Urban Community Upgrading
Lessons from the Past—Prospects for the Future
Julie Viloria-Williams
Urban Community Upgrading

Lessons from the Past—Prospects for the Future
Urban Community Upgrading

Lessons from the Past—Prospects for the Future

by

Julie Viloria-Williams
Contents

Foreword ................................................................. ix

Preface ................................................................. xi

Acknowledgments ...................................................... xiii

Acronyms and Abbreviations ........................................ xv

Introduction ............................................................ 1

Overview of Upgrading Approaches ................................. 7
  Slum and Squatter Communities .................................... 7
  Policy Approaches to Depressed Communities .................. 9
  Objectives of Community Upgrading .............................. 11
  Planning Community Upgrading .................................... 12
  Types of Urban Community Upgrading Programs ................. 15

Comprehensive Upgrading Programs ............................... 17
  Operational Guidelines ............................................. 17
  Project Management and the Project Cycle ...................... 25

Evaluation of Upgrading Programs: Worldwide Experience,
  with Special Reference to the Philippines, Indonesia, and Pakistan ........ 31
  Social, Economic, and Environmental Impacts .................. 31
Issues and Possible Solutions ................................................. 37
Land ........................................................................ 37
Security of Tenure ............................................................. 39
Technical Issues ................................................................ 40
Institutional Issues ............................................................ 42
Political Will ...................................................................... 47

The Future for Community Upgrading—
Expanding to National Programs .......................................... 51
Strengthening Political Commitment ....................................... 52
Governance ....................................................................... 52
Streamlining Legislation ....................................................... 52
Financing .......................................................................... 53
Local Economic Development (LED) and Livelihood Opportunities ......................................................... 54
Reducing Costs and Increasing Speed ..................................... 57
Planning and Urban Change .................................................... 58

Conclusion ......................................................................... 63

List of Annexes ................................................................... 65
Annex 1A: Matrix on Slum Upgrading Projects/Programs in Asia ................................................................. 67
Annex 1B: Matrix on Slum Upgrading Projects/Programs in Africa .................................................................. 71
Annex 1C: Matrix on Slum Upgrading Projects/Programs in Latin America and the Caribbean ................................. 73
Annex 1D: Upgrading Instruments Across Africa, Asia, and Latin America .......................................................... 77
Annex 2A: Kampung Improvement Program (KIP), Indonesia .............................................................. 79
Annex 2B: Tondo Foreshore Urban Development Project, Philippines, 1975–82 ...................................................... 83
Annex 2C: Third Urban Development Project, Philippines, 1980 (including Zonal Improvement Program) ................. 87
Annex 2D: Slum Improvement and Resettlement Project (SIR), Philippines ......................................................... 91
Annex 2E: NWFP Community Infrastructure Project (CIP), Pakistan, 1996–2004 ................................................ 93
Annex 2L: Urban Sites and Services Development Project, Peru, 1986–96 ..................................................... 121
Annex 2M: Low-Income Housing Project, Mexico, 1985–92 ................................................................. 123
Annex 20: Philippines Community Mortgage Program.................. 127
Annex 3A: A Regional Dialogue on the Basic Services for the Poor—
A Report on the South Asia and East Asia Experiences, Manila, 
Philippines, March 14–16, 1999 ...................................... 129
Annex 3B: Upgrading Low-Income Settlements—
A Regional Round Table for Africa, Johannesburg, South Africa, 
October 3–5, 2000. .......................................................... 131
Annex 3C: Latin America and Caribbean Round Table—Confronting 
the Poverty of Cities: Provision of Services for Urban Poor, 
Annex 3D: Urban Development for Poverty Reduction—
Annex 4A: Overview of Urban Thematic Group ......................... 139
Annex 4B: Cities Alliance—Cities Without Slums ...................... 141
Annex 5A: Philippines—Presidential Decree 1517, Urban Land Reform .147
Annex 5B: Land Valuation Methodology in the Philippines ........... 155
Annex 6: Community-driven Urban Development (CDD) ............. 159
Annex 7: The LED Program. ............................................. 161

Figures
Figure 1. Distribution of total and urban population by developing 
regions, 2001 (mid-year) .................................................. 1
Figure 2. Distribution of urban population by slum and non-slum, 
2001 (mid-year) ............................................................. 1
Figure 3. Squatter settlements in Latin America and the Philippines. . 3
Figure 4. A typical squatter settlement in India. ......................... 4
Figure 5. Typical conditions in depressed communities in the Philippines.. 8
Figure 6. High-density central city slum. .............................. 9
Figure 7. Linear slum paralleling a road in Mumbai, India. ........... 9
Figure 8. Low-density peri-urban shanty in the Philippines. .......... 9
Figure 9. Clearance and redevelopment in Malaysia. .................. 11
Figure 10. Upgrading in place in Tondo, Metro Manila ................ 11
Figure 12. The Project Cycle ............................................. 27
Figure 13. Aspects of implementation .................................... 30
Figure 14. Houses upgraded by residents in Manila ..................... 32
Employment in small businesses ....................................... 33
Figure 15. Employment in a small business ............................. 33
Figure 16. Map of Metro Manila showing citywide locations of 
slums and squatter areas in need of upgrading ....................... 59
Figure 17. Historic cities include Fez, Morocco, and Tunis, Tunisia.... 60
Figure 18. Old Havana, Cuba, and Bhaktapur, Nepal .................. 61
Tables
Table 1. Population of Slum Areas in Developing Regions in 2001 ..........2
Table 2. Characteristics of Slum and Squatter Communities..............10
Table 3. Types of Upgrading Programs........................................16
Table 4. Cost Allocation and Cost Recovery ............................24
Foreword

At some point in 2006, the world's population became more urban than rural. The rapid growth in urbanization that brought us to that turning point occurred predominantly in the developing world, where, by 2010 urban residents will outnumber rural. The poor account for most of the growth. Existing populations of poor urban residents continue to grow, while rural residents pour into the cities to escape poverty and hunger and to find jobs. In fact, the poor are now the largest producers of housing in the world. Their slum and squatter settlements are "affordable housing solutions" adopted in the face of exclusion by other urban residents and occasional hostility and harassment by governments.

Pulling down slum and squatter settlements and relocating the residents elsewhere is socially disruptive—and usually it fails, as the banished residents generally return to the city to squat. The alternative, by contrast, is not only acceptable to poor residents—it also is affordable. By focusing on upgrading settlements instead of eradicating them, poor people can be induced to renovate their own dwellings and improve their environmental and economic conditions in exchange for security of tenure and improvements to local infrastructure.

The World Bank has accumulated considerable experience in helping governments and communities upgrade low-income urban settlements. Governments change, however, as do staff in development institutions, posing the challenge of retaining and building on existing knowledge. For many years I have been following the work of Julie Viloria-Williams and David Williams, which began in the late 1980s. This latest contribution by Julie sums up and compares the experience accumulated around the world in upgrading settlements. In the process, it uncovers some successful patterns that account for the success of the best of such endeavors. We hope that policy makers, professionals, community leaders, and students will take those patterns to heart—testing them and
applying them—as they address the challenging task of upgrading the world’s burgeoning urban settlements.

Frannie Léautier
Vice President, and
Head of the World Bank Institute
Preface

I have read this clear and timely initiative with my own viewpoint of 40 years ago in mind. In October 1966, I took part in the historically significant (though perhaps forgotten) United Nations Regional Seminar on Development Policies and Planning at the University of Pittsburgh. With Rolf Goetze’s assistance I prepared the keynote paper for the seminar: “Uncontrolled Urban Settlements: Problems and Policies.” If in 1966 we had been able to time travel to 2006 to read Julie Viloria’s report, we would have been hugely encouraged to learn that what we already knew from our own experiences in Latin America and East and South Asia would be applied and deepened. The program evaluations in this book would have greatly expanded our own knowledge and we would have recognized many of the issues. But I doubt that its deeply informed recommendations would have compensated for hopes shattered by such limited progress after so many years. We would have presumed that the pattern of issues and recommendations reported would have been reflected in publicly supported community-based initiatives. Nevertheless the book indicates that the tide is turning at last. It certainly promises to promote the three stated purposes: it adds to the knowledge base, it raises emerging issues, and it provides the basis for a much needed manual, Julie’s book also raises what I see to be an underlying question: Do we see the differences between the old and the newly emerging patterns of urban development and its impact on the poor clearly enough? The rapid modernization of very large cities especially in their central areas is posing a profound challenge for the needs of not only the poor but also for

all except the very rich. Clearly enough, that is, to use what is being done to accelerate paradigm change, whatever the field of action?

— John F.C. Turner, Hastings, October 2006
Acknowledgments

I wish to express my heartfelt appreciation to all those who shared their knowledge and offered support while I researched and wrote this handbook. In particular, I would like to thank the community residents who guided me in the Philippines, Indonesia, India, Pakistan, Nepal, Bangladesh, Brazil, South Africa, Egypt, and Ghana among others, development support staff, and local and national government officials; Frannie Léautier, and John F.C. Turner for encouraging and inspiring me; John Didier and Barjor Mehta and the team of Steven Kennedy, James Quigley, Arish Dastur, and John Saville of the World Bank Institute for their technical support in making this happen; Roberto Chavez, George Gattoni, Christiana Johnnides, Romana Huque, Graeme Lee, Dean Cira, Catherine Farvacque, Anthony Pellegrini, Christine Kessides, Ahmed Eiweida, Elioterio Codaro, and the more than 150 members of the World Bank’s Thematic Group on Services to the Urban Poor, Tayabba Samina, and last but not least David G. Williams, who has been my partner and constant support in our worldwide effort for the urban poor over the last 30 years.
**Acronyms and Abbreviations**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBO</td>
<td>Community-based organization</td>
</tr>
<tr>
<td>CAP</td>
<td>Community action planning</td>
</tr>
<tr>
<td>CCB</td>
<td>Citizen's community board</td>
</tr>
<tr>
<td>CDD</td>
<td>Community driven development</td>
</tr>
<tr>
<td>CDS</td>
<td>City development strategy</td>
</tr>
<tr>
<td>CIP</td>
<td>Community infrastructure project</td>
</tr>
<tr>
<td>CWS</td>
<td>Cities Without Slums</td>
</tr>
<tr>
<td>CMP</td>
<td>Community mortgage program</td>
</tr>
<tr>
<td>DA</td>
<td>Development agency</td>
</tr>
<tr>
<td>DFID</td>
<td>Department of International Development (U.K.)</td>
</tr>
<tr>
<td>DPU</td>
<td>Development Planning Unit</td>
</tr>
<tr>
<td>IE</td>
<td>Informal economy</td>
</tr>
<tr>
<td>IHS</td>
<td>Institute of Housing and Settlement</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Office</td>
</tr>
<tr>
<td>KIP</td>
<td>Kampung Improvement Program</td>
</tr>
<tr>
<td>LED</td>
<td>Local economic development</td>
</tr>
<tr>
<td>MMA</td>
<td>Metro Manila Authority</td>
</tr>
<tr>
<td>MMINUTE</td>
<td>Metro Manila Infrastructure and Utilities</td>
</tr>
<tr>
<td>MOA</td>
<td>Memorandum of agreement</td>
</tr>
<tr>
<td>NGO</td>
<td>Nongovernmental organization</td>
</tr>
<tr>
<td>NHA</td>
<td>National housing authority</td>
</tr>
<tr>
<td>OPP</td>
<td>Orangi Pilot Project</td>
</tr>
<tr>
<td>PMO</td>
<td>Project Management Office</td>
</tr>
<tr>
<td>SME</td>
<td>Small and medium enterprise</td>
</tr>
<tr>
<td>TCR</td>
<td>Tools for Community Regeneration</td>
</tr>
<tr>
<td>UNCHS</td>
<td>United Nations Centre for Human Settlements (Habitat)</td>
</tr>
<tr>
<td>ZIP</td>
<td>Zonal improvement project</td>
</tr>
</tbody>
</table>
Introduction

The developing world is urbanizing at an unprecedented rate—by 2010 most residents of developing countries will live in and around cities (see figures 1 and 2), most of them in slum and squatter settlements. Within the next 30 years these informal urban settlements will double in population\(^1\) and account for more than 2 billion people.

These impoverished and disenfranchised members of society are also subject to health-threatening living conditions, conditions that create enormous social and political costs. It is therefore necessary for governments, civil society, and

---

\(^1\) For an overall characterization of the world's informal settlements, see *Slums of the World: The Face of Urban Poverty in the New Millennium*, UN Habitat 2003.
the communities themselves to make significant and sustained efforts to address both the causes and results of neglect. Neglect is everywhere apparent: in a degraded environment and low incomes, in the ever-widening gap between the urban haves and have-nots, in increasing alienation and a fraying social fabric, and in the onslaughts of disease and violence that also reach into the urban middle and upper classes.

Nevertheless, residents in slums and shanties carry enormous untapped potential. Their contributions to the broader economy are substantial. They constitute the core of the urban labor force—in services, manufacturing, and construction. Hardworking, resourceful, and self-reliant, the urban poor are willing to improve their housing and environmental conditions through their own investments in labor and capital, provided that barriers to their initiatives are not insuperable.

But these settlements have remained virtual zones of silence—undiscussed and ill-understood by the public. Many governments respond, unhelpfully, by bulldozing entire slums, hoping somehow that the problem will literally go away. It will not. A new slum will grow in its place.

