportunities.</td>
</tr>
<tr>
<td><strong>Goal 2</strong> Achieve universal primary education</td>
<td>• Inclusive policies, including adequate public transport, allow children to attend school. • Children do better at school when they have a more secure home life and access to essential services, such as water, sanitation, and electricity.</td>
</tr>
<tr>
<td><strong>Goal 3</strong> Promote gender equality and empower women</td>
<td>• Girls are less likely to be kept out of school if adequate services reduce household workloads. • Providing women with secure tenure and access to credit is key to improving household stability and income generation. • Access to reproductive health information and services can extend girls’ education and provide opportunity and agency to women. Such services are often lacking in periurban, slum, and informal settings.</td>
</tr>
<tr>
<td><strong>Goal 4</strong> Reduce child mortality</td>
<td>• Inclusive policies ensuring adequate housing and access to basic health services (including prenatal, delivery, and postnatal care; family planning services; and prevention of sexually transmitted infections) reduce health risks for mothers and children.</td>
</tr>
<tr>
<td><strong>Goal 5</strong> Improve maternal health</td>
<td>• Inclusive policies ensuring adequate housing and access to basic health services (including prenatal, delivery, and postnatal care; family planning services; and prevention of sexually transmitted infections) reduce health risks for mothers and children.</td>
</tr>
<tr>
<td><strong>Goal 6</strong> Combat HIV/AIDS, malaria, and other diseases</td>
<td>• A variety of diseases can be prevented by reducing overcrowding, improving the provision of water and sanitation, and implementing proper drainage and control of disease vectors. • Slum dwellers are at high risk of contracting tuberculosis and HIV/AIDS. Inclusive policies improve access to treatment.</td>
</tr>
<tr>
<td><strong>Goal 7</strong> Ensure environmental sustainability</td>
<td>• The provision of good-quality water, sanitation drainage, and solid waste management has an immediate impact on the urban environment. • Tree planting and open space programs improve climate control, comfort, and health in slums. • Solar technology programs—supported by local, national, and international assistance—benefit slum dwellers and the wider city by increasing economic and environmental sustainability.</td>
</tr>
<tr>
<td><strong>Goal 8</strong> Develop a global partnership for development</td>
<td>• Partnerships between slum dwellers, the private sector, and local government lay the foundations for sustainable local development. • Slum dwellers, local governments, and other partners can best be supported by international development assistance provided on a programmatic, long-term basis.</td>
</tr>
</tbody>
</table>
As of September 2000, target 11 read: “By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers as proposed in the Cities Without Slums initiative.” The target, drawn from the Cities Without Slums Action Plan, called on governments to:

Start with the mobilization of political and financial commitment to slum upgrading and gear up the capacity to support large-scale actions (2000); initiate 20 citywide and nationwide programs in five regions to change the lives of 5 million urban poor (2001); up-scale the approach over the 2006–2020 period with 50 national programs with slum improvement as a central element of urban development strategies in most countries, resulting in the provision of basic services to 100 million slum dwellers and slum formation stopped. (UN Secretary-General 2000, pp. 29–30)

While immediate steps must be taken to meet the 100 million target by 2020, these initial efforts must be accompanied by incremental actions aimed at reducing the current rate of slum formation. These two actions would provide a necessary shift away from decades of single-dimensional urban upgrading projects, which did little to prevent the formation of new slums. The dual approach of immediate and incremental upgrading and planning can effectively achieve the target of improving the lives of 100 million slum dwellers while also providing adequate alternatives to new slum formation.

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### Table 1.2

#### Challenges and actions required to achieve target 11

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Actions</th>
</tr>
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</table>
| Recognize that the urban poor are active agents and not passive beneficiaries of development | - Work with local communities to upgrade slums.  
- Negotiate planning decisions and the use of public resources. |
| Improve governance | - Recognize the “Right to the City” (see chapter 3).  
- Plan for development.  
- Adopt local strategies. |
| Support and enact local pro-poor policies | - Enact legislation banning forced evictions and provide security of tenure.  
- Take action on land issues.  
- Provide adequate and affordable infrastructure and services.  
- Enable community contracts and partnerships.  
- Build and maintain public transport systems and services.  
- Enact building codes and regulations that reflect the needs of communities.  
- Plan for adequate alternatives to the formation of new slums.  
- Involve the private sector.  
- Create jobs citywide. |
| Mobilize resources and investments | - Mobilize financial, land, and human resources. |
| Empower local action | - Develop and strengthen networks.  
- Support international initiatives.  
- Adopt Millennium Cities strategies and launch campaigns (see chapter 6). |
| Monitor progress toward target 11 | - Link local actors and local knowledge with global monitoring. |
If no remedial and preventive action is taken, some 1.4 billion people are projected to live in slums in cities in low- and middle-income regions by 2020. If it were possible to prevent the formation of new slums, this number could be considerably lower. If the lives of 100 million of the current 900 million slum dwellers were significantly improved, this would leave 800 million slum dwellers. If no further slum formation took place, this slum population could remain static, rather than increasing by another 600 million. This would align target 11 with the level of quantitative improvements set by most other targeted objectives.

The task force suggests improving the formulation of the target to read: “By 2020, improving substantially the lives of at least 100 million slum dwellers, while providing adequate alternatives to new slum formation.” This formulation changes “deterring slum formation,” as suggested in the task force’s interim report, to “providing adequate alternatives to new slum formation.” This formulation stresses that preventing new slum formation, as advocated in the original Cities Without Slums initiative, cannot be interpreted as an endorsement of the failed policies of the past, such as preventing urban migration or bulldozing newly formed informal settlements. The formation of new slums needs to be prevented by taking proactive, participatory measures to accommodate the new settlement needs of low-income urban populations.

There is also a substantive rationale for aligning target 11 to the Millennium Declaration formulation. It makes no sense to ameliorate a problem without making sure that all possible actions are taken to avoid its recurrence in the future. As evidence from ongoing programs suggest, anticipating the problem and planning before informal settlements develop is less costly socially and economically than taking action after a slum emerges. Thus in addition to improving the conditions for 100 million present slum dwellers, the task force urges that adequate investments be undertaken from all actors concerned to ensure that about 600 million new urban dwellers are offered the opportunity and the assistance required to find housing solutions that are adequate and affordable in locations that are accessible, secure, and environmentally sound.

Ample evidence over the past 20 years cited in this report shows that the urban poor can provide the central impetus for change toward good governance. Governments, especially local governments, have also demonstrated that they can develop the capacity to use their mandates and resources for sound and participatory urban development policy, if such policies are rooted in a political leadership that is committed to a democratic and equitable vision of civil society in all spheres of government. What is needed is the vision, the commitment, and the resources to bring all actors, especially slum dwellers, together in order to create political and economic opportunity, improve services and the quality of public space, plan for future needs, expand local sources of revenue, and attract investment.
Recognizing the urban poor as active agents of development

Addressing urban poverty calls for a fundamental redefinition of the political relationship between government and all citizens, particularly the urban poor. It means that governments must work with local communities to upgrade slums and negotiate planning decisions and the use of public resources with those whom these decisions affect.

A basic prerequisite toward this end is that governments acknowledge organizations of the urban poor wherever they exist and work with their strategies. These organizations are crucial advocates for the needs of poor women and men. Solutions are best found through negotiated agreements between local governments and slum dwellers. Provincial and national governments, as well as the private sector and domestic capital markets, also have important roles to play in bringing these solutions to scale.

The task force recognizes that the foundation of almost any solution to the problems of the urban poor lies in their potential to organize themselves, to make effective decisions, and to negotiate and collaborate with local government and other partners. Such self-generated empowerment is often the best jump-start for a broader local and national democratic transformation. In addition, organizations of slum dwellers are usually far more efficient at using outside resources, often including their own “sweat equity,” than are large-scale contractors or government agencies in constructing housing or upgrading slums. The work of these organizations should be recognized and supported.

This chapter discusses the work of some organizations of the urban poor. It also examines the federations of the urban poor and homeless that have emerged in countries around the world over the past two decades.

Federations of the urban poor are making a difference
Federations of the urban poor are made up of community-managed savings and credit groups that provide their members with quickly accessible emergency
Recognizing the urban poor as active agents of development

Almost any solution to the problems of the urban poor lies in their potential to organize themselves. Loans and develop upgrading programs or new housing programs, often in partnerships with government agencies. Many of these federations have large-scale programs, some of which have improved housing or access to basic services for hundreds of thousands or even millions of people. Some have changed the policies of city and national governments.

In Cambodia and Thailand federations of the urban poor work with national and city government in designing and implementing programs to improve the lives of slum dwellers on a national scale. In India federations have changed the way city and national governments support improved provision of sanitation for slum dwellers. In Namibia, the Philippines, and Zimbabwe, federations have changed the way city governments work with the urban poor in developing land for housing and providing infrastructure. The federations provide governments not only with potential partners but with representative organizations that can negotiate on behalf of their members.

The federations have high standards with regard to internal democracy, participation, inclusion, and accountability to their members. All strive to ensure that the solutions they promote serve the poorest groups and those facing discrimination. They strive to keep down unit costs in order to stretch limited resources. Federation programs are typically less costly than conventional government programs and many include significant cost recovery. Their upgrading and new housing projects are not intended to replace government projects but to demonstrate what can be achieved through federation-government partnerships. Each federation has hundreds or thousands of local savings groups, indicating a significant potential for these partnerships to go to scale.

Federations of the urban poor or homeless are currently operating in 12 countries. Savings groups that have the potential to form federations are developing in many others (box 2.1).

Community-led work in slums draws on a variety of mechanisms
The specific approaches employed by federations vary with location. But all federations operate savings and credit groups, innovate and refine their programs, conduct surveys and mappings in order to assess their situations, construct model housing, and exchange information with other federations. These community-driven processes have involved slum dwellers much more than most conventional government or international agency-funded initiatives do. They include representatives of the poorest groups and give scope for women to take on leadership roles at all levels. They also allow slum dwellers to influence the scope and nature of their participation.

Savings and credit groups are the “glue” that holds federations together
Most federations are formed by savers and a large group of individuals or households who work with and support the federations but are not active savers. All savers save every day. There is no minimum amount; what is important is the daily
Box 2.1
Federations of the urban poor are making a difference around the world

In Cambodia the Solidarity for the Urban Poor Federation is active in half the informal settlements in Phnom Penh and in 10 other urban centers through community-based savings and credit schemes. The Federation has helped poor communities pool their resources and work out solutions to problems of land security, houses, toilets, basic services and access to credit. Federation groups are implementing many pilot projects and are involved in an ambitious program in Phnom Penh launched by the prime minister to upgrade 100 slums a year over five years.

In India the Alliance of the National Slum Dwellers Federation and Mahila Milan (savings and credit groups formed by women slum and pavement dwellers) has more than 750,000 member households. With the support of a local NGO (the Society for the Promotion of Area Resource Centres [SPARC]), they work in more than 50 cities. In Mumbai more than 90 housing projects have been built or are underway, providing houses to more than 35,000 households. More than 20,000 of these households had lived beside the railway tracks. The project demonstrated how community-managed relocation was possible. Smaller scale new housing and upgrading programs are underway in many other urban centers. The Alliance also designed, built, and manages about 500 toilet blocks, which serve hundreds of thousands of slum households in Pune and Mumbai. It is developing comparable programs in several other cities.

The Kenyan Urban Poor Federation has more than 25,000 members and savings groups in nine different urban or periurban areas. Working with a local NGO (Pamoja Trust), it is involved in several upgrading schemes. It is also working with the railway authorities to develop an alternative to mass eviction for people settled close to the railway tracks. It is drawing on the experience of the federations in India in community-managed resettlement.

The Shack Dwellers Federation in Namibia has 10,000 member households in 197 savings groups. Most live in informal settlements or backyard shacks. The Federation is supported by a local NGO (the Namibia Housing Action Group). By 2002, 31 savings schemes had acquired land for infrastructure and housing development. The Federation’s national loan fund, composed of member savings and funding from the Namibian government and external donors, offers members loans for infrastructure, housing, and income generation. The loans are available once the member secures land.

The Homeless People’s Federation in the Philippines has 39,000 members and housing projects underway in many cities. With support from a local NGO (VMSMI), it mobilizes communities, encourages savings-based financial strategies, and engages with government. The federation prioritizes settlements in high-risk areas (on dumpsites and river banks, along railway tracks, on land subject to flooding, on land under bridges, in areas at risk of eviction) and works with their inhabitants to build the financial and technical capacity to identify needs and prepare plans for upgrading or resettlement.

The South African Homeless People’s Federation is a national network of 1,500 autonomous savings and credit groups with more than 100,000 member households in 700 informal settlements, 100 backyard shack areas, 3 hostels, and 150 rural settlements. Working with a local NGO (People’s Dialogue), it has supported the construction of 12,000 housing units, loans for another 2,000 houses, infrastructure for 2,500 families, land tenure for 12,000 families, and hundreds of small business loans. It has also set many precedents for what the urban poor can do. The federation has built good-quality four-room houses for the same price that contractors charge for serviced sites. It has also established a partnership with the Durban city government for a program that includes upgrading for more than 15,000 households.

Recognizing the urban poor as active agents of development

In Thailand the government set up the Urban Community Development Office to support community organizations with loans, small grants, and technical support in 1992. The office also supports community organizations in forming networks to work together and collectively negotiate with city or provincial authorities. By 2000, 950 community-savings groups were active in 53 of Thailand’s 75 provinces. In 2000 the Urban Community Development Office was merged with the Rural Development Fund to form the Community Organizations Development Institute (CODI), which supports networks of community organizations that work with local governments in implementing an ambitious national program for secure tenure and slum upgrading.

The Zimbabwe Homeless People’s Federation has 45,000 member households in 1,600 community-based housing savings schemes in 27 different local authority areas. Most live in holding camps, squatter settlements, backyard shacks, hostels, or as lodgers. The Federation supports daily savings and a loan fund that supports land purchase, housing, infrastructure, emergency loans, and income generation. Supported by a small local NGO (Dialogue on Shelter), it is working with local authorities to produce housing and infrastructure at much reduced unit costs.

Box 2.1
Federations of the urban poor are making a difference around the world
(continued)

In Thailand the government set up the Urban Community Development Office to support community organizations with loans, small grants, and technical support in 1992. The office also supports community organizations in forming networks to work together and collectively negotiate with city or provincial authorities. By 2000, 950 community-savings groups were active in 53 of Thailand’s 75 provinces. In 2000 the Urban Community Development Office was merged with the Rural Development Fund to form the Community Organizations Development Institute (CODI), which supports networks of community organizations that work with local governments in implementing an ambitious national program for secure tenure and slum upgrading.