The bulldozing policy grew out of aesthetic and zoning concerns, with policymakers reasoning that large-scale demolition and relocations would inhibit rural immigration. It involved little knowledge or concern for the residents' wishes or for their economic or social conditions. Moreover, slum-dwellers strongly resisted the tactic, which carried huge financial and political costs. Although these tactics are sometimes resurrected by new and often ignorant and even malicious governments (most recently in Zimbabwe), it was apparent by the 1970s that it was not feasible or even desirable to bulldoze enormous communities of urban poor; alternative policies were sought. A viable and low-cost solution, acceptable to residents, was to upgrade infrastructure and social facilities while leaving the communities intact. Writing about India in the 1920s, Patrick Geddes described

### Table 1. Population of Slum Areas in Developing Regions in 2001

<table>
<thead>
<tr>
<th>Region</th>
<th>Total population (millions)</th>
<th>Total urban population (millions)</th>
<th>% of total urban population</th>
<th>Slum population (millions)</th>
<th>% of urban population</th>
<th>Urban slum population</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>6134</td>
<td>2923</td>
<td>47.7</td>
<td>31.6</td>
<td>924</td>
<td></td>
</tr>
<tr>
<td>Developing regions</td>
<td>4940</td>
<td>2022</td>
<td>40.9</td>
<td>43.0</td>
<td>874</td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>683</td>
<td>307</td>
<td>44.9</td>
<td>60.9</td>
<td>187</td>
<td></td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>527</td>
<td>399</td>
<td>75.8</td>
<td>31.9</td>
<td>128</td>
<td></td>
</tr>
<tr>
<td>Asia (excl. China)</td>
<td>3593</td>
<td>1313</td>
<td>36.5</td>
<td>42.1</td>
<td>554</td>
<td></td>
</tr>
<tr>
<td>Oceania</td>
<td>8</td>
<td>2</td>
<td>26.7</td>
<td>24.1</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

Source: Global Urban Observatory, Slums of the World, UN Habitat
just how this approach could work. Later, in the 1950s and 1960s, Charles Abrams and John F. C. Turner documented the peri-urban land invasions in Latin America, explaining how slum-dwellers responded by organizing their own community upgrading projects.²

In the 1970s and early 1980s international donors, and some governments and NGOs, incorporated upgrading into their urban development and anti-poverty strategies. Researchers took note of the varying social and physical characteristics of slum and squatter areas and developed policies that took these differences into account. New policies introduced a range of infrastructure, social, and economic services, distinguishing community upgrading from earlier programs that focused on single-sector services, such as water supply.³ Security of tenure for residents emerged as key to the creation of stable communities in which residents were encouraged to invest in home and neighborhood improvements.⁴ These early efforts also addressed financing measures, such as recovering costs and targeting subsidies, institutional arrangements between central and local governments and communities, and the beginnings of lobbying by slum dwellers' associations to stiffen political will. These efforts met with varying degrees of success, but everyone learned a great deal in the process. And so began the broad momentum for community upgrading.

With some notable exceptions (e.g., Indonesia's Kampung Improvement Program), and the upgrading programs in the Philippines, community upgrading initiatives faltered after a few years, with the result that the approach was largely abandoned by the mid-1980s. This early failure owed not to intrinsic weaknesses in the approach but to donor preoccupation, particularly among develop-

Figure 3. Squatter settlements in Latin America (top) and the Philippines (bottom).

---

2. A complete archive of the works of Patrick Geddes and John Turner can be found in the Max Lock Centre, University of Westminster, London.
3. See Annexes 1A to 1C for comparisons, and 2A to 2N for summaries of these projects.
4. Various studies indicate that residents have invested in upgrading their dwellings between one and three times the amount invested by government in infrastructure.
ment banks, with financial instruments, such as housing finance and adjustment loans, and later, with privatizing public services. This led to a philosophy of wholesaling development philosophy that left local governments and communities out of their own community upgrading initiatives. That led, in turn, to the neglect of operational details. The absence of a hands-on development strategy was compounded by layoffs of experienced technical staff. Over-reliance on financial instruments and privatization—both involving central government and the private sector more than local government and NGOs—weakened programs that targeted the urban poor.

The institutional memories of development banks are short, and governments change frequently. and by the 1980s the achievements and lessons of community upgrading were largely forgotten. The reign of silence returned to intractable urban poverty, and the demolition and resettlement of slums resumed.

With the turn of the millennium, however, the emergence of new forces augurs well for a revival of community upgrading, and the study of earlier efforts has led policymakers to incorporate better approaches. Decentralization and democratization have worked to expand the power and influence of local governments and NGOs; these actors are strongly affected by their constituency—the local communities, including the poor—and they are usually much
more interested in community-level programs than are central governments. Donors are slowly recognizing the untoward effect of finance-based programs and privatization on the poor; NGO pressure on donors to include the poor as development partners and stakeholders has produced greater community participation and better local-level programs. Finally, the mounting influence of urbanization is forcing donors to address urban poverty and services. From 1997 to 2002, the World Bank’s Thematic Group on Services to the Urban Poor promoted learning between cities based on dialogues and conferences to revive and to advance community upgrading. This evolved into the “Cities without Slums” initiative of the World Bank–UN Habitat Cities’ Alliance.

The purpose of this paper is threefold. First, we wish to add to the knowledge base of urban community upgrading through (a) a review of the types of programs and implementation methods, drawing from experiences in different countries, (b) an analysis of the issues and problems faced in these programs, and (c) some recommendations to resolve them. Second, we hope to identify new and emerging issues facing low-income settlements, and possible responses to them. Third, we intend for this to complement materials in use by WBI’s Urban and Local Government team, and so go into some detail on implementation methods and procedures. It is with hope that this paper will be useful to policymakers, implementers, teachers, and students of community upgrading efforts.

---

5. See Annexes 3A to 3D for summaries of these activities.
6. Drawn mainly from the Philippines and Indonesia. Annexes to this paper describe these programs, and also notable initiatives in other countries in Asia, Africa, and Latin America.
Overview of Upgrading Approaches

Slum and Squatter Communities

Depressed urban communities can be broadly defined as those areas characterized by:

- Significant lack or absence of basic infrastructure services, including access ways, water, drainage, sanitation, electricity, and social facilities and services
- Unclear or insecure tenure of land
- Low levels of income and dependence on informal work opportunities

The physical and social features of depressed communities frequently vary by age of settlement and location in the city:

- Central city slums are often characterized by high densities (owing to the high value of land), older structures, and higher proportion of renters. They often contain some of the traditional residents of the city, although many will have moved and now rent their buildings. Some of these communities feature formal, multistory apartment buildings where land and building ownership is clearly established (see figure 6).
- Pocket and linear slums and shanties are found throughout the city, often built on the rights-of-way of public infrastructure, and are invariably illegal

---

7. Some countries, such as India, have instituted rent control in large cities. Although rent control stabilizes the population, it also leads to severe physical deterioration because, over time, it becomes uneconomical for the building owners to maintain the structures and services at the low rental levels.
8. Such as roads, railways, rivers and canals.
(squatert) neighborhoods. Where they impede the operation and maintenance of the infrastructure, they are justifiable candidates for removal, but care should be taken to ensure that inhabitants are resettled nearby or close to their employment. Inhabitants of these settlements tend to be among the most destitute of the poor and rely on occasional employment as laborers, market vendors, and small informal services to nearby higher-income communities (see figure 7).

- Perimeter/peri-urban shanty settlements emerged most recently, usually created predominantly by rural in-migrants who may group themselves by regional or ethnic affiliation, although the settlements may contain a proportion of older residents who moved in after the demolition of their homes in the inner-city slums. In comparison with central city slums, perimeter urban settlements are located on larger land parcels and thus tend to be fast-growing and lower-density towns. The landowners may be government agencies (or private owners) that lack the capability or will to patrol the areas or evict squatters; sometimes private owners have informally leased land parcels to the occupiers. Most residents occupy the structures they have built, and the proportion of renters is low. The occupiers often find employment in the emerging commercial and industrial developments of the city’s suburbs, or they may shoulder the high time and cost to commute to more central locations (see figure 8).
The above characteristics are, of course, general observations. Before urban upgrading programs are contemplated, the characteristics will need to be verified by physical and social surveys. Community characteristics have an important bearing on policy: they will drive the selection of settlements and the setting of priorities for upgrading. They will determine the means of assuring residents’ security of tenure and the level and types of physical services and costs. Finally, community characteristics will play a role in the composition of residents’ committees.

Policy Approaches to Depressed Communities

Several approaches, developed in many different countries, have been devised in dealing with depressed communities. They can be broadly classified into:

Clearance and Relocation

This approach involves the demolition of existing structures in the depressed areas, the physical transfer of residents to resettlement sites—usually outside the city, where cheap land is available. The area is then cleared and prepared for
Table 2. Characteristics of Slum and Squatter Communities

<table>
<thead>
<tr>
<th>Socioeconomic class</th>
<th>Living environment</th>
<th>Assistance required</th>
<th>Bank response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeless, destitute, begging, scavenging, prostitutes, street children</td>
<td>Sidewalk, temporary shelter, public infrastructures, water from stand pipe, river banks</td>
<td>Health and social services, free food and shelter</td>
<td>Very little in the past, mainly NGOs (now supporting grants)</td>
</tr>
<tr>
<td>Day labor, waste collector and pickers, tricycle drivers, hawkers</td>
<td>Rented space, slums, rent controlled area, communal water and sanitation</td>
<td>Health and services, basic infrastructure, sometimes land tenure change, skill training</td>
<td>Water standpipes, slum upgrading, relocation sites and services of those in public, flood areas</td>
</tr>
<tr>
<td>Construction craftsman, shop owners, assistants, small industrialist, government service workers, factory-workers</td>
<td>Rented rooms, house in legal and illegal slums, communal and individual services</td>
<td>Health and social services, basic infrastructure, sometimes land tenure change, small business and credit</td>
<td>Water supply and sanitation, slum upgrading, some sites and services</td>
</tr>
<tr>
<td>Modern sector factory employee, government and private office service, technical staff</td>
<td>Rented apartments, house owners in established semi-slums</td>
<td>Basic infrastructure, sometimes land tenure change, new business and credit</td>
<td>Slum upgrading, new sites, housing finance</td>
</tr>
</tbody>
</table>

Redevelopment into high-value uses such as a combination of commercial or high-income residential. It frequently happens that relocated residents return to squat in the city because they could not find employment in the outlying areas. In many instances, governments have failed to provide resettlement sites with sufficient job opportunities for the displaced residents or adequate social services. In some cases, rather than concern for the residents' welfare, clearance has been motivated primarily by the interests of real estate developers, in collusion with government officials, to profit from higher-value redevelopment of the land.

**Clearance and Redevelopment**

This approach involves the temporary relocation of existing residents. In the interval, the land is cleared and new housing built for the residents on the same site. This housing is often a high-rise development in order to release some land for commercial uses. The construction of new housing is sometimes justified in high-value inner-city sites, where commercial development can subsidize the cost of residential units for the original occupants. But often commercial development is unable to support the subsidies, and the original residents cannot afford the high cost of the new residential units. As a result, the original inhabitants are forced from the site and replaced by higher-income households. The redevelopment approach is also slow and complex and does not provide much ground-level space to operate the small business enterprises that residents rely on to supplement their income. Redevelopment is sometimes proposed to
increase inner-city housing stock, but the net residential density in medium-to high-rise buildings is often not much greater than that found in the older inner-city tenements.

Upgrading in Place

Most poor communities typically prefer this option, which improves the existing infrastructure and facilities to a satisfactory standard, with minimum disturbance to the residents. It often includes the provision of secure tenure for the residents, either by granting titles to the structure owners, or by a general guarantee that the site will not be redeveloped for a given number of years. An important advantage of upgrading is that it minimizes disturbance to the social and economic life of the community. It also carries significant cost advantages; it has been found that clearance and relocation can cost up to three times as much per household as upgrading in place, and clearance and redevelopment can cost between ten and fifteen times as much.

Objectives of Community Upgrading

Community upgrading typically has four objectives:

- To improve the health, environmental, social, and economic conditions in the community
- To ensure that the original residents of the community benefit from the program and are not ejected or displaced after the area has been improved
• To encourage residents to improve their own houses, to stimulate small business expansion, and expand employment
• To ensure that the program is affordable both to the community and the government.

Planning Community Upgrading

Several factors need to be considered when preparing policies and approaches for community upgrading:

Scale

The total number of households in the upgrading communities, their geographical location (and that of other slums), and their rate of growth should influence both the organizational requirements of an upgrading program and the time the program will take to implement.

Severity of Physical Conditions

The predominant physical characteristics of the area—such as the propensity to flood, population density, and infrastructure quality—should guide the improvements undertaken for the community.

Tenure and Land Ownership

Tenure arrangements for residents are key to successful community upgrades. Successful programs avoid the displacement of original residents. Experience has shown that tenure security in upgraded communities encourages residents to further improve and expand their structures. They are also able to use their asset as equity to borrow for establishing and expanding small businesses.9 Tenure arrangements need to be addressed in countries where land-ownership rights are clear and confer power to landowners in the disposition of the land.10 In these cases residents have little or no security of tenure and may be easily evicted by

---

9. See the work of Fernando Soto.
10. In some countries, such as Indonesia, Papua New Guinea, and parts of Africa, traditional (customary) rights of use for occupants to the land exist. Elsewhere, however, as in the Philippines and Latin America, titles to the land are clearly registered, and rights of ownership and disposition are absolute. In this case, most occupants of land who are not owners have no security of tenure.
the landowner. Such residents are reluctant to invest in improving their houses, thereby creating a situation where living conditions are correspondingly much worse than when there is stronger security of tenure.

Support Services for Social and Economic Development

Experience has shown that provision of adequate physical infrastructure alone is not enough to upgrade a community. Often, services such as health education, employment counseling, and assistance to micro and small businesses and enterprises are also required. Once a community-based organization (CBO) has been established and an upgrading program is designed, the provision of these services is easily managed without undue complexity.

Community Participation

The strength and variety of community organization vary greatly across countries and cultures. At a minimum, consultation is needed with the community to assist in planning the type and location of infrastructure and services; cooperation is needed during implementation and in subsequent maintenance. Preferably, a representative CBO should be formed. In partnership with the project’s social and technical staff, the CBO takes the lead in identifying priorities, planning plots and services, agreeing on prices, and undertaking maintenance and cost-recovery responsibilities. In the case where upgrading has a direct impact on the individual household—such as the transfer of land, or the need to cut back or shift houses or to pay charges—active CBO participation and influence become critical.

Institutional Framework

A clear institutional framework is also required, one that spells out the various parties’ responsibilities; these parties usually comprise:

- Individual households as the resident beneficiaries.
- The CBO, representing the resident households. In cases where the project includes women’s and children’s health programs, for example, or microfinance and small business development, separate organizations may also be formed to represent those interests.
- Landowners, who may be private individuals, a corporation, or a public agency.
- A development agency that plans and implements the upgrading program.
- NGOs hired by the CBO development agency to assist the community in negotiations with the development agency and support services.
- Local governments and metropolitan agencies that administer the upgrading neighborhoods.
- Local, and sometimes national line agencies responsible for urban planning, off-site and trunk infrastructure, and support services such as health, education, small business development, and employment.
- A financing institution that defines the framework for funding the program.
- A collection agency responsible for recovery of costs from the project beneficiaries, which may be the local government, the development agency, a commercial bank, or the community organization.
- A maintenance organization or agency responsible for operating and maintaining the upgrading project.

The roles and responsibilities of all parties must be clearly defined at the outset. The extent to which participants will have to be involved depends on the complexity and scale of the upgrading program.

**Financial Structure**

In view of the large populations of depressed urban areas, investment costs are invariably substantial. It is essential, therefore, to be sure that funds are available—and that costs are recovered to the greatest extent possible. Funds for the upgrading program may come from various sources, which may include:

- Contributions from beneficiary households and community residents
- Private organizations (local or international)
- Local government/metropolitan government
- Local banks
- The central government
- International funding agencies

The funds may be provided in the form of grants, loans, equity, and in kind contributions such as labor and materials. Partial or full costs of the upgrading program may be recovered from:

- Project beneficiaries who have received assets in the form of land, construction materials, and small business loans. Charges may also be placed on services, such as water supply and electricity.
• The local or metropolitan governments, through property taxes levied on the upgraded area, business taxes, and contributions from the profit on sales of commercial or industrial land.

The relative importance and balance of the above sources will depend on the country's economic strength and financial resources, the relative control of revenue sources between central and local governments, and the willingness (and ability) to pay of beneficiary households.

**Types of Urban Community Upgrading Programs**

Among the various programs initiated worldwide, three principal types have emerged. See Annexes 2A to 2N for details on country upgrading programs.

**Community Infrastructure**

This type of program is applicable where the environmental conditions are poor but tenure is secure owing to strong traditional land rights for occupants. In this case, land will not have to be transferred, and the upgrading program will comprise only physical improvements and social services. They may vary from a single-sector component such as improved drainage or a broader service package including access, drainage, water supply, school, and health facilities. The physical improvements may be financed by increases in municipal property and businesses taxes, and by user charges for water supply. This type of improvement program is simpler to undertake and can then be implemented rapidly because fewer activities are required. The transfer of land to the individual households and the recovery of those costs are not involved, therefore requiring less time for land purchase and less community participation. It may also be suitable where rental housing predominates. While the benefits per household are lower than comprehensive upgrading, the costs of this type tend to be lower and the speed of implementation is higher. The Kampung Improvement Program in Indonesia, the Community Infrastructure Program in Pakistan, and the Metro Manila Infrastructure and Utilities Improvement (MMINUTE) program in the Philippines are examples.

**Lot Titling**

This approach is normally appropriate where environmental conditions are relatively good but where land tenure is insecure. This is often the case where the
climate is arid, where the population density is low, and where only minimal infrastructure is needed. This program focuses on lot titling to establish security of tenure. In this case, on-plot services such as wells and sanitation are provided by the individual households. Government involvement is limited to surveys, titling, and sale of the lots to the residents. Public investment is low since little or no public infrastructure is needed, and because of the low population density, land is cheap. As the population density increases, additional infrastructure can be provided as required and can link up to the existing urban networks.

**Comprehensive Upgrading**

This third approach combines both community infrastructure and lot titling. It is appropriate where environmental conditions are poor, where population densities are high, and where tenure is insecure. This type of upgrading is relatively complex and time-consuming because it has more administrative requirements and depends on greater community involvement. While this type of program is more costly, the benefits to households can also be much greater. For example, it can include individual household service connections, and by acquiring a valuable land asset, homeowners are assured of security of tenure, and are more motivated to improve their homes. They can also use the equity in their property to borrow money from banks to invest in home improvements or small businesses. For example, in the Philippines, India, and Sri Lanka, householders’ investment in their homes has been equal to or greater than the government’s investment in infrastructure at the sites.

The next sections will discuss the comprehensive upgrading approach in more detail, since it combines most of the issues and challenges involved in upgrading urban settlements. It is based on Asian experience, most particularly in the Philippines, but also with reference to Indonesia and Pakistan, where solutions to a number of issues and problems have been tried and can be evaluated.

<table>
<thead>
<tr>
<th>Types of Upgrading Programs</th>
<th>Environmental conditions:</th>
<th>Security of tenure:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Poor</td>
<td>Good</td>
</tr>
<tr>
<td>Community infrastructure</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Lot titling</td>
<td></td>
<td>+</td>
</tr>
<tr>
<td>Comprehensive upgrading</td>
<td>+</td>
<td></td>
</tr>
</tbody>
</table>

11. This approach has been successfully used in Africa and parts of Latin America, and on a limited scale in the Community Mortgage Program in the Philippines.
Comprehensive Upgrading Programs

This section reviews comprehensive upgrading in more detail. First, we will look at the requirements for upgrading project sites. Then we will address the additional needs for expanding comprehensive upgrading projects into nationwide programs. The planning and implementation of comprehensive upgrading projects involves defining operational guidelines, arranging for project management, and carrying out a cycle of activities for each project site. National programs have additional financial, organizational, and environmental requirements.

Operational Guidelines

Operational guidelines should be established before the project begins. At a minimum, they should address the institutional framework, community participation and empowerment, site selection, land acquisition, beneficiary selection and lot allocation, tenure arrangements, the range of physical, social and economic services to be offered, and financial policies.

Institutional Framework

Projects typically require the participation of several parties including the development agency, community associations, individual households, NGOs, landowners, local governments, line agencies, collection agencies, and financial institutions. It is important to define clearly the role each actor will play in planning, implementing, and maintaining upgrading projects. Each group's responsibilities will depend on the scope of the upgrading program and the ad-
ministrative practices in the country. The development agency can be a national agency or city government or an NGO that works with the community. Major off-site infrastructure, however, is normally the responsibility of national or city governments. Financing can be arranged either through the development agency or through a separate housing or municipal development fund.

Depressed communities fall under the jurisdiction of local governments, which therefore must play an active role in their improvement. They are in the best position to help integrate upgraded areas into the larger urban community. At a minimum, local governments should oversee site selection, community liaison, assessment and collection of property taxes, maintenance of facilities, and possibly collection of mortgage repayments. In addition, the local government can act as the development agency; in fact, they are increasingly assuming this role. The landowners may be either private owners or public agencies. To prevent excessive delays and problems, clear and firm policies regarding land acquisition should be established. It is equally important, early in the project, for the development agency to establish strong relations with landowners.

Community Participation and Empowerment

Long experience has shown that the community must be actively involved in all stages of the upgrading project cycle— to be, in effect the controlling client. The noteworthy successes of projects using community-driven approaches—such as the CIP in Pakistan, the Tondo Foreshore and Zonal Improvement projects in the Philippines—have renewed interest in what is now popularly termed Community Driven Urban Development (CDD). Some of the key advantages of CDD are listed below:

- Solutions are more responsive to local needs
- Costs are lowered
- Critical ground-level knowledge (of local conditions and pressing urgen­cies) is made available through participants—in many cases optimizing and making more efficient the project design and implementation processes
- A sense of ownership leads to more sustainable processes of operations and maintenance
- Better cost recovery from projects
- Empowerment of the poor
- Strengthening of governance
- Capacity building of institutions through their cooperation on projects
- Democratization through participation.
A more detailed summary of the issues and challenges in CDD work in urban communities is presented in Annex 6.

In cases where community-based organizations do not already exist, it is critical to undertake a survey of the residents; such a survey would ascertain household location and size, income levels, and key social attributes such as land and house tenure (e.g., are they renters or structure owners) and religious or ethnic affiliations. These will all affect project design and the composition of the CBO itself and the ability of the subgroups to cooperate. Successful projects are built on CBOs that represent all interests in the community. These community organizations work with the development agency to determine physical services, site plans, costs, and payments. It is also closely involved in tagging houses, monitoring incursions, selecting beneficiaries, collecting charges, and maintaining minor infrastructure. CBOs can also help to implement small-scale infrastructure. If the project involves transfer of land to the householder, the individual householder has a significant role. Although most householders' concerns will be handled by the CBO, they will also be directly involved with the development agency for lot purchases and with the collection agency for lot payments and utility charges.

**Project Site Selection**

Typical sites eligible for upgrading are areas with (i) poor access, flooding, or inadequate water and sanitation facilities; (ii) insecure tenure for the residents; and (iii) low-income residents who are demanding improvements. High population density may be another criterion, since the cost per capita of improvements may be lower than for lower-density sites. Some areas may not be eligible for upgrading, such as neighborhoods located in a public right of way or where health hazards exist. The residents of ineligible areas may need to be removed to a nearby site.

**Land Acquisition**

Acquisition of the land for transfer to the resident beneficiaries can be accomplished in two ways. It can be acquired from the land owner by the development agency through a negotiated sale, donation, land exchange, or through expropriation. Another way is for the residents, through the community organization, to make arrangements directly with the landowner to pay him over a period of time. In this case, the development agency or the local government can act as

---

12 It is most important that the residents support the upgrading proposal. The development agency should not proceed with projects in the face of strong community resistance.
the legal broker and perhaps as guarantor between the two parties. In the event records are unclear, title research may be needed. It is common to see landowners reluctant to sell their land, even when the land parcel is an encampment of squatters. This can be greatly eased when laws on compulsory purchase of squatted land are politically feasible.

**Land Pricing**

As a general policy, all costs pertaining to purchasing or acquiring the land should be recovered from the project beneficiaries, as it involves transfer to a private asset. Prices can be set, either on the basis of an average over the program where a number of upgrading project areas is involved or for each project area taken individually. Averaging the land prices in given area of the city will ensure that lands acquired cost free (such as government or donated land) can help to reduce the costs of acquiring expensive private land, and avoid the injustice of some residents obtaining free land while others pay the high costs of purchased land. This issue was addressed in depth in the Philippines Zonal Improvement Program. Annexes SA and SB outline the legal basis of these reforms.

**Beneficiary Selection and Lot Allocation**

Comprehensive upgrading involves the transfer of a valuable land asset to individual households; therefore the selection of beneficiaries is extremely important. A household census and tagging of structures by the development agency are the most commonly used methods of identifying qualified beneficiaries. All households identified in the census may be eligible to receive lots. The census verifies the original residents. It also helps to discourage professional squatters who locate there to compete with original residents, illegally, for the limited number of lots. Some policies can ensure the equitable distribution of benefits. One policy is that each household should be entitled to only one lot at the project site. Owners who have two or more structures must turn over all but one structure to qualified households. Absentee owners of the structures who do not live in them or on the project site can opt to sell the structures to current, qualified site occupants. If they are not sold within a certain period, the structure owner is required to dismantle the structure.

---

13. This is sometimes an arduous process if records have not been well kept. In the Philippines ZIP, the site residents proved very efficient in researching the titles through their own committee.

14. The success of the Philippines’ slum upgrading programs in the 1970s and 1980s was greatly helped by the urban land reform program established under the Marcos regime (see Annex SA for the legal basis); the program was subsequently eliminated, however, by the succeeding Aquino government, which retained the community mortgage program (see Annex 20).
Tenure Arrangements

These should protect the rights of both structure owners and renters. The arrangements should also encourage the owners to repair, expand, or improve their structures. One form of tenure is the freehold sale of land and services—that is, the outright ownership of the land with or without a mortgage. An alternative form of tenure is the leasehold, with permission to occupy the lot, and a long-term rental of the land and services. This should include the option to purchase the land within a specific period of time of continued and uninterrupted occupancy. One purpose of the leasehold is to accommodate the lowest-income households that cannot afford outright ownership immediately. The second purpose is to motivate the original residents to commit themselves to stay and encourage them to improve or expand their structures; at the same time, leaseholds help to discourage premature resale and speculation by professional squatters. It also decreases the likelihood of the beneficiaries moving to squat elsewhere in the city. 15

Three common options are available for tenure arrangements. First, an individual household can have tenure over the residential lot. In cases where long-term tenants of the structure owner form a large proportion of the residents at the site, there is a danger that they may be evicted if tenure is given to a relatively smaller group of structure owners. A second option is for two or more households to have joint tenure of the lot. Joint tenure ownership strengthens the tenants' security of tenure and minimizes the danger of eviction. And a third option is for the entire project site to be held by the community at large through a community corporation. 16

In the case of rental housing where owners will retain ownership of the land and house, rent increases should be kept low so existing tenants are not displaced. Therefore, rent increases to existing tenants should only reflect the cost of the improved services and maintenance of the structure. Tenants' associations should be established to monitor and enforce these provisions.

Investment Components

These include physical services to improve the poor environmental conditions, social facilities such as schools and clinics, and advisory services for health and economic assistance to raise incomes and employment for the poor. The project components should address the most urgent problems of the site. Selection of

15. In Indonesia, for example, outright forms of land ownership are rare, so measures that strengthen existing rights to occupation have been the common approach.
16. The experience of European countries in cooperative housing associations is relevant here. And in Bangkok, cooperative housing established in low-income settlements through land readjustment accounts for a significant proportion of low-income housing.
 priorities should take into account both the residents' wishes and the broader public interest, in particular, public health and safety. For example, the residents may prefer to invest in components such as roads, which will yield them a high private return. The government, however, may favor components such as sanitation services, which offer greater public health and environmental benefits. Proportional representation of women on the CBO is important. Apart from the need to avoid gender discrimination, women are traditionally more concerned than men with the health and welfare of the children and family, and thus tend to favor important community projects involving clean water, sanitation, and health education. These priorities for services should be negotiated and agreed upon among the development agency, the residents, and the local government.

Physical infrastructure can be classified into on-lot services and on-site services. On-lot services are those that serve only the individual households, such as sanitation, water or electricity, or lot firewalls. On-site services are those that are used by most project site residents, such as site preparation (including the relocation of structures to make room for more lots or public facilities), drainage, footpaths, roads, schools, and clinics. Physical services can also involve off-site infrastructure—such as national or city roads and drainage—that connects the site to city infrastructure. In addition to physical services, project components can also include economic assistance such as training for manpower development and job placement and work for local contractors who build infrastructure and hire workers. Economic assistance to small businesses and community cooperatives can be provided via access to loans and microcredit associations. Assistance with marketing and training helps small businesses to expand their operations and to qualify as subcontractors. Finally, loans to beneficiary households can also carry economic assistance, both as mortgages to help them repay loans and to purchase materials to improve and expand their homes for rental and other income-producing purposes.