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Women are almost always the leaders of these associations. They are particularly attracted to the quick access to crisis credit that the savings groups provide. The associations also often offer savings accounts that help fund housing improvement or new housing and loan facilities for income generation. Women find that their participation in savings groups transforms their relationships with the community. The daily contact between each saver and the collector acts as a constant source of information on people’s difficulties and how they can be addressed, difficulties that are discussed and analyzed during the regular meetings of the savings’ collectors. When people want access to credit, the collector has personal knowledge of family circumstances and can vouch for them. These savings do not generate large resources quickly, but they create discipline and social cohesiveness among members. When circumstances permit, savings groups also work together to plan for new housing or other initiatives.

The local savings groups are the building blocks on which the larger city-wide, national, and global foundations stand. Pooling the funding from local savings groups creates collective power, which is strengthened by the contact between groups as they work together and learn from one another. Savings and credit groups build the capacity of community organizations to manage finance collectively, which helps develop their capacity to handle larger projects.

Federations craft solutions through a process of innovation and refinement

Poor people know what their problems are and generally have good ideas for solutions. But they lack the resources and capacities to implement solutions.
Organizations of the urban poor support their members in developing solutions; some solutions work so well that they are adopted and adapted by other groups (as in the community-managed upgrading in Phnom Penh or the community-designed and managed toilet blocks in India). Some set precedents that allow changes in rules and procedures to be negotiated and more support to be negotiated from governments or international agencies. Some fail, but failure is also part of the learning cycle; the lessons from failures are widely shared.

Once a crude solution has been developed, many groups within the federation visit it to see what has been achieved and to learn how it was organized and what it cost. Another group tries out similar actions. Refinements emerge as other communities go through the process. Progress is made, despite external factors that frequently cause delays. Once a refined solution has been established, it is explored with local government officials who come to visit it. These pilot projects set precedents that can promote changes in official policies, practices, or standards. The learning is shared with other federation groups and city officials through exchange visits.

**Surveys and mapping help communities evaluate their situations**

Community-directed household, settlement, and city surveys, or enumerations, help communities look at their own situation, consider their priorities, strengthen their organization, and create the capacity to articulate their knowledge to government agencies and other external organizations. The surveys also give each person and household an official identity, as their occupation of land and housing is recorded, often for the first time. Detailed records of each household, its housing, and its plot boundaries are also valuable to governments and international agencies. This information base is difficult and expensive for governments to produce using conventional means. These surveys help generate interest from governments. Having these data allows community organizations and their federations to go into negotiations with government agencies well prepared with detailed facts and figures. A community-directed survey in Dharavi, one of Mumbai’s largest slums, revealed that there were 800 people per toilet. On the basis of these figures, the federation was able to negotiate with local government for a new sanitation strategy. Today there are 50 people per toilet (d’Cruz and Satterthwaite 2004).

The information gathering process for a slum enumeration often begins with a hut count. During this initial visit, men and women from the federation talk about their work and why they have come. Questionnaires and other survey methodologies are discussed with community members and modified as necessary. All data collected are fed back to community organizations (especially the savings groups) to be checked and, where necessary, modified. The repeated interaction with a community through hut counts, household surveys, and settlement profiles establishes rapport and creates a knowledge base that the community owns and controls.
Recognizing the urban poor as active agents of development

These slum enumerations provide the organizational base from which to plan upgrading and new housing development. The Huruma enumeration in Nairobi provided the basis for a settlement-wide upgrading program that accommodated both landlords and tenants. This experience allowed the Kenyan federation and its support NGO to undertake enumerations in more problematic settlements. In Korogocho a strong association of landlords, fearing this would threaten their control of land and housing, opposed the enumeration through death threats to NGO staff, court orders, and false rumors about the NGO’s intentions. But the federation had learned how to avoid difficulties, and over a 10-day period, 18,500 household forms were completed. More than 60 enumerations have now been completed, helping create detailed citywide information on slums (Weru 2004).

House modeling exercises help communities refine their house designs—and attract politicians’ attention

As communities secure land, they are eager to build. To do so, they need to develop many skills, in construction, materials costing, and the management of external professionals and bureaucratic procedures. Cost estimates for different house sizes and designs are often explored through house modeling exercises, which operate as follows:

- Federation members meet to discuss plans, identify the features they want in their houses, and determine what they can afford to pay each month.
- Small groups construct model houses out of cardboard and present them to the whole group. After different models have been discussed and refined, the most appropriate design in terms of size, use of space, and cost is identified.
- A full-size model house is constructed, usually using a wooden frame with fabric attached to show walls and roof, and a detailed costing is prepared.\(^2\)
- The model is used for further discussions with urban poor groups and to attract the attention of local government staff and politicians. Exhibits of the models are usually public events.

The federations also organize other similar events. The start and completion of each new housing project or toilet block, for instance, is an opportunity to invite politicians and city administrators and professionals to see what has been achieved and to publicly honor those who helped. These events often attract hundreds or thousands of people—and few politicians can resist the invitation to take part.

Exchanges link federations in different communities

A key characteristic of the federations is the development of links among them for mutual contact, support, and learning. Exchange visits between the community organizations that make up the federations serve many ends:
Exchange visits between community organizations serve many ends

• They spread knowledge—on how to set up savings schemes, manage savings, manage loans, collect and manage household and housing data, and cope with land management, building management, and relations with local authorities, for example.
• They support local reflection and analysis, enabling the urban poor to own the process of knowledge creation and change.
• They enable the poor to develop a collective vision and collective strength.
• They help create strong personal bonds between communities that share common problems, presenting them with a range of options to choose from and negotiate for and assuring them that they are not alone in their struggles.

In India there has been a constant process of exchange between slum and pavement communities since 1988. Representatives of women pavement dwellers groups in Mumbai were the first to travel to other settlements in their own city and later to other cities in India. They shared their knowledge about the savings and credit groups they had developed and managed themselves, finding many people who were interested in acquiring their skills. These exchanges become a routine part of federation work. During 2003 more than 100 city-to-city exchanges took place in India.

Hundreds of international exchanges have also taken place. Community organizers from India have regularly visited other countries (including Cambodia, Kenya, the Lao People’s Democratic Republic, South Africa, Thailand, and Uganda), and organizers from these and other countries have visited slum and pavement communities in India. Within Africa the well-established federations in Namibia, South Africa, and Zimbabwe have held frequent exchanges. A community enumeration was conducted in Victoria Falls (Zimbabwe) in 1998, after a community exchange from South Africa showed local savings scheme members how to develop a questionnaire, go from house to house collecting information, and collate the information. The Zimbabwean federation provides support to the emerging networks in Zambia. Strong federations have also emerged in Kenya and Swaziland, supported by exchanges with the three southern African federations. In several other countries in the region, including Lesotho, Madagascar, Malawi, Tanzania, Uganda, and Zambia, savings groups are developing as a result of exchange visits with other federations.

Although the primary goal of community exchanges is to strengthen and support community organizations, they have also proved useful learning exercises for many professionals. Organizations of the urban poor and their federations often invite key professionals from municipal or national governments to join them in community exchanges or to come to meetings in their cities as part of an exchange. The minister of land in South Africa went on an exchange with the South African federation to India; the secretary of housing for the city of São Paulo accompanied community leaders from São Paulo on an exchange
Recognizing the urban poor as active agents of development

with South Africa. International community exchanges can attract considerable attention within a city from local governments and the media. They can become events that senior politicians and bureaucrats want to attend, often to learn about innovations in their city that they had not been aware of before the exchange.

The organizations and federations of the urban poor and their support NGOs use innovations in one location to promote discussion among professionals in others. The innovations in flexible standards for plot sizes and infrastructure implemented in Windhoek, Namibia, helped stimulate many international exchanges. During 2002 and 2003 communities and officials from Windhoek visited or were visited by federations and local governments from Victoria Falls, Bulawayo, Asvingo, Mutare, and Harare (Zimbabwe); Nairobi (Kenya); Cape Town and Port Elizabeth (South Africa); Karachi (Pakistan); and Mumbai (India). The federations’ umbrella organization, Slum Dwellers International, profiled Windhoek’s policy at the World Urban Forum in Kenya in 2002, and Windhoek hosted the launch of the Global Campaign for Secure Tenure, a campaign in which representatives of the federation from India, Madagascar, Nepal, the Philippines, South Africa, Thailand, and Zimbabwe work with UN-HABITAT.

A particularly significant international exchange was the visit to Mumbai by senior officials from Kenyan Railways and senior planners from Nairobi in April 2004 to see how the resettlement of the people who lived next to the railway tracks had been organized. The visit to Mumbai showed the Kenyans the possibilities of community-managed resettlement, which benefits those who are resettled and clears the tracks for faster train service. Many other federations are struggling to fight evictions; the precedents set in India and visits to see how they were implemented can help change approaches in other countries.

Actions by federations are setting precedents and changing standards

Precedent setting begins with the assumption that the strategies of the poor are probably the most effective starting point for meaningful improvement. Community organizations within each federation are supported to try out pilot projects and then refine and develop them within the learning cycle described above. When these efforts work well they become widely supported and can easily be scaled up.

Precedents are rooted in demands made by urban poor organizations. For instance, in 1985 the women pavement dwellers in Byculla demanded that SPARC help them do something about eviction notices. They did not want to fight; they wanted to avoid the violence that their men were moving toward. They sought a long-term resolution to their problems. Following discussions, a community-managed enumeration set a precedent for how such surveys can provide the information base from which community-driven solutions (and
partnerships with local governments) can be developed. When the immediate threat of evictions was over, the women demanded that something be done about their inability to get alternative housing.

From this developed the savings and credit schemes, the collective leadership, the house modeling, and, later, the survey of vacant land to demonstrate that there was land available for their housing. Intercity community exchanges began when the women were discussing building materials that might reduce housing costs; they wanted to see people in houses made from the materials suggested. One such material was the funicular roofing precast tablet developed in Kerala. To see the material, in 1986 a group of pavement dwellers made the long trip to Kerala. These women also created the concept of a house model exhibition to demonstrate publicly and visibly what they wanted. The strategy was a smart one, as risk-adverse bureaucrats are more likely to accept a new idea if they see it working in practice (Patel 2004a).

In Zimbabwe despite the immense difficulties faced by all low-income groups and all local governments in recent years, increasing numbers of municipalities are allocating land to federation groups and requesting additional applications; local authorities have already committed 5,334 plots of land (d’Cruz and Satterthwaite 2004). Savings schemes set up in Victoria Falls (inspired by the experience in South Africa) were everything the official party structure was not—participatory, self-reliant, accountable, and dominated by women rather than men. After a long process of negotiation, in 2000 they succeeded in getting 565 land plots, which they developed with community participation in infrastructure installation, with acceptance by the local authority that one-room houses might be all that is affordable in the near future (Mitlin and Mueller 2004). In Harare the council sold a land plot to the federation that is now being developed for 233 houses, and the federation is negotiating for other plots. These actions set precedents for partnerships, and in many cases, for standards.

Many precedents contravene official rules and standards. But by demonstrating to officials what is possible, negotiations on rules and standards have become much easier. Changing formal rules to accommodate informal processes leads to simplified procedures, appropriate standards, and affordable costs (Yu and Karaos 2004). In Zimbabwe perhaps as important as the negotiations for these sites are the innovations and changes in official rules that the federation is developing with local authorities in Harare, Mutare, and Victoria Falls. These changes are cutting unit costs and ensuring that the poorest groups can afford the federation’s housing solutions. Such changes involve long and difficult negotiations with local politicians, planners, and engineers; careful documentation; and visits by local authorities to locations where these innovations have worked.

In Windhoek, Namibia, only a small proportion of people living in informal settlements could afford plots with household connections to water mains.
A key role of the federations is to learn and to avoid repeating mistakes

and sewers, which the city government provided at cost. In response, the government developed two new options: small rental plots serviced with communal water points and gravel roads and group purchase or lease of land with communal services and smaller plots permitted. These changes in standards lowered the unit cost of secure tenure and services dramatically: the cost per plot with community development and individual connections is less than half that of a conventional plot, and the cost of communal services is a fifth to a third of a conventional plot (Mitlin and Mueller 2004).

Many criticisms of community-driven processes are unfounded

One criticism of community-driven processes is that they absolve national or local governments of their responsibilities. This is not the case: a key feature of the work of urban poor organizations and their federations is to show the potential of partnership between government and community organizations. These groups do not lighten the pressure on political and bureaucratic systems, they show how bottom-up pressures can promote pro-poor changes in government. The work of such groups and networks also reduces dependence on international aid, as they mobilize local resources (including their own resources), keep down unit costs, and demonstrate solutions that require far less international funding.

Another worry is that introducing any new civil society actor within poor communities can be divisive. In fact, the organizations and federations highlighted here are open to people of all political parties and religions.

There is also the issue of scaling up. Where local and national circumstances permit, the federations make innovative efforts to gear up to reach everyone. Total coverage has not yet been achieved, but the unit costs realized by the federations are generally far lower than those of government or international agency–driven alternatives. When given the opportunity, the federations have demonstrated considerable success in going to scale. Where they have had more limited impacts, this is related mostly to lack of support from external agencies—be they local or international NGOs, different levels of government, or official donors.

The organizations and networks of communities certainly face difficulties. Projects fail, community organizations cease to function, repayment schedules for loans are not maintained. These problems are inevitable. A key role of the federations is to learn from these examples and to avoid repeating mistakes in the future.

Nongovernmental organizations, governments, and international agencies can support organizations representing the urban poor

The experiences documented here grew out of a great deal of effort and dedication on the part of the urban poor to organize themselves, often in response to threats posed by eviction, displacement, or other communal needs. The work
of supporting NGOs and governments, as well as the international agencies that encourage them, has been critical in enhancing the working environment of such groups. Where organizations of the urban poor do not exist, all actors in the development process can play a part in creating a supportive environment for their development.

Such support can be as simple as creating a common neighborhood space for community meetings and activities. SPARC was started in 1984 by social workers and other professionals to explore the potential of partnerships with the urban poor. Their intent was “to create a physical, emotional, and social space for people to pool their human resources and facilitate learning.” Because of the space SPARC created, the National Slum Dwellers Federation and Mahila Milan were able to work together to achieve mutual objectives.

Sometimes professional groups can provide similar impetus. In 1989 teachers of planning and architecture at Dawood College in Karachi, Pakistan, started an Urban Studies Forum focused on social issues in urban planning (Hasan 2004). Within six months the forum became an urban resource center and expanded its work to include advocacy on development projects of interest in Karachi. The urban resource center has been able to support local community organization against displacement due to large-scale infrastructure projects.