Financial Policies

These address cost allocation, cost recovery, and affordability. The broader issue of resource mobilization will be discussed later in this paper.

Cost Allocation

The cost categories associated with upgrading include the costs of land, off-site infrastructure, on-site infrastructure, on-lot development, community facilities, loans for home materials and small businesses, the design and supervision costs of civil works and support services, and project management costs. Costs are
usually allocated among households and businesses, local governments, and line agencies. Project households and businesses are charged for components that affect them directly, such as the land, on-site infrastructure, on-plot development, and the design and supervision of civil works. Loans for home materials or small businesses can be made available for households or businesses that choose to obtain them. The local government is charged for municipal and off-site infrastructure such as municipal roads and related drainage, and for some community facilities, such as local health centers, public toilets and markets. Line agencies are typically charged for off-site infrastructure and services such as national roads, schools, health facilities, and their equipment.

**Cost Recovery**

Costs can be recovered either directly or indirectly. Direct recovery of some costs can be made from through outright sale to or a long-term mortgage to beneficiaries of their lot together with associated infrastructure costs. An up-front plot charge to households is another alternative, which offers partial cost recovery (the remainder being financed by government grant). This approach also engenders community commitment to the project. Other ways are user charges for water supply, sewers, and electricity consumption and through the repayment of building materials and small business loans. Some costs can also be recovered indirectly. This is appropriate for project components such as roads or drainage that are shared public facilities and cannot be charged to individual users. These costs can be recovered through increases in property and business taxes collected by the local and national governments. Another method is for the development agency to recover some of the costs from the profits made from the sale of land developed for commercial purposes.

**Affordability**

It is essential to estimate the ability and willingness of households to pay for their share of the project investments, and to adjust the project service standards accordingly. Estimates are derived from surveys of household income, but may also factor in the ability to mobilize available savings. Most projects can be

---

17. This approach has been used successfully in the CIP in Pakistan, where households are charged 20 percent of the on-site infrastructure costs—the few households that cannot afford this amount are assisted through internal cross-subsidy from richer community members. This has become national policy for community upgrading through the local government code.

18. However, this form of cross-subsidy needs to be approached carefully, to ensure that commercial land can be sold at a profit. In the Philippines Tondo project, a drop in the real estate market for commercial land meant that little profit was realized from this component (see Annex 2B).
designed to be affordable on average to the lowest 10th or 20th percentile of the project beneficiaries without requiring external subsidies, but using internal cross-subsidy to assist the poorest residents below the 10th percentile. Among most low-income families only about 5 to 15 percent of income is available for loan repayment on land and services. Thus, in a comprehensive upgrading project, only 45 percent to 75 percent of total costs are normally recovered from beneficiary households, depending on the level of services, the cost of land, and the cost of mortgage finance. The remainder is borne by the local and national governments.

For these large-scale upgrading programs to be sustainable, minimizing costs is very important. Providing adequate services while minimizing costs can be achieved by setting three types of standards for project design: (i) land use zoning and densities, (ii) quality and coverage of services, and (iii) infrastructure engineering and building construction. Municipal and national codes may have to be modified to permit affordable upgrading, particularly the codes for road sizes, residential construction, and land use and zoning densities. Residents should also be allowed to design their own structures to meet their individual needs, within limits of public health and safety. An important additional means to lower costs has been found through implementation of infrastructure construction by community self-help, and community contracting. The latter has

<table>
<thead>
<tr>
<th>Components</th>
<th>Development agency</th>
<th>Local governments</th>
<th>Line agencies</th>
<th>HMG, business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>0 development profit</td>
<td></td>
<td></td>
<td>X mortgage</td>
</tr>
<tr>
<td>Off-site infrastructure</td>
<td>CRG grants, local taxes</td>
<td>HMG mortgage, CG grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social facilities</td>
<td>CRG grants, local taxes</td>
<td>0 community contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-site infrastructure</td>
<td>CRG grants, local taxes</td>
<td>0 mortgage, plot charge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-plot infrastructure</td>
<td>Loan</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Building materials</td>
<td>CRG grant, development profit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design and supervision</td>
<td>CG grants, development profit</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

X = major allocation; O = minor allocation; CRG = central regional government

19. This has often been an issue in Africa, where colonial standards are rarely affordable (see Annex 3B).
been found to reduce costs by between 30 percent and 50 percent\textsuperscript{20} below that of contracts made between government agencies and large contractors.

**Project Management and the Project Cycle**

Project management in most cases is the responsibility of the development agency that plans and implements upgrading projects. Development agencies may be a housing authority, a local government, or a community-oriented NGO. The development agency establishes a project management office (PMO) with a core staff that performs the following functions:

- Formulates procedures based on established policies
- Identifies and prioritizes project sites for review and approval by the local government
- Prepares budgets and schedules
- Coordinates with other agencies, conducts social and physical surveys
- Helps establish the CBOs
- Manages project site feasibility studies and jointly plans the site development with the CBO
- Directly manages project implementation for the first pilot sites
- Arranges for support services in health education and livelihood development.

PMO staff should include a community development officer, a civil engineer, an architect-planner, an economist, a legal advisor, and a financial analyst. As an upgrading project expands to more sites, the core staff may manage separate project implementation teams, each of which carry out all the activities at one or more project sites.

*Time and staff requirements* vary according to the size and complexity of the project, the residential densities, and the experience of the development agency. For example, the Tondo project in Manila took seven years to upgrade 139 hectares in one area. The subsequent Zonal Improvement Program (ZIP) required only five years to upgrade 170 hectares in dispersed locations (called “reblocking,” this upgrading practice involves the realignment of lot boundaries and relocation of house structures). For a typical 10- to 15-hectare site,

\textsuperscript{20} Figures from ZIP in the Philippines. Poor supervision, inefficiency, and corruption inflate the costs of government contracting. Where the communities are contributing their own funds, they usually do a much better job of contract negotiation, supervision, and management of on-plot and often on-site works than government agencies. The Orangi Pilot Project (OPP) in Karachi is a prime example of successful community contracting and labor contribution (Annex 2F). In OPP, construction costs were a small fraction of government-contracted sub-projects of the same type.
one can expect project management to last a minimum of two years. This time period encompasses one month to approve the project; six months to acquire the land; six months to institute community development, planning, and design; and 11 months to complete construction and implement the required socioeconomic programs. The initial Tondo project required about 1.8 technical staff per hectare upgraded. This was reduced in the subsequent projects to 0.7 to 0.8 technical staff per hectare, partly because experience created leaner staffs and partly because later projects required much less reblocking.

Project Cycle

This typically comprises nine phases from beginning to end of the project. They comprise identification, community awareness and support, feasibility analysis, community organization and project design, formal agreements, preparation, implementation, turnover, and operation and maintenance:

**PHASE 1**

The identification phase includes site investigation, site evaluation, the selection of priority sites, and dictating the sequence in which they will be upgraded. This phase produces a project site list that is reviewed and approved by the local government. The following phases are focused on individual sites.

**PHASE 2**

At the beginning of work on any site, community awareness is essential, with a focus on the project's upgrading approach and its policies and conditions; this is followed by an expression of support from the community.

**PHASE 3**

The feasibility of the site to be upgraded must then be assessed. Feasibility is the process by which the project determines the constraints on land ownership and acquisition. Is the site amenable to upgrading? What technical constraints exist? Is the community interested in and committed to the project? What services should be provided? What are the project's likely environmental impacts? Will the proposed project be affordable? What arrangements for ownership and tenure will be necessary? Feasibility is determined by a census and socio-
economic survey of 100 percent of affected households. The survey provides a breakdown on renters and owners, information on gender and any important ethnic, regional, or religious characteristics, and on occupation, income, and expenditure levels. This information is then used help establish the community-based organization (CBO).

**Phase 4**

The phase of *community organization and project design* commences with the establishment of a CBO that faithfully represents the project population. The CBO can be based on an existing one, or a new one formed for the project and subsequent activities. The CBO then assists the project staff to tag the structures as eligible for the project, to select qualified households, to assess affordability, to establish tenure arrangements, to control the influx of additional squatters, to assess advisory support requirements such as health education, employment training and small business needs, and to identify what loans for building materials will be required. Research on land ownership and acquisition methods is then conducted (often with the assistance of the CBO), and preliminary discussions held with the landowners. Engineering surveys on the topography, services, and house structures are prepared. And the needs for off-site service
connections and community facilities are discussed with the community, the local government, and the line agencies. Then, based on discussions with the CBO, alternative development schemes, their cost estimates and provisional sale prices are prepared and the schemes’ environmental and social impacts assessed. The viable options are then presented to the whole community (often through CBO block committees), so that the most appropriate scheme can be selected.

**Phase 5**

The formal agreements are a key step, and have been found essential to avoid later misunderstanding, disagreements and backsliding. The controlling Memorandum of Agreement (MOA) comprises the (i) relevant policies, (ii) physical layout of the scheme, (iii) costs, (iv) cost allocation, (v) timing of implementation, and (vi) roles and responsibilities of all the parties—including their commitment to shouldering costs and ensuring timely implementation. At least 80 percent of the households should show their approval by signing documents showing the physical layout and their commitment to the prices to be charged (and loans, if appropriate) before the MOA is presented for signed agreement by all the parties. The CBO may make arrangements to assist the poorest households in order to obtain full agreement. The agreements are as binding on the government agencies as they are on the CBO and the householders.

**Phase 6**

During the preparation phase the land is purchased, detailed designs and contracts for civil works are prepared, the beneficiary selection committee verifies the qualification of beneficiaries, and social services and livelihood programs are planned.

**Phase 7**

Implementation includes the assignment of lots to beneficiaries, and may involve relocking to relocate structures and to set new lot boundaries. During this phase the development agency lets the construction contracts and supervises

21. On key matters such as institutional responsibilities, land acquisition, land pricing, tenure arrangements, lot allocation, service levels, affordability, cost allocation, etc.

22. The CIP (Pakistan) demonstrates the importance and effectiveness of the MOA for CBO/Local government partnership.

23. In the Sindhi Katchi Abadi project (Annex 2 H), mobile lease camps moved from site to site, quickly registering occupation/ownership rights, a practice that reduced both delays and the
the construction work. The CBO may also receive funds to contract some construction works. The development agency also completes the lease or purchase arrangements with beneficiaries, in conjunction with local banks, if relevant. It takes steps to give beneficiaries titles to their lots. And social services and livelihood programs go into effect. The development agency may assist the beneficiaries with loans for building materials and advice on home improvements. Final lot prices are set on the basis of costs incurred (within the limits agreed in the MOA), and a complete accounting of project costs is prepared which should be a publicly available document.

PHASE 8

Asset management begins with the inspection and approval of the completed work. During this phase the development agency documents project assets and liabilities and transfers them, through a deed, to the agencies that will take over operations of the completed project components.

PHASE 9

The transfer of the project to the operating agencies marks the beginning of the last phase—operation and maintenance. During this phase, the billing and collection system for lot payments is put into operation. Payments can be collected by a community association, the local government or a local bank. The payments are then forwarded to the national government or development agency to help repay loans incurred in the project and help finance other upgrading projects. Maintenance is an ongoing activity. Usually, roads, footpaths, on-site sanitation and drainage are maintained by the CBO and local government. Maintenance is an often-neglected function and, prior to project implementation, it may be advisable to establish a maintenance fund kept by the project households (and possibly the local government). During this phase properties are revalued and property taxes assessed.

Monitoring and evaluation of the project should be built in to the overall operation, possibly on a program rather than on an individual site basis. Periodic monitoring of physical, social, and economic factors should be included in the work of the development agency, but an independent organization, such as an academic institution, should undertake evaluation of the socioeconomic impacts

24. See Orangi Pilot Project (OPP), Pakistan, for strong experience in community contracting (see Annex 2F).
of the program by using the baseline social surveys of the development agency, with the evaluator's postdevelopment follow-up surveys and analysis.
Evaluation of Upgrading Programs:
Worldwide Experience, with Special Reference to the Philippines, Indonesia, and Pakistan

This section reviews the social, economic, and environmental impact of the four main upgrading programs in the Philippines, Indonesia, and Pakistan, and from experience elsewhere in the world. It also draws lessons from institutional and implementation matters and identifies a number of issues involved when designing upgrading programs. Annexes 2A through 2N provide brief descriptions of these programs. The discussion is enriched further by reference to the dialogues on urban poverty conducted by the World Bank's Thematic Group on the Urban Poor in Latin America, Asia, and Africa (see Annex 4A).

Social, Economic, and Environmental Impacts

The projects had social and economic impacts on five groups: the project site residents, community groups, the landowners, the local government, and the national government.

Project Site Residents

A universal finding in upgrading projects is that providing tenure security encourages structure owners to make dramatic structural improvements to their homes. In the Philippines many houses were extended with additional stories (sometimes up to four or five) or annexes, using stronger materials. These modifications provided space for a small business on the ground floor, or rooms to
rent.\textsuperscript{25} Such modifications improved the distribution of benefits by creating new lots and more even averaging of lot sizes.\textsuperscript{26} Throughout the community, residents demonstrated pride in their homes by adding decorative facades and by landscaping. Depending on the upgrading scheme studied, each household invested more than their annual income to improve the house. In total, this investment exceeded the amount that the development agency spent on infrastructure. After they obtained tenure, residents continued to improve their dwellings. They raised funds by working longer hours, cutting expenditures on alcohol and cigarettes, investing their families' savings, and borrowing from friends and relatives.

The turnover rates also fell. Among homeowners of the upgraded lots (75 percent of residents on average were homeowners), turnover decreased compared with those in unimproved areas. Turnover was low because tenure was secure and infrastructure improvements provided better income-earning opportunities. Among renters, however, the turnover increased in sites that had been extensively reblocked. In these cases, the costs of the upgrading and the rise in property values prompted homeowners to increase rents to levels that the renters could not afford. In these areas, however, the increase in the size of the structures created additional rental units, so that eventually the number of renters increased substantially (albeit from a somewhat higher-income group). Overall, the upgraded projects increased the available stock of housing for low-income groups.

Increased livelihood opportunities also benefited residents. The projects created employment in the construction work, and many small businesses sold ad-

\textsuperscript{25} Tondo, for example, the size of structures increased by an average of 12 square meters. Much of the increased income from renting and retail businesses has been spent in paying for school fees for their children.

\textsuperscript{26} Prior to the project, lot sizes in Tondo varied from 13 sq. m. to 400 sq. m. Project design, mainly through reblocking, reduced the range to between 40 and 60 sq.m., which also improved social and economic equity.
ditional housing materials. And existing handicraft businesses grew with loans from the livelihood programs mainly from the informal economy (IE).\textsuperscript{27}

**Employment in Small Businesses**

Improvements in environmental, health, and safety conditions were another positive effect of upgrading projects. Piped water supply, sanitation, and drainage as well as use of the new health centers and nutrition programs improved residents' health and living conditions.\textsuperscript{28} Residents also benefited from easier access to houses from the new or improved footpaths and roads, and from the new recreation and play areas. The crime rate dropped after street lighting was installed and recreational centers and youth training provided.

An important factor in the acceptance and success of the projects was the active participation of the residents. They were involved in decisions on planning, payments, and maintenance. In areas where resident participation was high, the residents made greater efforts to improve their houses, and there were fewer arrearages and defaults on fees, loans, and mortgages. As a result of participation, residents became more knowledgeable about other civil procedures and policies; for example, filing documents for births, marriages, and deaths. At several sites there was a dramatic increase in marriages when residents in common law relationships married and registered in order to qualify for land title applications! Overall, comprehensive upgrading programs have enabled residents to develop and advance themselves, enhance their incomes, hone their leadership skills, and enjoy more of the same personal benefits that ordinary citizens in other communities have.

\textsuperscript{27} Small businesses and employment improved most significantly in the ZIP (Annex 2C). See also the CIP (Pakistan—Annex 2E). In general, income-generating programs are in demand as part of upgrading programs (see Annex 3A).

\textsuperscript{28} In the CIP (Pakistan), dramatic economic and social benefits were gained (especially for women), due to time savings in collecting water and through road connections—especially significant in rural and peri-urban areas.
Community Groups

The local community and other low-income communities were stimulated by observing the experience of the other upgrading projects. Many of these groups became active in identifying other sources of funds to start projects in their areas. They obtained funds from religious, civic, and private sources to finance land acquisition and some infrastructure construction. Community groups were able to reduce costs to the government by performing some planning and implementation activities by themselves. For example, they researched title registrations and performed census and tagging activities. Where substantial house moving was required, residents formed groups to help move each other’s houses. They also constructed small works such as footpaths, drainage and play areas, collected mortgage payments, and maintained the minor infrastructure. As community groups worked together to achieve common goals, their relations improved. For example, in Metro Manila a citywide slum residents’ association was created to assist each other and to lobby politicians and agencies. Women have played significant roles in the CBOs. On average, 40 percent of CBO members are women. They have also taken good advantage of the small business loans program, are running successful businesses, with good loan repayment performance. The projects were socially acceptable because they were the most attractive solution to low-income communities. Now, other low-income communities are urging their local governments to shift from relocation and redevelopment to upgrading programs instead.

Landowners

Landowners had mixed experiences with, and reactions to, upgrading programs. In some cases, landowners had not been able to clear the occupants from their land or collect rent from them. As a result, some of these landowners were glad to sell their land to the development agency. In other cases, especially in central city areas, landowners had a substantial rental income and therefore objected to the upgrading schemes; their litigation in the courts created delays and forced the government to negotiate higher prices with these landowners.

29. As in the experience of the Bagumbayan Homeowners Association in the Philippines.
30. In the OPP (Pakistan), residents are now undertaking contracts for substantial infrastructure components.
31. The initiator of ZOTO, the CBO which in the 1970s started to agitate to stop relocation from Tondo and to start upgrading programs in the Philippines was a woman, and the current ZOTO president is also a woman.
Local Governments

The development agency for most of the upgrading projects in the Philippines was the National Housing Authority, which turned over the project sites to the local governments on completion of construction. The local governments were expected to undertake loan collections by establishing an estate management unit and also to maintain the larger roads and drainage infrastructure. Initially, local governments were reluctant to accept responsibility for the projects because their financial responsibilities were unclear. Some eventually accepted responsibility when it was clear that projects were financially viable because residents began to repay their loans. The projects were politically attractive from the local governments’ point of view because land titling was a high priority among residents and the local mayor usually made the formal distribution of titles. When land titling began, the residents increased their political support for the local government leadership. It is probably best—and necessary in the case of a countrywide upgrading program—for local governments to be the development agencies (together with CBOs and NGOs) if they have the technical capacity. This would avoid a split in responsibilities between project development and postdevelopment activities. In the Philippines, the local governments are now taking the leading role in community upgrading, and the National Housing Authority now provides mainly an advisory and support function.

National Government

Finally, upgrading had an influence at the national level. In the past, most funds were spent on major infrastructure, relocation, and formal housing developments. Virtually no funds were spent on upgrading and minor infrastructure. This changed, however, with the success and popularity of upgrading, which at least for a time attracted more funds for upgrading projects. Unfortunately, government commitment waned owing to loss of focus caused by changes in political leadership, ignorance of previous successes, and effective lobbying of influential groups, including landowners. So, in addition to the existence of sound policies and sufficient technical capability, community upgrading requires a sustainable political strategy that is able to withstand the vicissitudes of political elections to form the backbone of a long-term development program. This issue is discussed later in the paper.
Issues and Possible Solutions

Comprehensive community upgrading is much more than a housing program. It is a government-community partnership that improves the lives and well-being of poor people. But despite the overall success of such programs in the Philippines and elsewhere, significant deficiencies remain to be addressed. Some relate to historic program weaknesses while others pertain to program scale and responsiveness.

Land

Delays in Acquisition

In many cases the development agency could not acquire the land on time, in some cases even after the project was developed.32 The project office often did not have enough legal staff to investigate land ownership and then to negotiate with the owners for the numerous sites involved. In other cases (e.g., during land expropriation and transfer of titles to the development agency) owners resorted to deliberate delaying tactics in the courts.

32. Sometimes, purchase prices were agreed on after five to seven years after the project was completed.
Possible Solutions

Several measures can be pursued. First, at the national level, the government can enact and enforce expropriation laws to shorten the time and costs of acquisition. Second, the development agency should provide the project office with sufficient legal staff. Third, community organizations can research ownership and participate in negotiations with landowners. And fourth, the development agency can act as a broker and guarantor between the CBO and the landowners for direct payment of the land by the CBO. The two latter solutions were effective in a Manila pilot program and are now being more broadly used in the Community Home Mortgage Program (CHMP).

Land Valuation

A second issue was that privately held land was often overvalued. The prices of land were often based on the high values of middle income legal subdivisions that surround the project sites, but the real value of the sites were actually much lower because of their poor environmental conditions, the lack of infrastructure, and the difficulty of evicting the present occupants.

Possible Solutions

A “residual valuation” method was developed in Manila under the ZIP whereby land was valued at its depressed physical and social condition (see Annex 5B). First, the market value of improved land in nearby legal subdivisions was determined. Then, the cost of infrastructure for the project site was then deducted from the value of the improved subdivision to calculate the market value of the proposed site. This method was approved by the Ministry of Finance, a committee to operate it was established and valuers trained, and is now being used to value land being sold under the community mortgage program. In addition, it could be argued that the construction cost of the residents’ houses, and the cost of relocating residents and rebuilding their homes (to the same standard), could justifiably be included in the amount whereby the adjacent legal land value is

33. In the Philippines, under Presidential Decree 1517, households who had existing tenancy agreements with the landowners and who were occupying the land for 10 years were given protection from possible eviction given options to purchase their lots at prices and terms imposed by guidelines. In September 1979, Presidential Proclamation 1893 declared the entire Metro Manila as an Urban Land Reform Zone under the provision of PD 1517. This law was very effective in promoting upgrading, but was rescinded by the Aquino government (see Annex 5A for legal basis).

34. See Annex 6 for details.
reduced. This approach appears a fair and practical method of resolving this thorny issue.

**Land Sale Pricing**

Another issue on land prices was the difference between the acquisition costs of government-owned land (often free) and expensive private land. To pass on the land of a specific site to the occupants at the price obtained by the development agency will obviously benefit those who have squatted on publicly owned land compared to those who have located on private land. In addition, those on private land have often been paying land rent to the owner.

**Possible Solution**

This unfair treatment can be overcome by adopting a system of pricing such that while recovering the total cost of the land in the program through charges to beneficiaries, the charges would not necessarily relate to the acquisition cost of the site, but would be based on the average price established for that site in that zone. The average price would be established using the valuation approach and a regular gradation of average prices between zones. This system of land price averaging, or land pooling, has been designed in the Philippines but has not yet been implemented due to the lack of firm determination by the national and metropolitan governments and to a certain degree of parochialism and agitation for low land prices from some squatter communities, supported for political purposes by some local governments. A campaign to persuade local governments, supported by metrowide squatter associations needs to be mounted, possibly backed by national legislation. This problem of differential prices is more severe in the cases where the community negotiates and/or buys the land directly from the landowner (as under the Community Mortgage Program). In this case, the government should require that its land is sold on the same "residual value" basis as noted above, and use the funds to reduce the price of site infrastructure in a city upgrading program.

**Security of Tenure**

In low-density sites, security of tenure is ensured by offering individual lot titles to each household, including lots also for the few renters. The situation is more severe, however, for the more numerous renters in higher-density sites.
Renters

Some renters may not wish to have long-term security of tenure, such as those newly arrived in the city and looking for work, or itinerant laborers such as construction workers. They are satisfied with temporary, even low quality accommodation, provided the rents are low. Many others, however, are long-term renters, not by choice, but because they cannot afford to purchase land or structure. In the central and inner ring areas of most developing country cities, their proportion of the residents is surprisingly high. They are in constant danger of eviction by the legal, or illegal owners of the structure they inhabit. In some upgrading schemes absentee structure owners who were required to sell their properties to renters, tried to charge exorbitant prices, which also caused delays in implementation.

Possible Solution

In Manila, renters who had lived uninterruptedly on the site for more than 10 years were eligible for a title to a lot. While this responded to the definition of long-term renters, and inhibited incoming professional squatter speculators, it did not resolve the problem of high density sites where land for all was impractical. To prevent the sale at overvalued prices, the development agency based the value of the structures which the owners had to release on replacement cost, and set a time limit on the sale. In addition to such policies, one possible solution for high density sites, is the co-ownership of individual lots by renters and structure owners as joint shareholders, with agreed, and affordable levels of rent to be paid. Alternatively, community ownership of the whole site could be considered. These measures can guarantee security of tenure to all parties and can tend to discourage high resale prices since the permission of all co-owners would be required.

Technical Issues

A number of technical issues slowed implementation in the Philippines’ programs:

35. An issue not noted here (since it did not arise in projects in the Philippines and Indonesia) is the question of planning and infrastructure standards. Countries which are more recently de-colonized (especially in Southern and East Africa) often still retain the colonial planning, zoning and building standards, which often impede social integration and are un-affordable to low-income households. In South Africa, ‘Special Development Zones’ are being introduced to test the viability of alternative (lower) standards (Annex 3B).
Physical Surveys

The quality of topographic surveys was often poor, which resulted in physical works (especially drainage) built incorrectly. In some cases the surveyors were incompetent; in other cases they were inadequately paid. And in general supervision was poor. After lot boundaries had been laid out, residents sometimes violated the boundaries by moving marker stakes at night to enlarge their lots. This resulted in arguments between neighbors and confusion over boundaries, which delayed implementation.

Possible Solution

One solution to ensure accurate surveys is to develop in-house PMO capability for survey work, instead of relying on contractors. In-house capability would focus responsibility for data on which all subsequent physical works depend. A second solution is to prepare proper specifications, pay good rates, and improve supervision. For the problem of lot boundaries, the lots should be resurveyed, block by block, as soon as the infrastructure is installed. Second, there should be a public announcement of the lot plan (with dimensions) to the community, advertised as the final plan on which titles will be prepared. Third, the CBO could then arrange for the residents to jointly and simultaneously stake their lots so they can publicly witness the final placement of stakes.

Implementation Delays

Inadequate planning on land acquisition and preparation of the additional lots needed for households displaced by infrastructure rights of way. Second, there was inadequate policing of the project sites and squatters sometimes occupied them after the census. Third, excessive reblocking caused costs to rise and required more staff and time to dismantle and remove structures.

Possible Solution

Three measures might be adopted to resolve project delays. First, the development agency should have enough lots to accommodate the displaced households before site work commences. Second, the agency should encourage the local government and the CBO to police the site and give them the authority to eject incoming squatters. Third, reblocking should be kept to a minimum.
Construction Quality

Quality and timely implementation were hampered on very densely settled sites for obvious reasons. Some problems arose because the development agency negotiated a contract price that was unrealistically lower than the lowest bid originally submitted. This forced contractors to lower quality and to subcontract to other, less-qualified firms. Occasionally, contractors abandoned the work because they were incurring heavy losses. Weak supervision, inadequate enforcement of building codes, and corruption further hampered construction.

Possible Solution

A number of measures can be adopted to promote quality and avoid delays. First, the development agency should require site visits by all interested contractors and their estimators before bidding. Second, precise specifications should be prepared. Third, the contractor's ability to perform should be verified, liquidated damages enforced, ensure that time extensions are given only for valid reasons, and impose termination proceedings on defaulting contractors. Fourth, the local government, as the eventual recipient of the project site, should have an engineer on the site at key times to represent its interests. The CBO could also perform a role in monitoring implementation of works and reporting to the development agency. The development agency should also provide training to its field engineers. Finally, contracting of small works could be undertaken by the CBO, whose members have a vested interest in the quality of the works and have shown they can implement good-quality work at lower costs than the development agency. This could lead to a fund being established that would finance the CBOs directly and involve them more broadly in implementation.