Governments, too, have provided supportive environments for community organization. In Santo André, Brazil, the municipal Integrated Social Inclusion Program includes an interdepartmental team that develops guidelines and monitors activities; a technical team, made up of officials, experts, and civic leaders, responsible for implementing and coordinating activities and projects; and a local team, led by community leaders and stakeholders, involved in operationalizing activities (Serageldin, Solloso, and Valenzuela 2003). Community organization and participation in decisionmaking, execution, and operation of activities is the cornerstone of the program. Residents help develop many of the activities, including slum upgrading, recycling, vocational training for entry into the workforce, and microcredit and capacity building for informal sector workers. The program was first implemented in four pilot _favelas_ (squatter settlements), reaching 3,540 families. Regular meetings of residents, local teams, and technical teams are held to discuss operation of programs, and periodic meetings of residents and elected officials are held.

International agencies can do their part. UN-HABITAT has launched two global campaigns to raise awareness and commitment to challenges in urban governance and securing tenure. The Global Campaign for Secure Tenure has an operational framework that “delegates responsibility and authority to local actors, supports the efforts of local actors, and ensures the centrality of women and organizations of the urban poor are given institutional expression” (UN-HABITAT 2003c). Such international recognition of the organizations and federations of the urban poor is important, not only in terms of opening of
Recognizing the urban poor as active agents of development funding avenues (a topic addressed in chapter 5) but also because of the leverage provided by UN recognition.

**Conclusion**

Supporting community-driven processes initiated and managed by slum dwellers in every slum allows the urban poor to be an effective developmental force at the level of districts and cities, as well as nationally and internationally. The foundation of these community-driven processes is local savings groups that are representative and accountable to their members.

This combination of community-driven processes at the neighborhood level and linked community organizations at the city level has demonstrated a capacity to promote changes within government systems that address the most difficult structural issues, such as the allocation of land (or tenure) and infrastructure to urban poor organizations, changes in official norms and standards, and changes in the ways that government agencies work with poor and homeless groups. This may be the single most important aspect of the work of these networks and federations of urban poor organizations with regard to achieving large-scale results. The slum dwellers target will not be reached without these kinds of changes.

Five steps must be taken to achieve target 11:

1. **Support the “rights plus” approach.** The “rights plus” approach supports the right of the urban poor not only to housing but also to influence the process by which they obtain it. This approach strengthens the knowledge of urban poor groups and builds the solidarity that enables them to develop solutions that work for them and that are negotiable with government agencies (generally local authorities). These groups do not just seek state resources for poverty reduction or an acknowledgment of their right to housing. They seek solutions that realistically address their needs and the external support to implement these solutions on a large scale. By developing their own solutions and seeking state support for them, they promote a “rights plus” approach: citizens’ rights for a citizens’ agenda.

2. **Support learning and foster solidarity.** The horizontal learning and interchange between communities allows community organizations to learn from one another. This generates a process that is itself developmental and that can have collective influence at the city and national scales.

3. **Transform NGOs.** Community-driven processes have redefined the most appropriate roles for local NGOs. With the emphasis on the centrality of the poor in defining and implementing responses, the development process is reversed, with urban poor groups taking the lead and NGOs playing support roles.

4. **Transform local (and national) government.** Urban poor groups need a collective voice to make the policies of city and national governments...
more pro-poor. The federations’ methodologies encourage the transformation of traditional relationships between community organizations and local governments and politicians. Federations and networks that represent community organizations drawn from different settlements and different urban center have more legitimacy to speak on behalf of the urban poor. As their membership expands, they are likely to be taken more seriously by city, provincial, state, and national governments. Their potential can be seen in the influence they have on city-wide processes in Phnom Penh, Windhoek (Namibia), and Durban (South Africa) and in many Indian and Thai cities, and on national processes in Cambodia, India, South Africa, and Thailand.

5. Change donors’ approaches. National federations are part of a regionwide and international movement working for more accountable and effective local organizations to address both their members’ specific local needs and changes in international agencies that will increase support for their work.
Over the past few years, a consensus has emerged that improved governance is central to the sustainable achievement of development goals. Unfortunately, this basic concept often founders when operational definitions are sought. Nowhere is this more apparent than in the tensions that typically emerge between low- and middle-income countries, and donors and international financial institutions. Many of these countries lament the insistence on “good governance,” imposed as a precondition for flows of official development assistance and often translated into stringent macroeconomic measures that, in the opinion of many recipient governments, cause a deterioration of the very conditions that are meant to be addressed, in particular inequity and poverty.

This report does not address this larger issue, except by arguing that governance and aid must proceed hand in hand. Many countries welcome assistance in managing their financial, physical, and human resources in more efficient, participatory, and sustainable ways. But assistance should not dictate policy. The imposition of conditionalities is ultimately self-defeating, because it ignores the fact that many countries lack the resources to strengthen the basis of governance—government itself. At the same time, controversies over the interpretation of “good governance” blur the consensus shared by all—that improving governance is a good thing.

Fortunately, these controversies are less acute with regard to the concept of good urban governance. Consensus in this area has been growing, particularly since the second United Nations Conference on Human Settlements (Habitat II). The Habitat Agenda defines equity, efficiency, transparency, and accountability as components of good urban governance. This task force stresses in addition other principles subscribed to by the community of nations: subsidiarity, civic engagement and citizenship, and the security of individuals and their living environments. Taken together, these attributes define governance that is close to
all citizens, promotes the active participation of all in the city’s political life and in the decisions that affect them, and ensures living conditions for all, secured by law, that guarantee a safe, pleasant, humane, and livable environment.

Experience has shown that improved urban governance is not simply a question of improved management at the local level. All governments, including central governments, need to commit themselves to the application of these internationally recognized principles. Countries that have made progress in improving urban governance have done so in all spheres of government. Those that have been most successful have captured pioneering experiences at the community, city, and regional levels and translated them into national policy.

The normative principles subscribed to here respond to a shared aspiration, but they draw legitimacy from reality and experience. Specific country experiences illustrate the practical possibilities—economic, political, social, and cultural—for globalizing good urban governance.

**Countries around the world are adopting good urban governance practices**

Good urban governance means involving organizations of the urban poor as equal partners in urban political and economic life, including budgeting decisions, financing practices, and the participatory upgrading, planning, and design of basic public services. A number of examples show how such practices are improving lives today (box 3.1).

The Thai example provides evidence that a national government-led initiative can provide a supportive environment for good urban governance. The process is being replicated in Cambodia and broadly championed by networks of the urban poor in other regions. Similar outcomes can result from initiatives led by other institutional actors (box 3.2).

Practices such as social-interest financing and participatory budgeting succeed best where there is a deeply rooted tradition of community-based organization and local democracy and strongly motivated leadership, attuned to the needs of the weakest and most vulnerable members of society. These conditions are lacking in many countries and localities, where corruption, mismanagement, and waste of public resources abound. What can be done in such circumstances? One answer comes from the capital of Bolivia, La Paz (box 3.3).

Community-driven initiatives for people-centered urban governance have also been key in changing the relationship between citizens and governments, moving toward better urban governance. The Homeless People’s Federation in South Africa exemplifies the strides such initiatives are making in improving governance, demonstrating the central role of the urban poor in development (box 3.4).

The South African example is significant because it indicates that the problem of reaching the urban poor with significant improvements is not only a matter of political will and resources but a question of how politicians and
In 1992 the government of Thailand set up the Urban Community Development Office (UCDO) to address urban poverty. Government policymakers recognized that Thailand’s economic success during the 1980s and early 1990s had brought little benefit to the poorest groups. Indeed, housing conditions for many had deteriorated, and they were at ever greater risk of eviction, because land prices and demand for central city sites had increased. Policymakers also recognized the need for more participatory models of support for low-income groups and the potential of community-based savings and credit groups in this regard. Various local and international NGOs working in Thailand had demonstrated the possibility of improving housing by working with poor communities and networks of communities.

UCDO recognized that for pro-poor development to take place, relations between low-income groups and the state had to change. Critical to that change was the establishment of representative and accountable local citizens organizations. From the outset, UCDO sought to bring together different interest groups. Its board included senior government staff, academicians, and community representatives.

The government provided UCDO with a capital base of about $50 million to allow it to make loans to organized communities for a range of activities relating to housing and income generation. Initially, loans were available to community-based savings and loan groups for income generation, revolving funds, housing improvement, and other housing-related costs (such as allowing communities threatened with eviction to purchase slum land or land elsewhere and develop housing there). Any community could receive these loans, provided it could show the capacity to manage savings and loans. Loans could be used to respond to the particular needs of each group. Through this loan program, UCDO developed links with a wide range of community organizations, savings groups, NGOs, and government organizations. Loans had much lower interest rates than those of the other sources that poor households could turn to, although they were high enough to sustain the initial fund and cover administrative costs.

As the savings groups became larger and more numerous, UCDO found it more difficult to provide them with sufficient support. This difficulty in scaling up encouraged UCDO to link individual savings groups into networks or federations; loans could then be provided to these networks, which on-lent to their member organizations. The emergence of large-scale community networking brought immense change to community-led development processes in general and to UCDO in particular, and it increasingly became the means through which funds were made available to low-income groups.

In 2000 UCDO joined with the Rural Development Fund to become the Community Organizations Development Institute (CODI). With support from CODI, community organizations in cities and provinces join together to form networks to negotiate with city or provincial authorities, influence development planning, or simply work together on shared problems of housing, livelihoods, or access to basic services. There are networks based on occupations (for instance, a taxi cooperative), pooled savings, and cooperative housing. There are also networks based on shared land tenure problems (for instance, networks of communities living along railway tracks or under bridges). Because these networks manage loans, the decisionmaking process is decentralized and closer to individual communities, able to respond rapidly and flexibly to opportunities identified by network members.
Chapter 3

Processes can, with appropriate support, improve their lives. Only when the urban poor are recognized as active agents of development and full citizens do we see the essence of good urban governance.

People have the “right to the city”
In every country in the world, significant communities are excluded, whether by active policy or passive acceptance, from fully belonging to the city, its life, and services. The concept of the right to the city has been developed to counter this structural process of exclusion. Increasingly, legislation in low- and middle-income countries recognizes the consolidated rights of squatters and slum dwellers in settling urban land and creating communities. These rights must be more widely recognized and protected by law for men and women alike. Barring exceptional circumstances, such as those stemming from irreversible environmental hazards, informal settlements must be protected from

**Box 3.2**

**Participatory budgeting has transformed lives in Porto Alegre, Brazil**

At the end of 1989, the newly elected mayor of Porto Alegre, Brazil, Olivio Dutra, found himself confronted with a seemingly impossible task. Ninety-eight percent of the municipal budget had been earmarked for salaries—one of the last acts of the outgoing administration. No resources were left for the improvements in infrastructure and housing that were expected by the city’s low-income population as a result of the political change brought about by the new election.

The mayor’s first decision was to tell the population what the state of municipal resources was. He indicated that efforts would be made to mobilize new resources with which to improve the living conditions of the poor and upgrade basic services citywide, and he promised that decisions on the use of these resources would be made by the people themselves.

The new administration discovered that the most direct and immediate way to increase municipal resources on a sustainable basis was through local property tax reform. Once resources were available, citizens and neighborhood associations talked about a new kind of participation based on real commitments and concrete resources, where people make decisions and local government “participates.” This was literally a revolution: the roles of decisionmakers and participants were reversed. To this day, decisions on a substantial portion of the municipal budget are made by citizens, according to geographical (district) and thematic criteria (environment, infrastructure, transport, and so forth). The role of the municipality is to inform, facilitate the process, execute decisions—and be held accountable if implementation does not match the decisions made.

The number of citizens engaged in the participatory budgeting process has grown steadily in Porto Alegre. The results go beyond the more effective use of resources. Though the city was one of the fastest growing in the world over the past 40 years, life expectancy is 74 years—7 years longer than the national average in Brazil. What is most important is that poor people, many of them previously accustomed to occasional handouts, showcase projects, and paternalistic procedures, develop a permanent identification with their city, an essential change in their transition from resident to citizen.

Participatory budgeting has been replicated in many Brazilian cities as well as elsewhere in Latin America and all over the world. It is an exemplary practice of the globalization of good urban governance.
Reaching the target through improved governance

forced evictions and regularized with the active consent and participation of the interested populations. Future migrant populations must be enabled to find adequate shelter in accordance with the principles and definition of adequate shelter enshrined in the Habitat Agenda.

A recent articulation of the right to the city has been developed to counter structural processes of exclusion. Until a few years ago, even freedom of
movement within one’s country was not universally recognized, and it still remains severely constricted in many countries. Rural-urban migration in search of better sources of livelihood is one expression of this right. But freedom of movement is only the first step in the process. Also critical is the right to adequate housing, with all its implications for security and services, as elaborated within the 1996 Habitat Agenda (box 3.5).

Brazil has rebuilt its whole urban governance policy around the concept of the right to the city. Its experience is critical in at least four respects.

First, few other countries have witnessed such a remarkable coming together of all the actors critical to improving the lives of the urban poor: national and local legislators, central government, local government, professionals, learning

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**Box 3.4**

South Africa’s Homeless People’s Federation is improving housing in townships and informal settlements


When the African National Congress was elected as South Africa’s first democratic government in 1994, it recognized that housing was a priority for people living in the townships and informal settlements and promised to build 1 million units within five years. The government introduced a capital subsidy program for low-income households of up to R15 for the purchase of land, infrastructure development, and housing. (By 2004 the maximum subsidy was R28,279.) This was a mechanism for making housing built by large-scale commercial contractors affordable to low-income households—and it was the housing developer that was funded. Much of the housing developed was located far from income-earning opportunities and was poorly designed, poorly built, and too small. These houses provoked such comments as “when you sleep your feet come out of the house” and “Mandela promised me a house, but he built me a closet for my clothes.” Many of these contractor-built houses have been abandoned or (illegally) sold for a fraction of their cost.

The South African Homeless People’s Federation pressed the government to allocate the subsidies directly to low-income households. Several thousand Federation members built houses funded by this program, demonstrating that they could produce good-quality four-room houses for the same cost that contractors charged for tiny core houses. In response, the Department of Housing issued a grant of R10 million to the Federation’s uTshani Fund, and the government introduced the People’s Housing Process, a self-help development option for its housing subsidy program. The benefits of community-managed housing developments are increasingly recognized, in terms of both the process they support and the quality, size, and cost of the houses constructed.

Despite these successes and a strongly committed national government, the South African Federation has faced many difficulties. National and local political structures distrust any movement that is not within the ruling party, politicians work through patron-client relationships and do not want to be challenged by community organizations, and the national housing subsidy program provides surprisingly little support to Federation schemes. Even with the introduction of the People’s Housing Process, only a small proportion of housing subsidies go directly to low-income households. Contractor-built housing is still the main response to housing problems from national, provincial, and local governments. A 2004 speech by the minister for housing put more emphasis on the role of “business, the banking sector, and ordinary professionals” for housing than on the “people’s housing process.” The speech highlighted the fact that established housing contractors are deserting the low-cost housing market because of low profit margins, and it emphasized the need to support emerging small contractors.
Central to the “right to the city” is the definition of the right to adequate housing, adopted by all UN member states in the Habitat Agenda. Member states affirmed their commitment “to the full and progressive realization of the right to adequate housing, as provided for in international instruments” and recognized in this context “an obligation by Governments to enable people to obtain shelter and to protect and improve dwellings and neighborhoods.”

The Agenda defines “adequate shelter” as “more than a roof over one’s head. It also means adequate privacy; adequate space; physical accessibility; adequate security; security of tenure; structural stability and durability; adequate lighting, heating and ventilation; adequate basic infrastructure, such as water supply, sanitation and waste management facilities; suitable environmental quality and health-related factors; and adequate and accessible location with regard to work and basic facilities, all of which should be available at an affordable cost. Adequacy should be determined together with the people concerned, bearing in mind the prospect for gradual development. Adequacy often varies from country to country, since it depends on specific cultural, social, environmental, and economic factors. Gender-specific and age-specific factors, such as the exposure of children and women to toxic substances, should be considered in this context.”
and segments of the population, Brazil’s experience reveals that when benefits are not widely distributed, potential profits are lost and development stagnates. Brazil has also shown that economic decline and change have the most severe effects for the most vulnerable members of society.

Brazil harbors all the promises, challenges, and contradictions of our global society. It is characterized both by highly developed and lagging regions. Its cities highlight these contrasts, with their gleaming business districts and tightly guarded residential areas surrounded by slums. The persistence of these contrasts reminds us that there is no structural incompatibility between opulence and poverty, modernity and traditional forms of subsistence and settlement. Today Brazilian cities, supported by the progressive city statute (box 3.6), struggle to remedy the mistakes and omissions of the past, to seek better, more sustainable solutions to the challenges of the new millennium: reducing poverty, safeguarding the environment, and ensuring sustainable economic growth. Legalization and regularization of informal settlements in areas suited for settlement have become standard policy. People settled in environmentally protected or risk-prone areas are being cooperatively relocated to better suited areas nearby. Participation has taken concrete forms, largely through the diffusion of a Brazilian innovation: participatory budgeting.

Planning for development can prevent slums from developing

Slum upgrading is a remedial measure made necessary by the inaction of past governments and the failure to adopt or implement adequate and efficient

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**Box 3.6**

Federal legislation on urban policy in Brazil is bold

In 1988 a remarkable provision was inserted into the new Brazilian Constitution in the chapter entitled “On Urban Policy.” Its first article reads: “Urban development policy, carried out by public municipal powers in conformity with general directions established by law, has as its objective to regulate the full development of the social functions of the city and guarantee the well-being of its inhabitants.” Specific provisions include the identification of master plans as the basic instruments for urban development and expansion policy; recognition of the social function of property; the exercise of public domain for just compensation; measures for the utilization of unbuilt on or underutilized urban land, ranging from progressive taxation to expropriation; and titles of use or occupancy, under certain conditions, for those who have occupied a plot for at least five years.

This chapter was written into federal legislation in the city statute. The first purpose of urban policy, as defined in this statute, is to “guarantee the right to sustainable cities, understood as the right to urban land, housing, environmental sanitation, urban infrastructure, transportation and public services, to work and leisure for current and future generations.” A fundamental dimension of the statute concerns the need to democratize the local decisionmaking process and legitimize a new, socially oriented urban legal order. The instruments to be used include urban policy councils at the national, state, and municipal levels and the right of popular initiative for proposed laws and plans, programs, and urban development projects. Participative budget management is introduced as an official tool of urban policy.
national and urban policies. Planning can prevent slums from forming. Cities need to apply the principle of planning before development, focusing on the future needs of low-income populations. The pervasiveness of precarious and informal settlements in cities demands a comprehensive approach that can be ensured only by citywide development strategies and participatory planning.

As reformulated, target 11 calls for providing adequate alternatives to new slum formation, in addition to improving substantially the lives of at least 100 million slum dwellers. The rationale for this objective is obvious. It makes no sense to create the conditions for improving the lives of existing slum dwellers without also acting on the causes that permit slums to form in the first place.

Urbanization is projected to continue unabated for at least the next 20–30 years. According to official estimates by the United Nations Population Division (2004), virtually all future population growth is likely to occur in the urban areas of developing countries, and many of these new urban dwellers will be poor. In the absence of deliberate policies and actions, it is reasonable to suggest that the urban poor will continue to have no choice but to pursue the same range of options that led to present settlement conditions.

A first option is to find shelter in existing informal settlements and inner city slums. This will add stress to the factors that define a settlement as a slum, particularly in terms of density and the inadequacy of basic infrastructure and services.

A second option is to occupy vacant land. This happens, and will continue to happen, on tracts of public land totally unsuited for settlement (for example, along busy transport corridors and railway lines); on open land reserved for infrastructure improvement or the provision of urban and community services (schools, hospitals, and green and recreational space); and on land earmarked for environmental protection purposes (wetlands, water catchment areas, and the like). These settlements create a host of new problems in terms of personal safety and social and environmental sustainability, and they contravene all the norms a city is mandated to enforce according to the rule of law. The challenges of legalization and regularization follow. The best cases result in negotiated resettlement, as in the case of Mumbai’s residents resettled from along the railroad tracks. In the worst cases, the result is forced eviction and the relocation of “the problem.”

A third option is semilegal settlement, as in the cases of the loteamentos in Brazil, in illegal subdivisions that exist, under different names, in virtually all countries. This option is out of reach for the poorest of the poor, as it involves cash payments to private landowners for a plot in a tract of land lacking infrastructure and services and often zoned for other purposes. Legalization problems occur in these cases as well. As these settlements consolidate, the municipality often has no option but to provide ex post facto regularization, often at costs far higher than it would have had to bear had planning and development been orderly.
All of these options represent development before planning. In all of them, the virtuous circle followed in “normal” circumstances is reversed: first, there is occupancy; second, construction; third, “informal” planning; fourth, normative regularization.

In many cases planning can allow cities to avoid the high cost of slum upgrading. Citywide development strategies and participatory planning are central to operationalizing the concept of “good urban governance.” What obstacles prevent the wide application of the principle of planning before development?

Virtually all local governments in low- and middle-income countries have a physical planning department and procedures for the designation of land for housing, amenities, industry, infrastructure, and services. But their staffs are poorly paid, poorly trained, and poorly motivated—part of the more general predicament for sound urban governance. The inadequate remuneration of public employees is a root cause of corruption, which undermines any attempt to plan and manage a city in the interest of all citizens, particularly the urban poor. The work of planners is particularly vulnerable to corruption, given the impact of planning decisions on land values, land markets, and physical development. A fundamental of good urban governance is ensuring that city officials and employees receive decent remuneration. Foreign aid grants could be used for this purpose, as long as procedures are transparent and accountable.

Training is another important factor. All governments recognize the obstacles associated with limited capacity at all levels of government, in particular in the poorest countries. “Technological and institutional capacity” can mean many things. An efficient computerized cadastral system, for example, is necessary for transparent land management systems, the sound management of the property tax base, and improved collection of property taxes. But these systems have to be managed by competent and motivated professionals, attuned to the new paradigms of people-centered planning and management.

What is needed is an in-depth revisiting of the theory and practice of urban planning, which is often regarded as a top-down, technocratic, and cumbersome exercise, divorced from reality and oblivious to the present and future needs of lower-income citizens. This judgment, like all blanket generalizations, is unfair. Recent experience with the city of São Paulo’s Strategic Master Plan, prepared within the framework of an extensive consultative process, indicates that planning can work in the interests of the poor if it is backed by good legislation, implemented by competent professionals, and supported by a committed administration. Most critically, it must work with the poor as partners.

The concept of planning for development is not limited to physical planning. Central to urban development is the human development dimension, in which the sense of identification of urban residents with their own city—well expressed by the Spanish term *ciudadania*—is strengthened by the planning process and vice versa. The poor should be enabled to assume a central role in
the practice and implementation of urban development strategies—of which physical planning constitutes an important part.

This report documents the positive results achieved by the urban poor and their organizations in several countries in negotiating with local, provincial, and central government authorities in order to avoid forced evictions, improve basic sanitation, and advocate more cost-effective and participatory use of government subsidies for low-income housing. Fundamental to good urban governance, and to planning for development, is ensuring that the potential for such negotiations is facilitated and institutionalized.

As these experiments evolve and expand, it may be possible to count on a strong new global force that can be an inspiration to cities not just to solve local problems and work out local solutions but to offer imaginative solutions to demands regarding the rights to the city tomorrow. In chapter 5 this report calls on professionals, including designers and planners, to join forces with this movement, so that achievement of the target can evolve from reaching a milestone to becoming the everyday business of cities.

While this situation evolves, cities are confronted with the problem of how to prepare for demographic growth and an increased demand for adequate and affordable housing. The Cities Alliance has developed the concept of the city development strategy (see chapter 6), a participatory action plan to achieve the objectives of cities without slums. In several applications around the world, this concept has been adapted to local circumstances. Some cities have focused on citywide strategic planning, while others have underlined the economic development dimension. All agree that the objective of improving current slum situations and finding alternatives to new slum formation can be addressed only at the city scale. At this scale, the bottlenecks of poor financial and human resource management can be removed and appropriate tradeoffs found to reconcile economic growth, environmental protection, and social equity.

In the future cities in the same metropolitan area will also have to find joint solutions to common problems. Many middle-income economies reveal a worrying phenomenon—a decrease in manufacturing activities in great metropolitan centers, as both old and new industries locate to outlying urban settlements. It is more efficient for domestic and foreign-controlled industries to locate in smaller centers, where proximity to the metropolitan core is coupled by lower costs of land and labor, as well as attractive locational and investment incentive packages. This, in turn, engenders informal settlements, created by those attracted by the informal activities generated by industrial development.

In many cities the metropolitan core has a lower percentage of slum dwellers than the surrounding municipalities. Alternatives to new slum formation, including the identification of cheaper land for low-income settlement in the metropolitan periphery and the resettlement of urban populations located in risk-prone and ecologically fragile areas, will have to be shared through some kind of metropolitan coordination and cooperation mechanisms.³
Local strategies for improving slum dwellers’ lives can address all the Goals

Achieving the Goals in urban areas requires the close involvement of national and local governments and communities. While global support is crucial to sustaining this effort, taking the Goals to the local level means developing participatory, homegrown solutions inspired by common ethical and operational principles. For this reason a bottom-up approach must be stressed. Cities need to set local Millennium Development Goals targets and adopt citywide strategies for achieving them.

The target of “improving significantly the lives of at least 100 million slum dwellers by the year 2020” is related to the implementation of all other Goals. Granting security of tenure and providing adequate sanitation, the two indicators officially adopted for measuring progress toward the target, do not tell the whole story. “Significant improvement” means improvement across the wide spectrum of factors that constitute poverty in an urban context and that together can be described as exclusion—exclusion from sustainable livelihoods and from access to adequate housing, adequate infrastructure, adequate services, adequate health, and education.

The Goals and targets coincide with the agenda of any good mayor who wishes to improve his or her city: reducing poverty and unemployment; increasing access to education and health services; combating inequality, including gender discrimination; improving the lives of the poorest residents; enhancing the quality of infrastructure and services; and protecting the environment. Many mayors may not realize that the new global organization of cities, United Cities and Local Authorities, is launching a global Millennium Cities and Towns campaign in support of the Goals or that the Millennium commitment can be a unique opportunity to marry good governance with stronger flows of external grants and technical cooperation. But cities around the world have started independently committing themselves to the Goals.

In the end, realization of the Goals will be the result of myriad local actions—many of them going on right now. Urban people everywhere are struggling to get out of poverty, to find decent jobs, to send their children to school and give them decent place to live. They are designing and building houses, toilets, and sewers; turning out ingenious crafts, products, and solutions; and inventing new forms of employment and income generation. The first Millennium Development Prize, if there ever is one, should go to the world’s poor, who are already striving to reach the targets set by their heads of state four years ago.

If the Goals are not seen as ends in themselves but as a means to help nations out of poverty, it stands to reason that the centerpiece of the work ahead is the localization of the Goals and the development of local poverty reduction strategies designed and implemented directly by those who know best: the poor themselves. Myriad model strategies conceived and implemented
by the poor, assisted and supported by governments, the private sector, and the international community, could provide a powerful boost for the implementation of the Goals. Substantive participation in the monitoring of progress by the poor would indeed revolutionize governance.
Supporting and enacting local pro-poor policies

The substance of municipal management—housing tenure, infrastructure, transport, land use and building code regulation, urban planning, the role of the private sector, and job creation—changes little with place and time. But in almost every area of concern there is more than one way to approach a problem, and differences from place to place reflect the values of those making the policy decisions. For too long policy approaches designed from the vantage point of the urban poor have been missing from the urban management field. This chapter outlines a set of pro-poor urban policies. Such policies ensure that the urban poor have a meaningful say in their design and implementation, which are key to their success.

Land regulation and transparency in private land transactions are critical to ensuring secure tenure

The forced demolition of urban slums has never reduced poverty; it creates poverty. Forced evictions have never reduced slums; they simply move slums elsewhere. Provision of secure tenure in existing informal settlements with the participation and contribution of residents is crucial to the process of slum upgrading. Two necessary first steps are establishing a system of effective land regulation to ensure the future supply of well located land as cities grow and ensuring that private transactions in the land market are based on transparent information.

Forced evictions are increasing

Forced evictions—the result of development projects, discrimination, urban redevelopment schemes, gentrification, urban beautification, and land alienation—are a growing problem for the urban poor. Between 1988 and 2000 alone more than 4 million people are estimated to have been forcibly
evicted from their homes. In 2001–02 some 6.7 million people were evicted, and an equivalent number were under threat of eviction (COHRE 2002).