Institutional Issues

Novel approaches to urban poverty require institutional champions to spearhead the cause. This was the case not only in the Philippines, where the National Housing Authority was that champion, but also in other countries, where the local governments in Indonesia set up KIP units, separate from their public works departments. Upgrading is by its nature a multisectoral activity, involving

36. This should include not only the standard grading of contractors for specific types of work but also a review of the contractors' financial capability, previous performance, and existing and upcoming commitments, to ensure that he can meet schedules and will not have to subcontract to other firms.

37. Test efforts in some of the ZIP sites, and the MMA (discussion on community groups). See also Orangi Pilot Project (Pakistan) for experience and methods in community contracting.
the design and coordination of social, legal, physical, and economic inputs. An organization with this combination of skills and attitudes is, by nature, different from a sectoral line agency. Still, such agencies succeeded in demonstrating what could be done, and in so doing helped politicians, administrators, and staff in line agencies understand how they might replicate their success. This is probably the right way to start an upgrading program from scratch, by establishing the approach, legal basis, standards, etc. This approach has a disadvantage, however, in that it can alienate the other parts of the bureaucracy, and it may become too self-contained and resist devolving its functions and abilities to other groups that become interested in upgrading (e.g., local governments, CBOs, and NGO/s. In the Philippines Indonesia and Pakistan, this phase has now passed and implementation has largely devolved to local governments and CBOs. Some institutional issues, however, will need attention whoever is the implementing agency, as the following case studies indicate.

Interagency Coordination

Weak coordination was responsible for poor or untimely connections between on-site infrastructure and the off-site trunk infrastructure, particularly in the cases of drainage, sewerage, and water supply. In some cases, the line agencies were unwilling to reimburse the development agency for infrastructure costs. We have already noted local governments can be reluctant to accept projects turned over to them, or to collect residents' payments, many of them willingly paid. In some cases, lost revenue at the sites amounted to 60 percent of costs. Unclear interagency commitments can also reduce transparency and increase the scope for corruption.

POSSIBLE SOLUTIONS

Many of these problems can be avoided or minimized by a clear and detailed Memorandum of Agreement (MOA) between all the parties, as described above. MOAs were often inadequate and skimped on prior discussion among the parties. Consideration should also be given to having each party deposit bonds with a local bank, which would be forfeited in proportion to the cost of non-performance of that party, as decided by an arbitration committee. Highlighting the role and importance of the MOA(s) would also improve transparency, and provide a firm basis for subsequent monitoring and evaluation of the project.38

38. The CIP (Pakistan) has used this tool to good effect for clarifying responsibilities, controlling costs, monitoring, and overall transparency (Annex 2E).
In the Philippines this problem was made considerably worse by the Aquino government's refusal to enforce the laws against professional squatters and squatter syndicates. In some sites up to 20 percent of the structures were erected by postcensus squatters.

**Possible Solutions**

Resolution of this issue depends on political will by the national and local governments, and their support for CBOs to police their areas.39

**Maintenance and Cost Recovery**

The quality of maintenance is key to a neighborhood's status and well-being. Infrastructure maintenance varied considerably in project sites, both in the Philippines and Indonesia. Much appeared to depend on the commitment of the local government and on the vitality of the CBO in each site. Most sites are now indistinguishable from normal city neighborhoods whereas a few have regressed nearly to their condition prior to upgrading, with waste (solid and liquid) in the streets and polluting the areas. Cost recovery of household mortgages and business loans in the Philippines varied greatly according to (i) preparations made by the development agency or the local government (depending on who had responsibility) to establish cost recovery at the time of turnover, and (ii) the commitment of the national government to recover loans made to project households. After a drop in cost recovery after the EDSA (“People Power”) revolution of 1986, mortgage and business loan collections are now much improved and stand at between 65 percent and 85 percent of collectibles.40

39. A successful approach has been implemented in Puerto Princesa in the Philippines, based on joint community and barangay action. Monitoring of all new building in the city is undertaken by the barangay members and reported to the city council (including illegal formal construction). If the city determines that the construction is illegal, the barangay chairman requests the owner to demolish the construction. If this is not done, then formal action is taken by the city council. This has proven remarkably effective, and has increased transparency.

40. The OPP (Pakistan) has achieved a remarkable cost recovery rate of 97 % (Annex 2F). Another way to ensure cost recovery from beneficiaries is an up-front contribution before implementation starts. The CIP employs this method (Annex 2E). In Mexico Low Income Housing Project (Annex 2M), housing cooperatives and citizen associations were found to have a better repayment record than for individuals, since the associations are better able to influence their members.
POSSIBLE SOLUTIONS

Clearer and more detailed MOAs will help in both these respects. On the cost recovery issue, however, stronger political will is required and less pandering to populist pressures.

Community Participation

In the Philippines, community involvement was quite advanced when the first upgrading programs were initiated. But in Indonesia, under the Suharto regime, it was more minimal and pro forma. At present, with the movement worldwide toward greater devolution and democratization, much more extensive community involvement and responsibility in project policy making, planning, and implementation is appropriate, with the communities treated as partners in development rather than passive beneficiaries. In fact, in many countries, this process is underway, including Indonesia. Because of the extra time and care involved, community partnerships remain more of an ideal than daily practice in many programs; more care is needed to design institutional and management arrangements.

In Indonesia, the Philippines, and Pakistan, specific if sporadic community organizing problems run the gamut, from inadequate social surveys (a planning deficit that makes it difficult to obtain unqualified community support and to design suitable CBO arrangements), to grossly unrepresentative CBOs, a practice that engenders factionalism and a general distrust toward both the community organization and the development agency that organized it. Another problem occurs when the development agency establishes a CBO only through contact with the local officials, such as the government, barrio, or village officials. When these officials then organize the election or selection of formal CBO leadership, informal groups may be vastly underrepresented. Additionally, the development agency may use the community organization for political purposes—for example, to populate political rallies and other demonstrations, thus undermining the project. Sometimes community organizations become overly dependent on the development agency (when the developer is not the local government), which may create local government distrust and lack of cooperation, which creates difficulties when the project is turned over for cost recovery and maintenance. Efforts to manipulate the community toward a preconceived end generally create community resistance, refusal, and lack of responsibility. For example, householders can:

- Refuse to cooperate in an unreasonable reblocking plan
- Refuse or resist repayment of loans and fees
- Resist necessary maintenance on infrastructure and social facilities.
Where the prior social development work has been inadequate, individual families will concern themselves with obtaining maximum benefits from the project with little regard to its responsibilities or the budget limitations of the development agency. Many communities in developing countries have been disappointed by government promises and therefore regard government with suspicion. It is critical, therefore, that the approach to community participation restores trust and confers institutional legitimacy.

**Possible Solutions**

The following suggestions are based on experience not only in urban upgrading programs but also in other community development programs, especially the Community Infrastructure Programs (CIP) in Pakistan, Sri Lanka, Nepal, and Indonesia, where particular attention has been paid to community empowerment.

- Establish a function for social mobilization and participation at the development agency that stand on an equal footing with the planning and engineering staff. These staff should take the lead in project development and control the schedule for inputs by the technical staff to suit the community consolidation process.
- Design and conduct better social surveys, which are crucial in enlisting community participation and CBO formation. They might be undertaken by an entity besides the development agency (such as an academic institution or NGO) to avoid bias.
- Initiate information, social mobilization, and CBO formation before project site planning for land use and infrastructure.
- Involve the community and CBO as a joint partner and client in the project, especially in prioritizing services, tenure arrangements, land ownership research, planning and location of infrastructure and facilities, land use and lot boundaries, affordability, physical standards and cost levels, equity and loan payments, operation and maintenance, and the equally important software subjects (see below).
- Improve clarity, transparency and generate commitment, first, through widely publicizing the policies on community upgrading, and, second, by requiring for each site formal written agreements between the development agency and the CBO on the action plan for the development; this formal agreement would also form part of the overall MOA for the project made among all parties (see page 44 above).

Issues and Possible Solutions

- CBO agreement on the community’s responsibilities for maintenance and for loan repayment should be obtained before the implementation of civil works. Consideration should be given to the establishment of a maintenance fund to which residents, and possibly also the local government, would contribute.
- Use the CBO to establish community subcommittees with particular interests in certain topics, such as women and child health and welfare, local economic development, etc.

The CBO should be a permanent community institution, which agencies and donors should involve wherever possible instead of setting up discrete community groups for every new development activity. In general, the CBOs could play a more active role than they did in the earlier upgrading efforts.

Political Will

The lack of political will lies at the heart of most of the weaknesses in the implementation and sustainability of urban community upgrading. Many governments have short lives and politicians even shorter memories, and both often lack knowledge about effective community upgrading, even when the approach has been employed successfully in their own country. Slums are seen as aesthetic eyesores, or as communal failures, rather than as vital communities with promise and energy. Alternatively, residents are viewed as demagogic fodder who can be lured with giveaways and unsustainable programs. Civil servants may have better and more detailed knowledge than politicians, but they tend to be subservient to their political masters of the moment and in some countries are also heavily politicized. In many countries, NGOs, religious and academic organizations, and the slum communities and their CBOs have better knowledge and a longer-term view than either politicians or civil servants, and they continue their activities and hold their positions for a longer time. It is to these groups we must look for a reservoir of knowledge. It is they who can focus political pressure for community-based programs. Still, politicians depend on the ballot box and are sensitive to the electorate’s opinions. If a convincing case can be put to

42. Institutions specializing in employment, SMEs, cooperatives and micro-credit such as the International Labour Office and the Grameen Bank could have important and expanded roles as part of upgrading programs.

43. An important exception to this nostrum is the Kampung Improvement Program (KIP) in Indonesia, which is the world’s largest, and has persisted for over 35 years. However, a single, autocratic government was in power for much of that time, which recognized the social, economic and political value of upgrading in place and provided continuity in policy (Annex 2A).

44. the local government level, however, some politicians, especially mayors, have a long experience of upgrading programs and of interacting with local communities.
them regarding the benefits, to them, of community upgrading, they can become enthusiastic converts. Several conclusions proceed from this perspective:

**Possible Solutions**

Three vitally important measures are often neglected by agency and international donor staff, who are usually focused on technical, management, and bureaucratic issues.

- **Politicians, civil servants, agency heads and staff, and to some extent, socially oriented NGOs should enroll in slum upgrading programs that involve knowledge exchange, field visits, and basic education.** The program should focus on broadening participant perspectives by exposing them to upgrading practices and programs in other countries and regions, as well as in their own.\(^{45}\) Timing is key. Political leaders and agency heads should participate in the program immediately after they are elected or appointed. Implementing agencies, NGOs, and bank staff should be trained in the technical management and financial aspects of community upgrading.

- **An interacting network of slum and squatter communities and associations needs to be encouraged, so that they can share experiences and support each other.** Virtual, web-based approaches are very suitable in this regard, supplemented by visits to each other's communities.\(^{46}\) Several good efforts have been made—especially in Latin America and with the “Tools for Community Regeneration,”\(^{47}\) organized for communities in England—and these are now being expanded to developing countries.

- **Establishing new and strengthening existing associations of slum and squatter communities is urgently needed.**\(^{48}\) These associations are best organized initially on a city or metrowide basis, representing both depressed communities that have not been upgraded and the CBOs of those that have. This is a powerful means not only for communities to learn from each other but also to put continuing, sustained pressure on politicians, the government in power, and the opposition parties, to listen and respond to the neglected needs of low-income and depressed communities.\(^{49}\) The ILO

---

45. The dialogues and knowledge exchange initiated by the World Bank’s Urban Poverty Thematic Group, the Cities without Slums, and long-term efforts by specialist institutions such as IHS in the Netherlands, DPUC, University College London, have helped significantly in reviving interest in community upgrading.

46. Recommended at the Regional Dialogue (Annex 3A).

47. A query-based guidance tool and database for many aspects relating to community empowerment, operated through a subscription intranet, designed by John F.C. Turner et al.

48. This need was highlighted at the Latin America and Caribbean Roundtable (Annex 3C).

49. This has been a feature for many years in some Latin American countries (perhaps starting in Peru in the 1960s, and more recently in Asia. In the Philippines the association of slum com-
(International Labor Office) could play an important role here because of its experience in working with all kinds of unions and cooperatives under the tripartite approach.
The Future for Community Upgrading—
Expanding to National Programs

Urban populations are expanding at a rate of between 4 to 12 percent a year in
developing countries, often more than double the national population growth;
30 to 70 percent of the population now live in urban areas. Of this urban popu-
lation, 35 percent to 60 percent live in depressed communities. The demand for
improved housing is very high, but financial resources are limited. In many de-
veloping countries less than 1 percent of the national budget is spent on housing
services. There is no way that governments in most developing countries can
commit the resources required to provide formal housing to the population.
Governments must restrict their assistance to provision of public infrastructure,
while leaving the construction of houses and on-site services to individual fami-
lies, community organizations, housing associations and cooperatives, who are
usually capable of undertaking these tasks.

In order to reduce the number of people living in depressed conditions, na-
tional and local governments must commit to a sustained expansion of slum
and squatter upgrading, complemented by efforts to free open land for new
settlements and encourage housing associations to undertake their develop-
ment. A comprehensive nationwide upgrading program may take 15 to 30
years, which means that the approach must be affordable at national and local
levels. Instituting nationwide programs requires political commitment, better
governance, adequate financial frameworks, coherent land laws, and restruc-
tured organizational roles for national and local governments and community
organizations that plan and implement upgrading projects. A comprehensive
upgrading program also has implications (and opportunities) for citywide plan-
ing because of the difficult issues involved in inner-city redevelopment. These
matters are discussed below. Early upgrading projects (including those noted
in the Issues and Possible Solutions section) have imparted a number of les-
sons. These need to be incorporated into future, comprehensive, nationwide programs.

**Strengthening Political Commitment**

Political will, described above, is especially relevant with regard to an expanded nationwide program of community upgrading. Moreover, international and bilateral agencies can play a vital role in promoting community upgrading (for urban and rural communities) both in their discussions with governments and civil society and in supporting programs that encourage knowledge exchange and training.