Adequate resettlement after forced eviction is the exception; evictees usually find accommodation in other slums (contributing to further pressure on those settlements) or more often rebuild far from their previous sites and sources of livelihood. Forced eviction creates poverty by destroying capital assets, vital sources of income, and precious links of solidarity and mutual assistance. It often imposes new hardships in hostile and alien situations. Except in the most exceptional circumstances, it is an expression of policy failure.

Evictions, which the United Nations has recognized as a gross violation of human rights, continue to take place under a number of pretexts. Many governments, aware of the political risks of evictions, have adopted anti-eviction laws. These laws may provide little protection for the poor if legal aid is not cheap and accessible, however (UN-HABITAT 2003a).

**The best protection against forced eviction is security of tenure**

Households can be said to have secure tenure when they are protected by the state from involuntary removal, based on an agreement underwritten by a known and justiciable (legally enforceable) set of rules. Eviction in exceptional circumstances can take place only by means of a known and agreed on legal procedure, which must be objective, applied equally to all, contestable, and independent (UN-HABITAT 2003a, b).

“Security of tenure” describes a continuum of formal and informal legal arrangements ranging from full land titling to local customary rights of tenure. Insecure tenure can range from total illegality, as in squatter settlements, to semilegal forms of occupation, as in unauthorized land developments or occupation legitimized by customary land delivery practices.

Unauthorized and informal settlement on private land can offer some protection, depending on local official perceptions of the illegality of the settlement. Even when an area is developed in breach of regulations, occupants can often produce a property title for the land they occupy. In such situations, middle-income groups are generally protected against eviction because of their political influence and capacity to regularize their situation. Squatter settlements are more vulnerable, especially those on private land in prime locations that are subject to high market pressures and those on hazardous sites. The situation of tenants in informal settlements—unauthorized developments, squatter settlements, or dilapidated buildings in city centers—is by far the most precarious. In these cases, ad hoc, exploitative, and unregistered forms of tenancy compound the insecurity linked to the legal status of the settlement itself.

Insecure tenure has multiple ramifications for poverty. Legal tenure at the settlement level is often a prerequisite for the provision of basic services. Without security of tenure, newly serviced settlements are vulnerable to market pressure.
Ensuring security of tenure is an effective tool for alleviating poverty in slums

Lack of tenure hinders most attempts to improve shelter conditions for the urban poor, undermines long-term planning, and distorts prices for land and services. It has a direct impact on investment at the settlement level and reinforces poverty and social exclusion. Its effects are most destructive for women and children (Durand-Lasserve 2003). From the point of view of governments, insecure tenure also has a negative impact on local taxation on property and economic activities. Cost recovery for services and infrastructures is also difficult or impossible without proper identification of beneficiaries. For all these reasons, ensuring security of tenure is an effective tool for alleviating poverty in slums.

The delivery of individual freehold or leasehold titles for the poor can raise numerous problems. The difficulty of finding legal forms of regularization that are compatible with constitutional rules and the legal framework, acceptable to the actors concerned, and in compliance with existing standards and procedures constitutes a major obstacle. As UN-HABITAT (2003a) notes, large-scale, rapid tenure reform can paradoxically lead to a loss of secure tenure by underestimating record-keeping requirements, placing excessive pressure on already weak administrations, and passing conflicting pieces of land legislation that complicate formal land delivery and the clarification of uncertain title or deeds. Massive titling campaigns are likely to have the same impact. The most vulnerable groups are the urban poor.

Secure tenure can be provided through arrangements that give preference to the consolidation of occupancy rights rather than to provision of property/freehold titles; give preference to collective rather than individual interests; and integrate customary land delivery practices (Durand-Lasserve 2003).

Consolidating occupancy rights and proceeding incrementally. There is increasing emphasis on secure rather than formal tenure. Such an approach does not require the provision of freehold individual title, instead making use of other simple legal and regulatory measures that protect against forced evictions. Increasing numbers of cities provide de facto protection against forced evictions through measures that constitute implicit recognition of informal settlements (provision of basic services, registration of slum populations, voter rolls, street numbering, issuance of identity cards).

Some of these approaches emphasize an incremental process, in which the initial secure right is simple and affordable but may be upgraded according to what residents and governments need and can afford at any given time. Through an innovative pilot project in Namibia in the late 1990s, for instance, residents were allocated a simple, affordable “starter title” that could be upgraded to a “landhold title” and then to a “freehold title” as needs and resources dictated (Christiensen, Hoeggaard, and Werner 1999). Approaches that can lead to formal tenure regularization allow government to build technical and administrative procedures over time, ensuring the institutionalization of the new approaches.
Supporting and enacting local pro-poor policies

These approaches are also compatible with the interests of the poor. For people living in informal settlements, the three main objectives are not to be evicted or harassed, to have access to basic urban infrastructure and services, and to have the right to sell or transfer the land and house they occupy. None of these objectives requires a property title, except where access to formal mortgage finance is required. Secure tenure through individual property titles is not necessarily efficient or equitable without a host of concurrent measures. If not implemented incrementally, accompanied by appropriate actions at various levels, and backed by community action at city and settlement levels, it may accelerate social exclusion and segregation.

Incremental measures give communities time to consolidate their settlements. Improvements to the economic condition of households, the emergence of legitimate community leadership, the identification of right holders, the resolution of conflicts within the community and between the community and other actors involved all form part of this progressive consolidation process. This also gives households time to save or raise funds for the next step in the tenure upgrading and regularization process. These measures reduce market pressures on the settlement and limit market evictions. Such an approach can be used on vacant land and for regularizing irregular settlements.

In many cases where tenure regularization and in situ upgrading are chosen over demolition and forced relocation, the tendency has been to “rehabilitate” the settlement and then transfer it to beneficiaries. In these instances, excessively high conventional standards for infrastructure, internal road networks, community services, building materials, and construction techniques are usually adopted. The “showcase project” or “model slum” approach tends to thwart the more effective but gradual and participatory strategies that alone can guarantee economically viable and socially sound outcomes. This means that the potential involvement of the slum dwellers themselves is lost.

A better procedure is first to regularize the tenure situation in consultation with the community, by surveying the property and occupancy situation and determining the consolidated rights of settlement. It is then possible to move to physical upgrading, with all residents contributing to identifying the priorities. This approach establishes a cycle of gradual upgrading, mobilizing the full resources of residents.

Promoting community ownership and group titling. Individual titling is costly and time consuming for low-income groups, as it involves full surveying and registration. A way forward is to use group registration, blocks, and some form of individualized lease rights managed by groups in conjunction with local authorities. An example from Kenya is the community land trust. The basic principles of the trust are as follows: Land is kept under one title held by trustees. Community efforts are targeted toward mobilizing resources, acquiring land, obtaining official permits, and getting the government and municipalities

Individual titling is costly and time consuming for low-income groups
Many basic services can be provided at rates affordable to the poor. To provide infrastructure, land acquisition costs are reduced by doing away with title surveys for individual plots. Communities are encouraged to create governance structures that allow full participation in settlement affairs. Allowing members to hold leases from a group title makes it possible to control transfers and discourage speculation. The community land trusts are run by local organizations within a policy framework established by the Ministry of Local Government in a consultative process (Payne 2002).

Recognizing customary land delivery practices. Customary land delivery systems are common in many countries. They are the main provider of land for housing the poor in much of Sub-Saharan Africa. In order for these transactions to provide security, they must be formally recognized, regulated, and recorded by the state.

Cities can provide adequate, affordable infrastructure and services to the poor

Many basic services can be provided at rates affordable to the poor through appropriate design and innovative structures of tariffs and subsidies. Large savings and improved access can be gained by involving the communities concerned in infrastructure development for rehabilitation, upgrading, and relocation.

The ability of cities to function depends critically on their infrastructure and the services that flow from it. These projects involve large initial capital investments and ongoing financing to sustain services and maintain plants. There is no one right way to undertake these ventures. Much depends on the physical, historical, and institutional characteristics of each location and the depth of service coverage. The goal in all cases must be to provide efficient and equitable services, taking the pressing needs of the urban poor into consideration.

Pushed by international financial agencies and several international donors, over the past two decades many developing countries attempted to impose private operation in inappropriate circumstances, often with dire consequences for the poor. The belief was that private operation would ensure efficient services and that users, including the poor, would pay the lowest possible prices while covering costs with little or no public subsidy. While there have been successful cases, too often privatizations have had disastrous consequences and have had to be reversed at great cost.

When innovation takes into account the nature of each service, the subsidy needs of the poor, the regulatory capabilities of local governments, and the capacity of local communities to participate in service delivery, there are many ways in which needed infrastructure and vital services can be effectively provided. Some public services (such as telephone service) lend themselves to private markets; others (such as electric power) have a mixed record. Electric
power has been provided by private companies in high-income countries, where the universal availability of the service permits the high fixed costs of infrastructure creation to be spread over the entire population. In lower income countries, limited coverage leads to higher relative costs. Especially in the lowest income countries, per user costs for infrastructure are high (Sclar 2004); for the poor they often place services beyond reach or create heavy cost burdens (ActionAid International 2004). Experience shows that it is generally unwise to attempt purely market-based service provision with the poor, especially in extending trunk lines to unserved or underserved areas.

Direct subsidy from government or donors or cross-subsidy from higher income users does not preclude regulated private operation. For subsidization to work, however, the government must have the capacity to regulate effectively and in the interests of the poorest citizens—and the record on this account is not reassuring (World Bank 2004b).

One of the best ways to lower the costs of network infrastructure services is in the “last mile” (or the link from the trunk line to the consumer) through partnerships, often linking formal and informal actors at different geographical levels and relying on different technologies.1 In Benin, for example, Cotonou’s Program for the Protection of the Environment has built successful partnerships, integrating informal actors in the delivery of services to unserved and outlying settlements to provide garbage collection, recycling, and an improved water distribution system organized and facilitated by the Partnership for Municipal Development. The inclusion of scavengers in waste management in the North West Province in South Africa and the community-based women-oriented initiative in the state of Kerala in India illustrate similar approaches.

Many other community-driven processes have worked with or sought to influence government to improve the provision of water and sanitation. In Luanda, Angola, a local NGO (Development Workshop Angola) has supported the construction and management of 200 standpipes, each serving about 100 families. Locally elected water committees manage these standpipes in collaboration with the water utility and the local authority. Half the funds from users are retained by the committees for operation and maintenance, 30 percent goes to the water company, and 20 percent goes to the local authority. Despite difficulties (getting regular supplies to some standpipes, getting support from local authorities), local organizations are handling the “retail” part of water provision. Where local (public or private) water agencies are too weak to extend provision to unserved, low-income communities, this kind of partnership can be valuable (Cain, Daly, and Robson 2002).

In South Africa the Municipal Infrastructure Grant Program, a partnership between the national and provincial government, municipalities, and communities, addresses the lack of basic services in the country. It offers grants to poor households and funds infrastructure projects. As of 2003 it had completed 2,323 infrastructure projects, and another 910 are under construction. Given

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1. This refers to the last mile, a crucial stage in the delivery of services to consumers, which is often neglected in infrastructure management.
Some nonprofit organizations have worked within market models of service provision to focus on upgrading and rehabilitating existing systems and reinforcing links with local economic development. In view of its impressive performance, the program’s budget was increased to R2,357 million in 2003/04, making it one of the largest programs of its kind in the world.

Amid widespread violence and civil strife, Colombia has addressed issues of urban poverty through programs and partnership linking central and local actors. The Housing and Environmental Improvement Program (established in 1994 and funded by the Inter-American Development Bank) funds infrastructure, community facilities and public services, land regularization, and the production of core housing and serviced lots for marginalized settlements. Provincial authorities and municipalities provide cofinancing. Families receiving subsidies must make contributions in cash or in kind amounting to at least 5 percent of the value of the project components requested by the community.

The work of the Orangi Pilot Project, which mobilized local people to improve sanitation, health, housing and other aspects of their communities, is well known (chapter 5) (Hasan 1997a, b; Zaidi 2000). Another example from Karachi of the role of community organizations is the *awami* (people’s) tanks in Orangi. These community-managed public water tanks in areas far from water mains are built by community organizations or local philanthropic bodies and supplied with water by commercial water contractors (Ahmed and Sohail 2003).

The British NGO WaterAid has supported many examples of community-managed water and sanitation provision. It views these projects as ways of encouraging and supporting local water and sanitation agencies to become more effective. One program in Bangladesh works in 150 slums in Dhaka and Chittagong, with support managed by seven local NGOs. The program provides for water points supplied through connections to the metropolitan water authority lines, installs tube wells (where connections were not possible); builds sanitation blocks, community toilets with septic tanks, household water-seal pit latrines, and footpaths; improves drainage; manages solid waste; and provides hygiene. Most facilities are provided on a full cost-recovery basis, with users repaying construction costs in installments. The funds recovered go to additional slum projects.

In some of these examples, nonprofit organizations have worked within market models of provision, with payment required for water or use of sanitation facilities and community-management focusing on cost recovery. The advantages of this approach are that a larger scale can be achieved, maintenance is easier, and less reliance is needed on external funding. The advantages over private provision are that profit maximization is not the key mission (although full cost recovery may be). Instead, there is a commitment to reaching the unserved, and the local organization has to be accountable to local users. More
attention should be given to the role of local nonprofit organizations working within market frameworks, in systems managed by private water utilities or as private water utilities themselves.

**Community contracts are a good way to involve slum dwellers in improvement projects and raise their income**

Whenever feasible, local improvement projects must be open and accessible to low-income communities, cooperatives, and slum dweller organizations as partners or contractors. This may require that contracts be small enough to be managed by community-based contractors. Such arrangements will generate much needed income, improve skills, create a sense of ownership and civic pride, internalize profit margins, and improve transparency in the use of municipal resources.

A successful tool in community-driven approaches is the use of community contracts, in which a community group enters into a contractual agreement with local government in order to undertake work that leads to improvements in local living conditions. The use of one or more contractual agreements facilitates progress toward a clear goal-oriented division of tasks (Snoer 1995). Both parties may be assisted in the process by a development project or NGO. Combining community contracts with labor-based approaches yields many advantages in terms of community empowerment, job creation and income generation, and capacity-building and partnership development. Such arrangements also create a sense of ownership and civic pride, internalize profit margins, and improve transparency in the use of municipal resources. Comparative studies have shown that community contracting is cost-effective and that using local resource-based methods can generate savings (Tournée and van Esch 2001).

Two features distinguish the contract approach from conventional community-based activities. The first is a process of negotiations to arrive at a mutually beneficial agreement or contract. The second is the formalization of the partnership through a contract defining responsibilities and obligations of all partners.