**Governance**

An underlying problem in upgrading programs, as in many development sectors, is the lack of trust generally between governments and communities and the sense of disempowerment among the latter. Alert to these problems, some governments are addressing them through measures to decentralize power to local governments and communities—an uneven process. Responsibilities often devolve without the necessary financial independence or the means to implement them. Local elites may also capture the benefits and maintain their power through manipulating ethnic and religious divisions. Within the limited orbit of community upgrading, trust can be engendered through greater transparency and partnerships. For example, transparency can be achieved by effectively and widely disseminating upgrading policies to affected communities, publishing budgets and implementation schedules, and involving CBOs in monitoring operations. Government requirements on registration, management, and accounting of CBOs and NGOs can result in more responsible community and civil organizations. Partnerships can be strengthened by involving CBOs and civil society in policy discussions.

**Streamlining Legislation**

In many countries a host of legal and regulatory barriers prevent the poor from realizing their economic and social potential. These range from harassment of petty traders through often unnecessary and complex regulations, to outmoded zoning and building regulations, to barriers to obtaining commercial credit and housing loans. Sometimes necessary regulation, such as the eminent domain power of government to take land for public purposes is misused to expro-
appropriate land used by the poor for the benefit of large, private developers. As part of a nationwide community upgrading program, all regulations affecting the poor should be examined in a concerted effort to retain (and where necessary modify) only those which carry important environmental, health, or safety requirements.

**Financing**

*Restructuring Budgets*

For nationwide programs, estimates should be made as to whether the national budget plus borrowing can afford to cover the funding required to upgrade the existing plus future slum areas. Although a substantial part of these funds (45 percent to 75 percent) can be recouped from beneficiary repayments, governments should review their budget priorities to shift resources from underproductive sectors and from areas not oriented toward the poor. Excessive military funding is an obvious target, but there are others: for example, funding for infrastructure might be reoriented from large, capital-intensive projects to lower-cost projects that focus on community infrastructure services to reach more people, specifically targeting the poor. Urban community upgrading should be treated as an integral and important part of national antipoverty policy.

**Resource Mobilization**

Finding funding for a large-scale upgrading program can be a challenge. Grant funds to government line agencies, funded through the national budget is the conventional form, but budgets everywhere are becoming tighter. International development banks will provide loans, provided projects are seen to be economically, socially, and environmentally viable. Well-designed upgrading projects can score well on these grounds. Additional funds may be obtained from bilateral aid agencies, although these tend to be limited in size, but nevertheless very useful for the costs of project design and training. Some cities in developing countries are now floating bonds on the local and international municipal bond market to pay for urban services, including upgrading.\(^{50}\) These tend to be limited to the cities that can demonstrate strong economic growth and good fiscal management to obtain a suitable credit rating. If there is a mortgage finance market, it can be focused, by legislation or earmarked funding, to provide mortgages to low-income households. It can also be designed to assist CBOs, incorporated as

\(^{50}\) For example, Ahmedabad in India and a number of cities in Latin America and China.
charities or nonprofit organizations, who would be eligible to use the funds for land purchase and infrastructure construction, and repay the loans through its members' contributions.

Other sources of funds are profits generated by a local development agency through commercial and industrial land development, which can be applied to social purposes such as community upgrading. Private employers, most of whose workers may live in an area to be upgraded, may be willing to assist in funding infrastructure or with personal loans. Civic societies are often willing to help local community associations. Strong cost recovery from beneficiaries of upgrading projects is important (within the limits of their affordability), especially where a valuable asset is being transferred, such as land. In some programs, especially those where per capita infrastructure costs are low and transfer of land is not needed, upfront cost contributions from households, matched by government grants, may be a solution.

Central government can also encourage local governments to undertake upgrading through provision of matching grants as its budgetary contribution. Finally there is usually considerable scope at the local level to improve collection of property, business and entertainment taxes, and to raise the typically low tax rates. Tax collection is usually lax, and authority for collection and for setting tax rates is often split between levels of government, resulting in divided responsibilities and inertia. This issue, however, needs to be reviewed in the context of overall central–local government financial relations, with a view to placing more responsibility on local governments for provision of infrastructure and services with commensurate authority to raise and manage financial resources.

**Local Economic Development (LED) and Livelihood Opportunities**

The LED approach was initially developed in high-income countries (Italy, UK, Germany, etc.), as a response to the social and economic problems created by globalization, and the rise in spatial inequality. Experience indicated that traditional top-down, supply-driven, sectoral development strategies often proved unsuccessful at addressing spatially concentrated unemployment and regional income inequalities. As a result, LED surfaced as an alternative development strategy focussed on promoting the intrinsic potential of the local economy based on its human and natural resources, while minimizing dependence on external

---

51. See the Community Mortgage Program in the Philippines (Annex 2O), and the Medisico Housing Project (Annex 2M).

52. This was a source of financing the Tondo and some of the other upgrading projects in the Philippines but it is dependent on good management and strong economic growth, and results in Manila were disappointing.

53. Especially if these associations can register as legal personalities to solicit donations and loans.

54. As in the CIP (Pakistan).
inputs and lumpy private investments. In low- and middle-income countries, LED has been gaining grounds for similar reasons. A national and international environment featuring persistent slow economic growth for the poor caused many to reconsider traditional development strategies. In this context, globalization and the inability of many national governments to intervene at the local level have created a need for more locally based initiatives. In addition, as the pressures of globalization continue to increase, many globalized cities need an informal economy, even though the aim in the long run is to reduce dependence on informality. 55

What Is LED?

There are several definitions of LED. The World Bank defines this by simply stating that LED “is process by which public, business and nongovernmental sector partners work collectively to create better conditions for economic development and employment generation.” Others such as OECD and the International Labor Office (ILO) are more specific concerning its participatory nature. For example, ILO defines LED as a “process where the local stakeholders shape and share the future of their territory.” It is a participatory process that encourages and facilitates partnership between local stakeholders, enabling the joint design and implementation of strategies, based on the sustainable utilization of local resources, with the main objective of creating decent jobs and sustainable economic activities. A typical LED activity cycle based on worldwide experiences comprises:

• Startup initiation activities, and consensus building, territorial analysis, and institutional mapping;
• Sensitizing the local actors through workshops, knowledge exchange, and personal contacts, then establishing a local forum, or working through existing institutions (to avoid creating parallel or competing institutions), to represent the key local stakeholders to develop practical and sustainable approaches to their local development and then identifying entry point activities;
• Designing an LED strategy and action plan by local stakeholders; identifying responsibilities, activities and resources required;
• Implementing the agreed interventions, which may range through decentralized development planning, business development services, mobilizing

55. As seen in Cities in a Globalizing World, edited by Frannie Léautier, where it is argued why countries that have poor business environments cannot support new business formation and small enterprises in the formal sector do have these entities in this informal sector. In turn, the informal sector becomes a dynamic engine of growth that taps into global opportunities as in the garment industry in Bangladesh.
finance, supporting or initiating cooperatives, credit unions and entrepreneur- 
neural organizations, social security schemes, employment-intensive in-
vestment works and community contracting; and finally
• Feedback, monitoring and evaluation and sustainability of LED interven-
tions.

A LED and Livelihood Strategy for Urban Poor Communities

Urban areas offer an important and growing source of potential employment 
and rising income opportunities for poor people originating from both urban 
and rural areas. A LED and livelihood opportunity in slum communities can 
address two dimensions:

a) Provision of basic services to improve the living conditions, status, and 
security of the poor. Community upgrading programs which incorporate 
health medical and childcare programs improve the productivity and 
incomes of the poor through the improvements in health, more efficient 
physical access and reductions in costs of water and other physical invest-
ment provided. All these continue to be needed and expanded in scope, 
quality, and integration.

b) Measures that offer direct assistance to small businesses and the informal 
sector. Smaller businesses and the informal sector include manufacturing of 
construction materials, metals and machinery, textiles and clothing, drink 
and food stalls, hawkers, home-based crafts and piecework, and local mar-
kets. All provide the greatest employment in most low-income areas and 
contain some of the fast-growing business subsectors. These activities are 
part of, and intermixed with low income residential areas, whose expansion 
is the main form of urban growth.

c) Reforms to building, zoning, and business regulations. Access to pro-
ductive employment and decent work leading to income security is greatly in-
fluenced by the regulatory environment and the ability of city governments 
to make this more employment-friendly is one of the comparative advan-
tages that cities have for job creation. Governments should be encouraged 
to reform the regulatory environment with a view to improving its impact 
on job creation and working conditions.
Reducing Costs and Increasing Speed

A number of improvements can be made along these lines, including:

- **Design and Land Management Measures.** These include (i) less “reblocking” which involves changing lot boundaries and shifting houses, (ii) reducing and simplifying zoning and building standards, and (iii) involving the CBO in land ownership research and direct negotiation with landowners to purchase land. These measures (especially reblocking) will both reduce costs and speed implementation. Less reblocking may also reduce the turnover of poor renters.

- **Changing the Forms of Land Title.** To increase speed with which communities are upgraded, the needs of the slum and squatter areas must be properly assessed to see which types of sites can omit individual lot titling without prejudicing the residents’ security of tenure. Indonesia’s KIP did not originally include transfer of land titles, and the program has now upgraded a majority of urban *kampungs* covering millions of poor residents. But as urban areas become even more population dense and land grows in value, traditional rights of use weaken, a process that will necessitate some form of additional tenure security. One means to achieve this may be a form of cooperative land ownership over the whole of each project site, where the buildings, but not the land, can be sold. The land remains in trust, with the CBO as trustee. A majority of the residents (e.g., at least two-thirds) would have to vote to sell part or all of the land, with the structure owners sharing the profits from the sale.

- **Compulsory Purchase Law.** Upgrading projects are often held up for a long time, or never implemented because of disputes over the purchase of squatted land from the owner. A national law authorizing local governments to compulsory purchase of slum and squatted properties for the purposes of upgrading would greatly ease this logjam. One could design land valuation techniques specific to squatted land as a way to determine fair purchase prices and reduce time spent wrangling over the issue (see Annex 2C for an example of this technique from the ZIP in the Philippines).

- **Restructuring Institutional Responsibilities.** Finally, the most significant impact to widen the scale of upgrading would be to adjust institutional responsibilities. At present, many upgrading projects are pilot efforts, often implemented by a national housing agency or dispersed through NGOs. Sometimes these efforts undermine each other because of conflicting poli-

---

56. See Annex 2A.
57. In Indonesia, for example, a local government/NGO upgrading program in Surabaya, which involved financial contributions from residents, was undermined by the central government program which did not require residents’ financial contributions.
cies. Consistent national policies are needed, together with an increase in the number of implementers. A division of responsibilities should be made between a national agency with experience in upgrading (such as a Housing Authority); its role would change from being a project implementer to one of setting policies and standards (including financing mechanisms, in conjunction with the Ministry of Finance), of training the new implementers, and of monitoring and evaluating the overall program. A new or expanded set of implementers would be developed, including local governments, NGOs, CBOs, and possibly the private sector. Expanding the number of implementers is a key need, and demands a major training effort.

Planning and Urban Change

Citywide Planning

Citywide upgrading programs enable a rational system of priorities to be developed. Rational priorities involve and commit the local government, line agencies, NGOs, and CBOs. Citywide planning also provides the opportunity to improve land use and infrastructure planning and to address environmental and social issues on a citywide, rather than a project-specific, scale. This is now being applied in many cities through a city development strategy (CDS), as has been done in many cities in the Philippines and other countries.

New Areas for Low-income Settlements

As part of this effort, release of new land for low-income settlement at peri-urban locations will be important, especially as the city expands, and new employment centers emerge on the peri-urban fringe. The classic solution of government-initiated “sites and services” projects remains one contribution. But major efforts in many countries to develop these projects in the 1970s and 1980s were disappointing owing to the slow rate of development, cumbersome land acquisition practices, and the tendency for such projects to be taken up by, or sold out to, middle-income groups, favored government employees, or used as demonstrations, and to experiment with new approaches, but this role should not be confused with its more important role of policy-setting, monitoring, and evaluation.

See discussion on potential private sector roles, including land developers, industrial and commercial sector employers, and private/NGO associations.

For example, to coordinate citywide flood control, drainage, and solid waste management issues.

However, in some cities, such as Madras, they were successful in housing large numbers of the urban poor.
relocation sites. Additional, complementary initiatives are needed to commit more land to new settlements and inhibit the formation of new slums. These initiatives might include (i) requiring private developers to set aside and service areas in their projects for low-income groups, 62 (ii) providing regulatory incentives for larger-scale employers to provide sites and services for their low-income employees, and (iii) encouraging associations and unions of low-income workers (such as transport operatives, industrial trades) and CBOs of existing communities to develop settlements for their members.

Dealing with Central City Redevelopment Pressures

Over the past 30 years, metropolises in developing countries have grown dramatically, and the prices of central city land has skyrocketed, making individual land plots unaffordable to low-income (and even upper-middle income) residents, even when the "residual valuation" approach, noted earlier, is used. Low-income communities in illegal central sites are under immense pressure (and often physical threats) to abandon their homes, often through the collusion of avaricious developers and corrupt officials, who may also craft laws to make it easier to evict them. Even many legal, upgraded sites are under threat. Increasing levels of property tax may also bring pressure to relocate, as in developed country cities. In this situation the normal process of urban development and change to higher value uses will need to be accommodated in some way, while retaining as much benefit as possible for low income residents.

This is a particularly hard matter to resolve, and several efforts have been made in developed countries' cities to address it, with varying success. One ap-

62. Several countries practice this approach. In Indonesia, for sites above a certain size, developers were expected to build five low-income units and four middle-income units for every three high-income units they construct. However, developers have complained this requirement is too onerous, and the requirement has now been eased.
proach has been to pay monetary compensation to the occupants so they can find alternative accommodation on the open housing market, but the level of compensation has often been too low, and the residents have ended up squatting again. A better approach may be for the residents to form a land cooperative of the whole site, then to negotiate with potential developers to release the site for development in exchange for obtaining accommodation, either as plots on part of the site, or in apartments fitted into the developer’s multistory scheme.

The Special Case of Historic Cities

The above situation is compounded in historic cities where the valuable cultural and architectural heritage, as well as the occupants, are under threat from demolition and redevelopment with new and higher-density structures and changes to commercial uses. In many cases, the original owners have long left the historic area, and the buildings have been occupied by low-income renters, or squatters, although in some cities, traditional families, whose fortunes have declined, still occupy the structures. Curiously, the fact that these areas have become slums has saved them from earlier demolition because these parts of the city were often abandoned or became blighted for development. In many historic cities, however, central area prices are now climbing, and developers are putting pressure on governments to cancel the status of historic properties and allow demolition. In some cases, the owners are adding to this pressure, and deliberately neglecting

Figure 17. Historic cities include Fez, Morocco (left) and Tunis, Tunisia (right).