Negotiations with the target community are critical to the process. For the community to engage meaningfully in negotiations, it has to marshal all information necessary (including technical options, type and amount of community contribution, wages, use of contractors, implementation modalities, supervision, maintenance) to make informed decisions. The introduction of a negotiation process in formerly unorganized and disadvantaged communities provides them with the opportunity to discuss not only their economic and social interests but also their individual and collective rights and duties. These negotiations between public administrations and community groups provide the basis for a more equal form of partnership, strengthening the collective capacities of the poor to act as partners in development and enhancing the accountability of public administrations.
For community contracting to be applied on a large scale, community organizations need legal standing, enabling them to interact effectively with external parties. Official registration is usually necessary for organizations to receive public funds and thus to enter into a contract with public authorities. Sri Lanka was one of the first countries to adopt community contracts as a standard procedure in urban upgrading. To be eligible to participate, community organizations had to have democratically elected representatives, a constitution, documentary proof of active socioeconomic development work for the community for at least one year, and a bank account in the name of the organization.

From the point of view of the community groups, there are many advantages to having formal status. Formal status increases these groups’ credibility in voicing concerns and needs and improves their access to financial services, assistance from government departments, and contracts with private and public entities, all of which increase their empowerment. The development of strong community organizations will often lead to additional local initiatives and to follow-up joint action with the municipality or local ward, sustaining the organizations’ role in local development. However, there are many examples where community organizations have been hindered by bureaucratic obstacles, and in many countries community organizations may need external assistance in registering themselves.

In projects of community interest, especially where the community is expected to be responsible for operation and maintenance, it makes sense to opt for the most participatory procedures possible, putting the community in the driver’s seat of its own project. Private sector involvement should then reflect community priorities and needs, giving preference to businesses from the area and to temporary laborers from the community. Private enterprises may be contracted directly by the community organization for works requiring particular technical skills.

Evidence shows that using local community contractors, who tend to be cheaper, more flexible, and more aware of the community’s problems, makes sense (de Silva 2000). Funds for upgrading are best utilized by the communities themselves, since this results in lower costs, better quality work, and quicker implementation. Allowing communities to use the funds themselves also binds communities together and empowers them. Community contracting may also be used to develop small businesses and cooperatives within the area.

Community-driven development in urban upgrading is a gradual process; communities and other stakeholders need time to learn to participate and collaborate in development projects. Scaling up and replicating interventions that adopt community-driven approaches are more likely to succeed if the rules for effective collaboration are defined within an enabling institutional framework, which will often include strengthening of governance structures at various levels (World Bank 2004a).
Improving public transportation can expand options for the urban poor

Transportation and land use are closely linked. Good systems of urban transportation can expand the range of housing and livelihood options for the urban poor. Facilitating nonmotorized modes of transportation and giving priority to public transportation help reduce transportation costs and protect the urban environment. The accessibility needs and safety of the poor should be given a high priority in urban transportation planning.

Slum dwellers generally walk, bike, or use collective modes of transit. Sometimes even bicycles are out of reach. Lack of capital to buy shelter equipped with running water, sewerage, and pavement, in a location near jobs and public services, translates into a perpetual mobility burden. Safe, convenient, and reliable mobility is necessary for routine activities of daily living, such as traveling to work or shopping areas, as well as during crises, such as accessing emergency obstetric services during childbirth. A significant proportion of maternal deaths and injuries result from transport delays to appropriate levels of care. Travel time burdens also limit the ability of children to get an education.

Because slum dwellers are usually pedestrians, they are more often the victims of road traffic accidents, which globally claim more than 1.2 million lives a year (Hook and Howe 2004). In low-income countries victims are primarily elderly and young pedestrians and cyclists from low-income families. Because roads are rarely designed to facilitate safe cycling, the poor are forced to use more expensive or slower modes, such as paratransit or walking. Studies indicate that the urban poor in Indonesia are more dependent on motorized vehicles for trips of up to 3 kilometers than are residents of Germany (Hook and Howe 2004).

Historically, the majority of donor efforts to alleviate poverty through transport sector interventions have focused on road construction. But from a poverty alleviation perspective, this is rarely the priority. Because most slum dwellers do not own motor vehicles, most have to walk to the nearest bus or paratransit line. Free access to road space constitutes a hidden subsidy to the wealthy at the expense of the poor. In an urban setting, investment in roads without prioritizing access for public transit and nonmotorized vehicles will do little to improve the lives of slum dwellers—and may make their conditions worse, since new urban road projects frequently lead to the forced relocation of large numbers of slum dwellers. Paving roads in slum areas without implementing proper traffic calming also tends to increase vehicle speeds and compromise road safety. Streets in slum areas are used primarily for walking, as public space for residents, and as play space for children. They should be designed accordingly.

Interventions to alleviate the mobility burden of the urban poor should focus on interventions that can directly reduce their commuting time and cost burden at the lowest cost per beneficiary. Reducing commuting time increases the time that can be spent earning income, attending school, or caring for children. Reducing commuting costs also directly increases disposable income.
The best way to ensure that the benefits of new road investments or road rehabilitation are not captured by upper-income beneficiaries is to use public investment to build bus lanes, bicycle lanes, and sidewalks. Revenue for these investments should come from road users, in the form of congestion charges, which have been demonstrated to increase bus speeds and decrease bus operating costs, benefiting lower income commuters (Hook and Howe 2004).

Investments in mass transit systems can also benefit the poor. The difficulty is determining the conditions under which public investment in collective transport can stimulate urban development and how the public sector can stimulate private investment in the sector. Metro systems and elevated light rail are self-financing only where population density is extremely high and incomes are moderately high (Hook and Howe 2004). They are likely to impose a permanent financial burden on municipal and national governments at the expense of other priorities while doing little to address the problems of congestion and basic mobility. Except in extremely high-density cities, virtually all of the benefits of metro systems can be achieved at lower cost through bus-based mass transit systems, sometimes called bus rapid transit. In Latin America, even in fairly low-income countries, all bus rapid transit systems cover their operating expenses entirely from passenger revenues at the same fare level as normal buses, and in most of the systems private bus operators cover the cost of buses (Hook and Howe 2004). The construction and maintenance of infrastructure is generally paid for by public funds.

In Bogota, Colombia, 37 percent of bus rapid transit passengers are classified as poor, 47 percent as moderate income, 13 percent as middle income, and only 3 percent as wealthy. On average TransMilenio passengers save $134 and 325 hours a year over their previous travel cost and travel time. These benefits are weighted in favor of the poor, who live in the peripheral areas and are well served by the single fare policy.

The introduction of bus rapid transit systems has also been used to regulate private bus operators and formalize labor practices. By creating the conditions to ensure long-term profitability in the bus sector, municipalities are in a position to demand higher quality service, higher levels of investment in modern vehicles, and reasonable labor practices from private bus operators. In such situations public investment can create a stable, profitable environment for sustainable private investment in the transit sector.

Transport can also constitute an important source of employment for slum dwellers in other ways, including road construction, bus operation, cycle rickshaw operation, bodá-bodá operation, and truck driving. But pro-poor regulations and policies are important. The deregulated nature of bus and paratransit operations, for instance, means that bus operators are often exploited by bus owners, and bus owners are exploited by bus enterprises, or government officials (like the police). Working 12–16 hours a day with no benefits is typical for bus drivers. Given the need for public investments to subsidize the networked
infrastructure that private operators need, governments have a legitimate right to expect decent wages and working conditions in the transit industry.

Involvement by the public sector or development institutions in vehicle supply interventions should also be considered. Per dollar of public investment, the economic and poverty alleviation benefits of subsidizing bicycle ownership (or the provision of piped water) are likely to be far higher than subsidizing road infrastructure in slum areas. A project to modernize the Indian cycle rickshaw reduced the weight and improved the quality of the vehicles. Increasing the popularity of this mode directly improved the income of more than 100,000 cycle rickshaw operators by roughly 20 percent a year (Hook and Howe 2004). Buyers’ cooperatives of independent bicycle dealers are also showing promise in bringing down the cost and improving the quality of bicycles in Africa (Hook and Howe 2004). Ultimately, it is private investment in the vehicle sectors of very poor countries that will reduce local vehicle costs.

**Health services need to reach poor urban dwellers**

High barriers to accessing good-quality water, sanitation, health services, and emergency services, especially for slum dwellers, often make it difficult for poor urban residents to prevent and treat debilitating health problems. Policy-makers should immediately work to coordinate and focus the wide array of potential health systems, specifically for service providers to reach slum dwellers and the urban poor, integrating them with improved provision for environmental health.

While urban residents in developing countries have better health outcomes on average than their rural counterparts, these averages often hide large intra-urban inequities in disease and injury burdens and premature death. In some cities the urban poor may fare worse than residents of rural areas (Bradley and others 1992; Montgomery and others 2003). In most cases the urban poor shoulder a double burden of communicable and noncommunicable disease that is not shared by wealthier urban residents. In Dhaka infant mortality rates are higher in urban slums than in rural areas (Harpham and Tanner 1995; Montgomery and others 2003). In São Paulo 1992 infant mortality rates in municipalities ranged from 18 to 60 per 1,000 live births, with slums and poorer communities experiencing the worst outcomes (Stephens and others 1994). A comprehensive 1998 survey of Nairobi slums found that residents who lacked basic services, adequate housing, and health services and who lived among similarly disadvantaged people had worse health outcomes in almost every dimension than other Nairobi residents, rural Kenyans, and Kenyans overall (APHRC 2002). This survey also showed that under-five mortality rates in Nairobi’s slums were 151 per 1,000 live births—much higher than the average for Nairobi (62) or the average for rural areas (113). The very poor living conditions in slums, including the lack of provision for water and sanitation and high levels of overcrowding, contribute much to disease, injury, and
premature death. So, too, does the fact that adequate health services to prevent and treat such illnesses remain inaccessible to these communities, because of price, quality of care, and treatment-seeking behavior.

**Injuries, violence, and depression are common in urban slums**

Injuries (both intentional and unintentional) have a major impact on health and well-being, especially in overcrowded and poor urban areas of the developing world. In 1990 injuries in 15- to 44-year-old men accounted for 55 million disability-adjusted life years (DALYs) lost—one-third of the total (Zwi and others 1996; Montgomery and others 2003). Accidental injuries in the home are a significant health burden (Bartlett 2002).

Violent crime is also a serious problem in many poor urban areas of the developing world, most notably in Latin America. Latin America has the world’s highest homicide burden—more than double the world’s average of 3.5 per 1,000 people. In São Paulo, between 1991 and 1993, 15- to 24-year-old men in low-income urban areas were five times as likely as their high-income counterparts to be a victim of homicide (Barata and others 1998; Grant and Slowing 1999; Montgomery and others 2003). Women living in poor urban areas are also at risk of violence, often in the form of rape and physical and mental abuse.

The harsh physical and social conditions of day to day life in urban slums can also lead to sustained and chronic stress. Community-based studies of mental health in developing countries show that depression affects many urban adults, with poor urban residents suffering most (Blue 1999; Montgomery and others 2003).

**Communicable diseases are widespread among the urban poor**

Almost half of the urban population in Africa, Asia, and Latin America is suffering from one or more of the main diseases associated with inadequate water and sanitation provision, including diarrheal diseases and worm infections (WHO 1999). High levels of overcrowding also make poor urban residents vulnerable to contracting communicable diseases, such as tuberculosis, acute respiratory infections, and meningitis, the spread of which is often facilitated by low resistance among the population due to malnutrition. Vaccine-preventable childhood diseases (measles, diphtheria, whooping cough) also spread more rapidly in overcrowded urban areas, where the number of nonimmunized people is high. Inadequate provision for drainage can increase the risk of malaria, as its mosquito vector breeds in swamps and ditches. Inadequate provision for sanitation often increases the risk of urban dengue and yellow fever, as the vector breeds in latrines, soakaway pits, and septic tanks (UN-HABITAT 2003e).

The anonymity of city life, the more permissive social and sexual norms, the presence of sex workers, and other factors have contributed to the high
Supporting and enacting local pro-poor policies

prevalence of sexually transmitted diseases and HIV/AIDS in urban settings. Studies of pregnant women in Sub-Saharan Africa have found very high HIV/AIDS rates in urban settings in Botswana (31 percent), Rwanda (32 percent), and Malawi and Zambia (27 percent) (Stanecki and Way 1999; Montgomery and others 2003). In Asia HIV rates continue to rise in urban settings (except in Bangkok). In Phnom Penh, for example, HIV prevalence among sex workers increased from 10 percent to 42 percent between 1992 and 1996. HIV transmission rates are increasing in Latin American cities as well (Stanecki and Way 1999; Montgomery and others 2003). A growing population of urban adolescents—street children, orphans, and sex workers—is also at high risk of communicable diseases. Too little research attention has been devoted to how to best address their health needs.

Sexual and reproductive health indicators for poor urban women are weak

Poor urban women have worse sexual and reproductive health outcomes than other urban women, and their outcomes rival those of rural residents in some settings. Poor urban women have much higher fertility rates than other urban women, and in many regions these rates are similar to those of rural women (table 4.1). Fertility behavior of urban adolescents is poorly documented, but out-of-wedlock teen births seem to be increasing in Sub-Saharan Africa and Latin America. Poor urban women are much less likely to use contraception than other urban women, and in Southeast Asia their usage rates resemble those of rural women. When poor urban women give birth, they are less likely than other urban women to be attended by a healthcare provider. Poor urban women are also at high risk of contracting sexually transmitted diseases, including HIV/AIDS (Montgomery and others 2003).

Intervention strategies can help address these problems

Urban health services are typically provided by a patchwork of entities, including public hospitals and clinics, private physicians, laboratories, pharmacies, and NGOs. To prevent and treat diseases, governments should design healthcare delivery systems, or more specifically health services and public health infrastructure, with the explicit intention of reaching the urban poor and increasing the number of slum dwellers who use healthcare facilities. Health

<table>
<thead>
<tr>
<th>Region</th>
<th>Urban poor</th>
<th>Urban nonpoor</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Africa</td>
<td>0.89</td>
<td>0.78</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>0.92</td>
<td>0.85</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>1.11</td>
<td>0.93</td>
</tr>
<tr>
<td>South, Central, and West Asia</td>
<td>0.97</td>
<td>0.82</td>
</tr>
<tr>
<td>Latin America</td>
<td>0.93</td>
<td>0.80</td>
</tr>
</tbody>
</table>

Source: Montgomery and others 2003.
education programs should target issues particularly relevant to the urban poor, including injuries, violence, mental health issues, sexually transmitted diseases, HIV/AIDS, and sexual and reproductive health issues. Intraurban data on morbidity and mortality, which are generally unavailable, should be systematically collected. Such data are important for better directing health resources to the neediest groups. More research is also needed to learn more about treatment-seeking behavior of the urban poor, the quality of various urban health services, and perceptions of such care by users.

A variety of intervention strategies can help address these concerns:

- Improve health information services (preventive, curative, reproductive, and environmental).
- Increase access to health service delivery points, by locating facilities closer to poor people and adjusting hours of service to address the constraints of the working poor.
- Encourage community involvement in setting health delivery priorities.
- Target information and service delivery to populations at highest need.

**Building codes and regulations need to meet the needs of the urban poor**

Building codes and regulations should be realistic, enforceable, and reflective of community lifestyles and culture. In particular, they should reflect the special needs of the urban poor with respect to minimum plot size, incremental construction, and home-based economic activities.

When the high standards of citywide building bylaws and zoning regulations are applied to slum upgrading processes, many homes often have to be demolished and households relocated, often far from residents’ work places. A major issue is the required width of the roads (to allow for fire- and health-related emergency services), which low-income communities often consider to be excessive. Bylaws and regulations invariably cater to automobiles. Since there are few automobiles in low-income settlements, such roads serve little purpose and adversely affect community social life. People have coped well with lower standards in slums, sometimes for more than three generations, without being adversely affected.

Regulations related to density and open space also adversely affect communities. The integration of open spaces and streets without through traffic can overcome the problem of open spaces to a considerable extent, especially given that slum communities often use streets as places for social gatherings, recreation, and children’s play.

Many regulatory codes ban settlements in ecologically “dangerous” zones from being considered for upgrading and regularization. A sizable minority of poor communities live in such zones, most of them locations prone to flooding. Experience has shown that once such settlements have been removed, the area is often made safe by the building of embankments, after which it is used for
Supporting and enacting local pro-poor policies

Communities can live comfortably in small plots and houses higher income housing. Only settlements that cannot be made safe in this way should be restricted from upgrading.

Road width is an issue in new settlements, raising the cost of land and infrastructure for poor communities. Many countries also specify the minimum size of a plot of land or housing unit. This can make housing unaffordable for many poor communities. Studies have shown that communities can live comfortably in far smaller plots and houses, provided they are laid out in a rational manner.

Building bylaws for new settlements prescribe materials and forms of construction that the poor cannot afford. As a result, these laws are violated. To prevent demolition or fines, poor communities have to bribe building inspectors of local governments. The use of appropriate technologies and (traditional) local building materials is more likely to be affordable for the poor and to create employment opportunities for unskilled or semiskilled people (CIDB 2004). In order to optimize employment opportunities, information should be available to developers, architects, engineers, and project planners on technologies, construction methods, and materials that are labor intensive, cost effective, and appropriate with regard to environmental quality. This requires country-specific studies on the comparative advantages of different materials and technologies (as done in South Africa by the National Housing Forum) and promotion of the use of these materials through reform of building codes and regulations.

Building bylaws and zoning regulations seldom cluster communities with infrastructure and shared open space. Appropriate planning could contribute to developing community-provided infrastructure and increasing community cohesiveness.

Most bylaws and regulations promote the concept of segregated land use. But poor households often set up shops and workplaces within their homes. Much of this activity is in the informal sector, although it may serve formal sector enterprises. In the absence of other options, this is the only means by which most slum dwellers can make a living. These violations make poor communities vulnerable to corruption and police violence. Mixed land use should be legalized in low-income settlements and investment promoted for economically productive activities and the development of skills.

City planning bylaws and zoning regulations in low-income countries are derived mainly from experience in developed countries. As such, they are anti-pedestrian, anti-street, and anti-mixed land use—in short, against all the things that are compatible with the priorities and realities of low-income groups. It is necessary to develop bylaws and regulations that cater to the needs, security, comfort, and economic activity of pedestrians and commuters.

In planning middle- or higher income settlements, the needs of the lower income people that serve these settlements are seldom catered for. Housing is not made available for them, and space is not provided for small retail outlets,
Evictions can also occur as a result of badly conceived rehabilitation and infrastructure projects which crop up in the open spaces and streets in these settlements. These businesses are forced to rely on bribes to avoid being removed.

Procedures for regularizing and upgrading slums and acquiring land for housing are lengthy and cumbersome, particularly since officials often view the poor with suspicion and hostility. These procedures often involve visiting different government offices, far away from one another. They also involve considerable expense for paper work and official and unofficial payments, as well as loss of time and wages. The problem has been overcome in some places by making the entire process a one-window affair by posting government functionaries at the upgrading or building sites in the evening (when people come back from work). Instead of people going to officials, officialdom comes to the people.

Building bylaws for new construction should support the incremental process through which poor people build their homes over time. There should be maximum flexibility to allow use of any (preferably locally created) materials, provided the structure is safe and has sufficient light and air, sanitation, and water facilities, all of which can be improved over time.

To get hold of prime land, many politicians, developers, and bureaucrats take advantage of weak or nonexistent legal protection against forced evictions and the lack of appropriate dispute-resolution procedures. Putting appropriate legislation and procedures in place would reduce evictions considerably and strengthen the legal position of slum dwellers. Evictions also occur as a result of badly conceived rehabilitation and infrastructure projects, often funded by international funding institutions. Criteria for these projects need to be developed, along with laws and regulations for implementing them, through a process of public hearings and the involvement of communities and academia.

The eviction of hawkers in many cities has become a serious issue, adversely affecting the lives of tens of thousands of families. Yet these hawkers can be set up without adverse environmental effects in the same locations where they operate today. Principles for such rehabilitation, followed by rules and regulations, need to be established.

The evidence leads to the following recommendations:

- Bylaws and zoning regulations should be developed for the upgrading process, based on the needs and concerns of the communities living in them. This calls for participatory research into the living conditions in low-income settlements and working partnerships (box 4.1).
- The planning of new low-income settlements has to establish an optimum relationship between resources (financial, human, land); standards; and immediate requirements, recognizing that all three will change over time.
- Measures to encourage prospective homeowners and landlords to use appropriate technologies and local building materials could include creation of a building materials bank, which could also provide assistance to residents on construction techniques, design, and the choice
Inequities in access to land and services in São Paulo, Brazil, have led to the proliferation of squatter settlements and the marginalization of vulnerable groups. The Slum Action Plan introduced by the Secretariat for Housing and Urban Development (SEHAB) coordinates programs undertaken by different municipal, state, and federal governments and relies on community participation and empowerment. The Bairro legal program aims to improve slums and deteriorated areas and integrate them as neighborhoods in the city with secure land occupancy, adequate access to services and community facilities, improved urban environment and landscaped open space and recreation areas. Priority is given to the designated special zones of social interest, 600 of which have been delineated in the context of the new strategic master plan for the city.

### Box 4.1
**São Paulo is making efforts to improve slums and integrate them into the city**

Source: Fact-gathering mission to São Paulo, Brazil, April 2003.

Policymakers need to provide alternatives to prevent new slums from forming

Managing the ongoing process of urbanization to provide viable alternatives to the formation of slums requires making available land and trunk infrastructure for the construction of low-income housing as well as devising strategies...
for providing healthcare, education, access to employment opportunities, and other social services in these areas. The integration of residential and income-earning activities is essential in planning new low-income neighborhoods.

Slum upgrading is a reactive endeavor, responding to a pressing need. Such after the fact action is not an efficient or effective approach to the anticipated expansion of the global urban population in the coming decades, especially in the poorest countries. To address this problem, cities and local authorities need to create policies and plans to create viable alternatives to slum formation. They need to expand the absorptive capacity of cities to accommodate the growing poor populations that will be attracted to them.

There are two elements to an effective planning process, the planning structure and the substantive elements in the plan. The planning structure must be participatory: citizens of a city or urbanized area must participate fully along with the private sector and the civic and political leadership. This participation can take many forms, depending on local culture and local history, ranging from the participatory budgeting of Porto Alegre to the community planning boards of New York. The form is less important than the substantive voice that the process grants to citizens. Pro forma consultations in which testimony is taken but no real input results are not sufficient. The structure must also be one in which the political jurisdiction of the planning entity and the spatial configuration of the planning challenge coincide. City or small-area planning entities faced with regional environmental challenges are inadequate.

The substance of planning for alternatives to new slum formation entails making sites available to accommodate the expected demographic expansion and establishing the trunk infrastructure to make these viable places for the construction of decent low-income housing. Ensuring that the poor have adequate housing in locations central to their places of work and other vital urban services and amenities is also critical. Left to their own devices, markets price out the poor or force them to live at the densities that create slums. Good planning and public regulation of land use created with broad-based citizen participation is the most effective solution to this urban challenge.

Plans are also needed for providing comprehensive public and social services to poor urban residents, including police and fire protection, transportation, healthcare, and education. Private enterprise expansion must be accommodated to provide work for these new urban populations and opportunities for small-scale entrepreneurship. Across the developing world, planning laws are incongruent with the practices of the millions of people who make a living at home. In planning for future urban expansion, land use regulations must not discourage this.

The essence of urbanization is the dense, efficient, mixed use of closely compacted locations. When demand for land expands, those who control the land can extract rents that far exceed their costs. Even in transparent land markets, planning and regulation are needed to ensure compatibility of uses
Urban growth can be channeled into efficient processes of spatial expansion and access to locations for all urban residents. Properly done, this lowers the economic and social costs of urban growth; without proper planning and regulation, it is almost impossible to capture the broader scale economies and social promise of urbanization.

Urbanization cannot be stopped. But urban growth can be channeled into more or less efficient processes of spatial expansion, depending on policy and planning choices. It is less costly in economic, political, and social terms to prepare urban spaces ahead of demand for them than it is to attempt to catch up later.

**Cities need to create regulatory and policy environments that encourage private sector participation**

Cities have to develop the urban infrastructure (roads, communications, power, transport services, water and sanitation, serviced areas) that can attract and sustain productive investment. For this to happen, they need to offer a regulatory and policy environment that encourages private sector endeavors (from small efforts to large-scale ones) and public-private partnerships.

A key to creating economically sustainable cities capable of overcoming the complex social, political, and economic challenges associated with deepening and expanding urban-based poverty is a vibrant private sector economy—one in which businesses of varying scales operate side by side in a complementary and growth sustaining relationship. Fostering such an economy means encouraging both long-term foreign investments and domestic entrepreneurship.

Successful cities are characterized by a social infrastructure that rests on a three-legged stool of strong local and accountable government, vital civil society organizations, and a dynamic business leadership. Public-private and civil society partnerships are crucial to the efficient management of public resources and the improvement of services. It is a local government responsibility to protect the interests of its community, especially its poorest residents, when dealing with the private sector. Only when such sustainable political and social institutions of accountability are in place can the physical infrastructure needed to increase private productivity follow easily.

How can this process be initiated? The first step must come from government. Local governments should be encouraged to create regulatory and policy environments that are inviting to outside investors and supportive of local entrepreneurs. The active participation of private enterprise depends on the ability of municipalities to engage the business sector and convince business leaders that the resources they provide will be well managed. In Latin America private enterprise is starting to take a more active role in local economic development, with creative approaches to integrating poverty reduction and social inclusion in strategies for local development. The experience of the local development fund in Nejapa, San Salvador, supported by the Swedish International Development Cooperation Agency (Sida), demonstrates the resource
mobilization potential of these promising mechanisms (Serageldin, Sollosio, and Valenzuela 2003).

The success of local economic development strategies is often linked to the involvement of representative organizations of entrepreneurs and workers, whether in self-help groups for income generation (often registered as NGOs or community-based organizations), cooperatives, small business associations, chambers of commerce, sector-based employers’ organizations, or trade unions. Although the origins and motivation of such organizations differ widely and are not always aligned, it is essential to strengthen their voice and participation in economic planning processes and their role in service to their members. The right set of policy incentives, good governance, and regulation is needed to prevent the patronage, clientelism, and rent-seeking behavior that are intrinsic to all social institutions.

Business associations can perform delegated public functions, such as tax collection among members, as they do in Ghana. Such experiences highlight the positive role these economic associations, cooperatives, and enterprise networks can play in supporting and complementing markets, with beneficial outcomes for the poor.

In parallel to these business and labor-based organizations, local organizations of the working poor can do a great deal to foster social capital and mobilize the savings of their members (see chapter 2). New and dynamic entrepreneurship cannot be fully realized without building on the (often extralegal or informal) networks of people and collectives. Recognizing, trusting, and empowering these structures is fundamental to building viable local economies.

The context created by national governments matters greatly

National governments must provide stable macroeconomic policy, transparency in decisionmaking, a willingness to decentralize resources and responsibility to local governments, and resources to overcome local revenue shortfalls. They must be willing to engage in public-public partnerships by offering special incentives to lagging regions when needed and providing leadership for the creation of intragovernmental agencies and authorities that allow provincial and local governments to act on regional challenges that spill over municipal borders. Absent these steps, nothing proposed here is likely to succeed. Sound macroeconomics and national growth policies create a context for broadly shared prosperity, but they do not ensure it.

Local governments need to establish dialogues with local organizations, streamline regulatory processes, and foster social inclusion

At the local level, the efficient use of the opportunities that good national governance provides is essential. As a first step, local governments have to recognize and value the potential of their local population and their organizations. Establishing a dialogue between local government and local economic
Supporting and enacting local pro-poor policies allows practical, effective regulations to be created more efficiently. These regulations could address a range of issues that would help create an enabling environment for more productive development and gradual integration of informal economy actors. Local government also needs to streamline the regulatory processes if local small businesses are to thrive (see below).

Where decentralization is recent or ongoing, municipalities can be reluctant to delegate authority or share revenue with other entities, making it difficult to collaborate on initiatives. In poor regions bypassed by development, programs promoting development must also foster social inclusion. Intermunicipal initiatives can significantly enhance the effectiveness of these efforts. In the State of Rio Grande do Sul, Brazil, the action plan of the 25 municipalities of the Missões region to address economic development and alleviate poverty provided the coherent and focused framework needed to mobilize multistakeholder support (Serageldin, Solloso, and Valenzuela 2003).

**Partnerships between the public and private sectors, and with nongovernmental and community-based organizations, can improve service delivery**

Working with the private sector has long been standard practice for local government. Except in China, major public works contracts are generally awarded to private firms. Recently, there has been an emphasis on partnerships between local governments and large multinational firms in the field of infrastructure construction and operation. While network construction has always involved public tendering, operation has been more mixed. Most service provision has been carried out directly by the government. The goal behind the public-private partnerships is to expand the role of private providers to providing services in order to improve quality, extend coverage, and lower rates.

Recent evaluations by the World Bank and NGOs indicate that many of these arrangements do not meet the needs of the urban poor (ActionAid International 2004; World Bank 2004b). While operational efficiency can be enhanced through private provision, the private sector can undertake the financing of infrastructure projects only if users can pay the full cost of service delivery. In many poor countries, this is not the case, and public subsidies are required for full coverage.

NGOs and community-based organizations have emerged as key partners in delivering services. Pervasive difficulties within local government in securing financing for capital investments, outreach, and community organization has been the driving force behind a shift toward partnerships with NGOs and community-based organizations (box 4.2).

In general, the private sector is better able to provide services for which the market is competitive (such as telecommunications) and in which competitive prices can cover full costs than it is to provide services in industries that involve a high degree of natural monopoly (such as water, sanitation,
In industries in which many firms operate, markets self-regulate through competition. In contrast, in industries characterized by natural monopoly, a high degree of regulation is required if the industry is privatized. Stripped of ideology, the policy question is simply whether it is more efficient to effectively regulate prices and outputs of the private provider or to provide the service directly? Whether the services are provided by the public or private sector, the key to effectiveness is the quality of the regulatory system. The lack of such effectiveness makes both direct provision and tendering problematic in most low- and middle-income countries (World Bank 2004b).

While the advisability of such public-private partnerships can be assessed based on experiences in other settings, it must be determined locally, according to local situations and strategies. It is important for local governments and citizens to be well appraised of the advantages and pitfalls of privatizing public services and to possess the capacity to make judgments not only on capital financing for initial investments but also on operations and maintenance costs and long-term burdens and benefits, particularly for the poor. In few other fields of urban governance are transparency and accountability as vital.

Local government partnerships, multisectoral strategies, and integrated initiatives in which NGOs and communities have a strong role are key features of programs developed in the past decade. The range of partners has grown in parallel with decentralization and the prevalence of partnerships with private enterprises and community-based organizations. The best governed local authorities are making bold decisions, negotiating with communities and social movements and advocacy groups, entering into agreements with strategic partners, and instituting innovative practices.

Private sector development should explicitly seek to avoid having negative socioeconomic impacts on the urban poor

One of the greatest fears of many concerned with the urban poor is that campaigns to stimulate the private economy have too often become a “race to the bottom,” in which cities compete to attract private financial investment,
Supporting and enacting local pro-poor policies

regardless of the social or economic costs. Based on experience during the 1980s, structural reforms designed to reduce regulation and social spending created at least as many costs as benefits. A striking result was the often sharp disconnect between the experiences of urban elites and the urban poor, who suffered greatly. In many cases the expansion of local urban economies was correlated with the expansion of urban slums (UN-HABITAT 2003a). There was nothing inevitable about this outcome. Policy mattered greatly. The structural adjustment process placed a heavy emphasis on attracting foreign direct investment by essentially shifting social costs to the poor. These programs are not the same thing as sensible regulation and balanced social policy.

The net result of structural adjustments on cities has been mixed at best. Ocampo (2004) estimates that in the three decades before structural adjustment, annual per capita GDP growth in Latin America averaged 2.7 percent. In the 13-year period from 1990 to 2003, growth averaged just 1.0 percent. Foreign direct investment rose, but that had more to do with the cyclical nature of the global business cycle than the positive effect of structural adjustment.

The experience of São Paulo mirrors the experience of Latin America as a whole. Over the two decades of structural adjustment, the city experienced both large increases in cyclically driven foreign direct investment and an expansion of its slum population. Today the city and region are grappling with the pollution, congestion, and poverty that the rapid expansion of the recent decades set loose but failed to address. The reformist national government of President Luiz Inácio Lula da Silva is acting to redress the situation. It established a new ministry of cities (Brazil, Ministry of Cities 2004), which seeks to foster the expansion of the private sector while stimulating the development of the other two legs of the three-legged stool, which have been underdeveloped. The new policy renounces the notion that cities should compete with one another, instead fostering cooperation among cities, states, and regions.

The point is not that we need to go from deregulation back to regulation. Rather, we need to understand the context in which markets operate. It is still necessary to unburden the private sector from unnecessary regulation. A recent World Bank report noted that poor countries make it twice as hard as rich ones to start new business enterprises and that a decrease in regulations would add as much as 2.2 percent to the rate of GDP growth (World Bank 2004b). Countries have to examine their regulatory environments to determine which regulations serve an effective function and which do not. Municipal governments can do much to stimulate business formation that can work for all.

**Access to employment increases inclusion, reduces poverty, and helps the poor afford adequate housing and essential services**

Access to sustainable sources of livelihood (through formal, informal, or self-employment) needs to be increased, and the importance of the informal economy needs to be acknowledged. To enable slum dwellers to take advantage
of employment opportunities, cities need to eliminate restrictions and unreasonable burdens on local enterprise development. This includes reducing the costs and increasing the benefits of formalization (by enhancing security, for example, and increasing access to public procurement and relevant information on market opportunities and business development support). Finance, business development services, education, and skill training are vital to creating an enabling environment for job creation.

Unemployment and informal employment are disproportionately high among slum dwellers, especially youth, and the quality of their jobs is often low. Breaking the cycle of poverty requires local wealth creation, in which step-by-step progress toward more and better jobs and social inclusion are mutually reinforcing (ILO 2003). Meeting target 11 will require explicit actions to improve urban employment and income opportunities. Sustainable sources of livelihood are critical, as well as an acceptance of the importance of the informal economy (ILO 2002).

A vibrant, integrated city economy is critical to reducing poverty among slum dwellers. Urban authorities have little, if any, influence on the national economic parameters that affect urban economies, but they can pursue policies and develop programs that affect local economic parameters, including employment opportunities for the poor. The challenge is to apply a consistent pro-poor approach.

The scope for action is broad: identifying sources of inward investment; marketing the municipality; providing the physical infrastructure for business development and job creation, including home-based enterprises; adopting pro-poor procurement and labor-based methods when creating and maintaining infrastructure and providing basic services; easing the regulatory and fiscal burden for start-up and growing enterprises; and facilitating financial and business support for local enterprises. City authorities can also engage in consultative, local development approaches.

Much of this agenda is relevant for all cities around the world. Two avenues for action stand out as explicitly pro-poor and pro-employment: optimizing the employment impact of upgrading strategies and promoting the creation of quality jobs in the local small-scale private sector. Both imply mobilizing and maintaining firm partnerships with civil society and the private sector.

*Infrastructure is key to improving the living conditions and economic opportunities of slum dwellers*

Lack of infrastructure hinders private sector development, deterring the establishment of new enterprises, hampering the productivity of existing ones, and harming potential employment creation. The process of infrastructure provision is as important as the end product. Employment-intensive and local resource-based techniques can be applied to a wide range of infrastructure works, including roads, sidewalks, low-level bridges, drainage, on-site sanitation, water and
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Sewerage reticulation, land development, electrification, and building works. These methods are particularly well suited to infrastructure solutions in densely built up slum areas. The procurement system can be used as a pro-poor tool to enhance the social and economic benefits of urban upgrading investments. Even a minor shift toward more employment-intensive technology options in infrastructure investment can have a major impact on aggregate employment creation, given the capital inflows involved.

Stimulating small enterprises can spur local economic development

Enabling frameworks and promotional policies for local small-scale enterprise development are another important avenue for spurring pro-poor economic development. Most of the urban working poor are part of the informal economy. They work in low-paid, low-productivity, and low-security jobs. Informality has high costs to both informal workers and the municipality. Informal workers lack security, access to markets, finance services, and other types of business support. The municipality suffers in terms of the negative externalities created when a large share of the city’s economic activities are outside the formal arena (reduced tax income, difficulty securing formal outside investment, and so forth).

The costs of formalization and the local tax burden inhibit many entrepreneurs from formalizing their businesses (Van der Ree and Kuiper 2004). However, local authorities can lower these costs and increase the benefits of formalizing. They can also help small enterprises upgrade skills and increase their access to productive resources and market opportunities. A long-term vision on increasing the general tax base should prevail over short-term efforts to capture part of the business revenues through levies and fees.

Examples of good practices abound. When municipalities in Bolivia and Peru simplified the bureaucratic steps and reduced the processing time for registration, many more entrepreneurs decided to register. As an incentive, some municipalities established business advisory offices for incoming entrepreneurs (ILO/PROMDE 2002). A more positive, enabling attitude on the part of local authorities can significantly enhance business security, market opportunities, and access to financial services (box 4.3). In Curitiba, Brazil, the local government is attempting to stimulate enterprise development for the poor by creating an incubator. The Curitiba incubator, called Employment Line, consists of warehouses and training facilities located in a low-income section of the city. Microenterprises are exempt from municipal taxes for the two years they are permitted to remain in the incubator. The goal of the program is to create new skills, income-generation capacity, and employment opportunities for the urban poor.4

Entrepreneurs operate in rapidly changing markets. Their need to access information, skills, and business advice increases constantly. As markets become more global, smaller enterprises struggle to cope with these challenges. Faced
Chapter 4

Recognizing the need for a comprehensive, inclusive policy on the informal economy, the city of Durban, South Africa, embarked on a consultative process backed by solid research. The vision adopted was one of Durban as a city with many employment opportunities, that is safe and attractive to investors, in which people live in a healthy and well-managed environment. This vision had to include the actors in the informal economy. The outcome of this consultative process is a policy with the following major components:

• Promotion of diverse economic opportunities along the spectrum from informality to formality.
• Area-based management combined with sector-based support to small enterprises.
• Integration of the functions of management and support for enterprise development and regulation.
• Simple registration procedures.
• An integrated approach to environmental, occupational, and public health.
• Capacity building of organizations of informal workers.
• Promotion of safety and security through local action.
• Securing the participation of formal businesses.
• Integrated and inclusive institutional structures.
• Monitoring and evaluation mechanisms.
• Pilot projects.

The policy, adopted in 2000, is based on the recognition that the challenge of governing the city has to include enterprise development. It also acknowledges that management and support of the informal economy is a task that can be undertaken through consultation with stakeholders and the provision of incentives.

The Durban initiative has sparked similar consultations in other South African cities, notably Johannesburg. With the support of StreetNet (an NGO), and the International Labour Organization, capacity building in organization and representation will accompany the process of collective bargaining that has started.

with intense competition, a race to the bottom may seem the only viable option, leading to increased pressure on wages, working conditions, and workers’ rights. Access to effective business advisory and support services, and the capacity to deliver them, are critical in tackling this situation. Such services should be designed to meet the needs of microentrepreneurs and the self-employed operating in the informal economy, as well as modern small-scale enterprises.

Solutions that progressively blend competitive advantage and higher value products with improvements in job quality are strongly advocated. Support services should help increase productivity and competitiveness and identify market niches, while ensuring that decent work becomes a productive factor.

A special approach is required to address street trading, a livelihood for many poor and vulnerable residents. Recognition of the value of street trade for the poor—as both workers and purchasers of low-priced goods—should guide policies, as jobs are more easily destroyed than created. Street traders’ organizations can become important partners and coregulators if local governments are willing to work with them. Home-based enterprises should also be supported rather than obstructed (box 4.4).
Developing and supporting small-scale construction reduces building costs and creates employment for the poor

The construction sector and building materials industry have immense potential to increase employment through the use of local materials, local technologies, and local small-scale enterprises. Manufacturing technologies that involve small-scale, labor-intensive building materials have large multiplier effects, creating local employment while reducing transport costs. However, small-scale enterprises are rarely used for large-scale projects, for several reasons, including market distortions favoring imported materials, building regulations that are often inappropriate or incompatible with their products, and consumer resistance to the use of local materials (ILO/UN-HABITAT 1995).

In South Africa construction of a masonry house generates about 3.5 times more person-hours of employment than an equivalent precast concrete house (at about the same cost) (CIDB 2004). In Santafé de Bogotá, Colombia, small-scale units use 10–20 times more labor per unit of production than large-scale plants. For the same capital, 100 times more jobs can be created in small-scale, labor-intensive brick manufacturing than in large-scale mechanical plants, and small-scale plants were shown to be able to produce bricks at one-third to one-half the cost of large-scale plants in Colombia (ILO/UN-HABITAT 1995).

The choice of technology also determines who will benefit from this employment. Appropriate technologies and (traditional) local building materials are...
more likely to provide employment opportunities for unskilled or semiskilled people (CIDB 2004). In Burkina Faso the use of banco bricks as the basic building material in 100 low-cost dwellings minimized construction costs, provided small-scale banco brickmakers with income, and ensured the survival of artisans skilled in brick-laying. The large-scale use of this material has also helped reduce the rate of urban unemployment.

**Organizations and community groups need to be empowered to participate meaningfully in planning**

Underlying these pro-employment policies is the fundamental principle of empowering organizations of economic actors and community groups to participate meaningfully in planning, budgeting, and implementing employment-focused urban poverty reduction strategies (box 4.5). This principle holds for community-driven infrastructure creation and private sector development alike. Residents organizations (especially those of slum dwellers), cooperatives, small business associations, chambers of commerce, local trade unions—these are the institutional partners needed for a representative urban dialogue. The resources of the poor can be put to productive use if they are recognized and reinforced as genuine development partners.

**Box 4.5**

**Supporting women microentrepreneurs and their associations is improving lives in Benin and Ethiopia**

Despite the important contribution of women microentrepreneurs, municipal authorities seldom take their concerns into account. Usually, these women must count on their own efforts and ingenuity in developing their activities, with the assistance of their families and relatives. Some development organizations have provided support to small and medium-size enterprise development as a means to reduce poverty.

In Cotonou, Benin, the International Labour Organization (ILO) has pursued an integrated approach that combines financial and nonfinancial assistance. Based on existing savings and credit systems, a mutual guarantee fund was established, boosting loan facilities for groups of women entrepreneurs. Capacity building for association building and collective initiatives underpinned the approach. A self-managed center was established with the support of the municipality. More than 2,000 women have benefited directly from the initiative. Their success and visibility has led to the replication of the approach in other cities in Benin.

In Amhara, Ethiopia, associations of women microentrepreneurs have been strengthened through ILO-supported training. After analyzing their needs and prioritizing their actions, the women held a pilot trade fair exhibiting their products in a central location in town. The commercial success of the one-day fair—sales at which represented more than normal monthly turnover—sparked interest in joining and increased membership contributions. In consultation with the city authorities, one of the central road junctions has now been designated for holding trimonthly trade fairs.