63. In the case of the Havelis in Ahmedabad, India, for example.
or damaging the structures to provide a justification for demolition and to profit from redevelopment.

Many historic cities also contain a concentration of traditional crafts and bazaars, providing high levels of employment and conserving scarce skills. But the shopowners or craftspeople are usually too poor or uninterested in their historic environment to take efforts to repair and maintain it. This overall situation is similar to that discussed in the section on dealing with central city redevelopment pressures above, though more severe, for if the intent is to preserve the historic fabric, albeit with a change of use, there is often little additional space that can be created to house the occupants on site, while still obtaining the interest of developers to improve and adapt the structures.

Gradually, governments are realizing the significance of these places for their national and cultural identity, and their increasing attraction for and economic benefit from tourism and adaptive reuse. If a consensus can be reached between the national and city governments and the residents that all would benefit from the city’s conservation, a number of measures can be taken. These may include establishing the whole historic area as a conservation zone, thus excluding redevelopment, but allowing adaptive reuse and better management of open space. In order to inject management expertise to help maintain and repair the structures, establish partnerships with local residents and outside developers, and generally help to improve the environment and attractiveness of the area, a Conservation Management Authority might be established. Since most residents would not repair their structures without assistance, it could also operate a conservation fund that would distribute matching grants and loans. This approach has been

64. For example, Fez in Morocco, and Peshawar in Pakistan.
65. This understanding has been reinforced in recent years by the example of European towns, and the economic benefits brought by conservation.
remarkably successful in the old city of Havana, Cuba, which may be the best example in the developing world of historic city conservation while obtaining substantial benefits for the low-income residents. In the case of the historic town of Bhaktapur, in the Kathmandu valley, an entry fee is levied on tourists; the fee pays for open-space improvements and loans to residents to repair their structures. Again, this is successful, both from a conservation and economic perspective.

66. The residents are partners in the conservation effort. The Authority protects their residential status, assists them to upgrade their dwellings and provides employment opportunities in thriving craft, construction, and art projects. The Authority has been so successful in arranging profitable partnerships with operators of hotels, restaurants etc., that it is making a profit, most of which is reinvested in conservation, but some is remitted to the local government.
Conclusion

This paper has attempted to show that urban community upgrading is an economically and socially viable way to improve the quality of life for slum and squatter residents in the developing world. Experience with earlier efforts has brought useful lessons, and the time is now ripe for community upgrading approaches to be extended, with suitable improvements, to many cities in comprehensive nationwide programs. Knowledge-sharing and training are now urgent priorities if this effort to be disseminated, understood, and implemented. International and bilateral development agencies now have an important role to play in promoting community upgrading through training, funding, and establishing partnerships with the relevant actors and stakeholders.
# List of Annexes

## Comparative Matrices

<table>
<thead>
<tr>
<th>Annex 1A</th>
<th>Matrix on Slum Upgrading Projects/Programs in Asia (Philippines, Indonesia, Pakistan, India)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annex 1B</td>
<td>Matrix on Slum Upgrading Projects/Programs in Africa (Nigeria, Kenya, Tanzania)</td>
</tr>
<tr>
<td>Annex 1C</td>
<td>Matrix on Slum Upgrading Projects/Programs in Latin America and the Caribbean (Brazil, Bolivia, El Salvador, and Mexico)</td>
</tr>
<tr>
<td>Annex 1D</td>
<td>Upgrading Instruments Across Asia, Africa, and LAC</td>
</tr>
</tbody>
</table>

## Project Briefs

<table>
<thead>
<tr>
<th>Annex 2A</th>
<th>Kampung Improvement Program (KIP), Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annex 2B</td>
<td>Tondo Foreshore Urban Development Project, Philippines, 1975-82</td>
</tr>
<tr>
<td>Annex 2C</td>
<td>Third Urban Development Project, Philippines (Including Zonal Improvement Program)</td>
</tr>
<tr>
<td>Annex 2D</td>
<td>Slum Improvement and Resettlement Project (SIR), Philippines</td>
</tr>
<tr>
<td>Annex 2E</td>
<td>NWFP Community Infrastructure Project (CIP), Pakistan, 1996-2004</td>
</tr>
<tr>
<td>Annex 2I</td>
<td>Community-based Urban Development Project, Nigeria, 2003-09</td>
</tr>
<tr>
<td>Annex 2K</td>
<td>Urban Development Project, Bolivia, 1977</td>
</tr>
<tr>
<td>Annex 2L</td>
<td>Urban Sites and Services Development Project, Peru, 1986-96</td>
</tr>
<tr>
<td>Annex 2M</td>
<td>Low-Income Housing Project, Mexico, 1985-92</td>
</tr>
<tr>
<td>Annex 2N</td>
<td>Local Government Support Program, Tanzania, 2002-05</td>
</tr>
<tr>
<td>Annex 2O</td>
<td>Philippines Community Mortgage Program</td>
</tr>
</tbody>
</table>

## Workshops/Roundtables/Symposia

<table>
<thead>
<tr>
<th>Annex 3A</th>
<th>A Regional Dialogue on the Basic Services for the Poor—A Report on the South Asia and East Asia Experiences, Manila, Philippines, March 14-16, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annex 3B</td>
<td>Upgrading Low-Income Settlements—A Regional Round Table for Africa, Johannesburg, South Africa, October 3-5, 2000</td>
</tr>
<tr>
<td>Annex 3C</td>
<td>Latin America and Caribbean Round Table—Confronting the Poverty of Cities: Provision of Services for Urban Poor, December 10-13, 1996</td>
</tr>
</tbody>
</table>

**Related Organizations/Networking**

| Annex 4A | Overview of Urban Thematic Group |
| Annex 4B | Cities Alliance—Cities Without Slums |
| Annex 5A | Philippines—Presidential Decree No. 1517, Urban Land Reform |
| Annex 5B | Land Valuation Methodology in the Philippines |

**Community-driven Urban Development (CDD)**

| Annex 6 | Community-driven Urban Development (CDD) |
| Annex 7 | The Local Economic Development (LED) Program |
Annex 1A: Matrix on Slum Upgrading Projects/Programs in Asia

<table>
<thead>
<tr>
<th>Country/Project</th>
<th>Objectives</th>
<th>Components</th>
<th>Beneficiaries</th>
<th>Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third Urban Development</td>
<td>Address poverty, environment, sanitation, and shelter</td>
<td>• Health, education, community facilities, home loan&lt;br&gt;• Infrastructure&lt;br&gt;• Site and services&lt;br&gt;• Sanitation&lt;br&gt;• Secure tenure: registration of residential lots&lt;br&gt;• Provision of safe water supply&lt;br&gt;• Roads/streets&lt;br&gt;• Loan for building material for house improvements&lt;br&gt;• Schools and clinic</td>
<td>160,000 In 13 sites in Metro Manila&lt;br&gt;Low ands moderate income families&lt;br&gt;Micro and small businesses&lt;br&gt;Pilot to 5000 households&lt;br&gt;expanding 250,000 families</td>
<td>• NHA newly established by merging 7 existing organization.&lt;br&gt;• MPW and TRC&lt;br&gt;• Management coordination board&lt;br&gt;• Technical secretariat&lt;br&gt;• NHA&lt;br&gt;• Other line agencies&lt;br&gt;• Part time staff by local government&lt;br&gt;• Community residents</td>
</tr>
<tr>
<td>Development Project, 1980</td>
<td>Terence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tondo Foreshore</td>
<td>To upgrade the depressed communities by providing urban services</td>
<td>• Water supply&lt;br&gt;• Sanitation and sewerage&lt;br&gt;• Surface water, drainage&lt;br&gt;• Roads and footpaths&lt;br&gt;• Community facilities</td>
<td>Residents of Tondo Foreshore&lt;br&gt;Government of Philippines</td>
<td>• Tondo Foreshore Development Authority (TFDA)&lt;br&gt;• NHA&lt;br&gt;• Project office&lt;br&gt;• Line agencies: MMDW, DBP, PNB, MWSS</td>
</tr>
<tr>
<td>Country/project</td>
<td>Objectives</td>
<td>Components</td>
<td>Beneficiaries</td>
<td>Organizations</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
<td>--------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>Urban Community Upgrading: Lessons from the Past, Prospects for the Future</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Third Jakarta Development Project, '900 | • to introduce a more effective and sustainable approach to provision of basic services  
• to strengthen pollution control and environmental protection in Jakarta  
• to improve maintenance of existing infrastructure networks | • Kampung Improvement Program  
• Priority solid waste management  
• Environmental protection and pollution control  
• Urban spatial management and monitoring  
• Infrastructure maintenance  
• Project coordination | Government of Indonesia  
Low-income urban communities | Executing agencies  
Project steering committee  
The project coordination and monitoring office (JUPCO)  
Project management unit  
Planning and implementation units  
Site offices  
Community organizations  
Village resilience council  
Project acceptance committee  
Water and sanitation users' association |
| The Kecamatan Development Project      | • It aims at reducing poverty and improving local-level governance in rural Indonesia | • Grants from the special account to the sub-districts  
• Activities to strengthen the local gov't, council, village representative forum (BPD), inter-village forums (FADA), and the district parliament  
• Continuation and phase-out of the training program  
• Technical assistance to the national, provincial, and district governments  
• Comprehensive M&E studies program to assess project progress  
• Support for the Ministry of Home Affairs' National KDP Secretariat so they can visit KDP field sites | Low-income communities  
Local government | KDP is executed through the Ministry of Home Affairs. The core executing team is guided through a coordinating group at each level of government that includes the finance department, the development planning board, and the relevant line agencies such as health, education, and public works |
<table>
<thead>
<tr>
<th>Country/project</th>
<th>Objectives</th>
<th>Components</th>
<th>Beneficiaries</th>
<th>Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pakistan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| NWFP Community Infrastructure Project, 1996-2001 | To increase the productivity and well being of low-income groups in NWFP through improving their living conditions by provision of basic infrastructure and community development | - Community infrastructure (a) upgrading (b) Community Development, (c) Design and Implementation Assistance | Low-income communities in urban and rural areas of NWFP | - Government of NWFP  
- Federal government  
- LGE&RDD  
- Project steering committee  
- Project management unit  
- Regional office/project implementation unit  
- NGOs  
- CBOS/CCBs |
| Orangi Pilot Project, 1980-2000 | To support communities for building a self-financed, self-managed neighborhood sanitation system | - Social mobilization/guidance  
- Technical guidance (based on action research), tools, and supervision of implementation to lane and neighborhood organizations that it fosters | 60 Karachi settlements | - OPP-RTI  
- CBOs  
- NGOs  
- Government agencies |
| Faisalabad Area Urban Development Project, 1992-9 | The ultimate objective of FAUP is to improve the quality of life and income earning abilities of majority of the poor people living in low-income areas of Faisalabad city. | - Improved community level infrastructure (both physical and social) and income earning opportunities  
- Improved city-wide infrastructure, to be achieved primarily by increasing water supplies and by improving sewerage and drainage | Poor people in the low-income area of Faisalabad | The FDA was the main implementing agency except for the primary, solid waste disposal component which is implemented by (FMC). Recently FMC and FDA had ensured that funds would be committed for implementing FAUP-style projects within their jurisdiction, and with WASA taking on the functions of the CIU as part of its Revenue and Recovery Divisions. |
| Sindh Katchi Abadi Authority, 1987 | To transfer land titling and improve the living condition of Katchi Abadis in Sindh | - Declaration and notification of Katchi Abadis in accordance with the SKAA Act, 1987  
- Regulation and development of Katchi Abadis  
- Provision of social and physical services and health, education, family planning, etc. | Residents of katchi abadis | - Government of Sindh  
- Sindh Katchi Abadi Authorities  
- Community organization  
- Contractors  
- Head offices and field offices  
- Mobile lease camps  
- NGOs  
- Residents of katchi abadis |
## Annex 1B: Matrix on Slum Upgrading Projects/Programs in Africa

<table>
<thead>
<tr>
<th>Country/Project</th>
<th>Objectives</th>
<th>Components</th>
<th>Beneficiaries</th>
<th>Organizations</th>
</tr>
</thead>
</table>
| Tanzania Local Government Support Program, 2002 | Capacity building for local government and a capital grant facility for local investment in infrastructure, with a pilot community infrastructure upgrading | • Local government capital development grant system  
• Dar es Salaam upgrading and institutional strengthening  
• Management and institutional development | Low-income community of Dar es Salaam  
Government of Tanzania |  
Federal Project Coordination Unit (FPCU)  
FMWH project implementation unit  
State-level project steering committees (PSCs)  
Department of local government  
Traditional leaders  
NGOs/civil society  
LGs  
The Community Technical Committee (CTC) |
| Nigeria, Community-based Urban Development, 2003-09 | to deliver basic municipal services in poor urban settlements and to demonstrate viable approaches to infrastructure development and service delivery | • Rehabilitation or delivery of basic municipal infrastructure  
• Upgrading fund  
• Capacity building and training  
• Implementation support and M&E  
• HIV/AIDS awareness campaign  
• Project preparation facility | Un-serviced urban communities  
Local government |  
Federal Project Coordination Unit (FPCU)  
FMWH project implementation unit  
State-level project steering committees (PSCs)  
Department of local government  
Traditional leaders  
NGOs/civil society  
LGs  
The Community Technical Committee (CTC) |
<table>
<thead>
<tr>
<th>Country/Project</th>
<th>Objectives</th>
<th>Components</th>
<th>Beneficiaries</th>
<th>Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>Second Urban Project, 1978</td>
<td>• Site and services&lt;br&gt;• Settlement plots&lt;br&gt;• Low-cost housing plots for market sale&lt;br&gt;• Housing loans&lt;br&gt;• Community facilities&lt;br&gt;• Nutrition/family planning&lt;br&gt;• Employment opportunities&lt;br&gt;• Technical assistance</td>
<td></td>
<td>• Ministry of Housing and Social Services (MHSS)&lt;br&gt;• Ministry of LG&lt;br&gt;• Ministry of Lands and Settlement&lt;br&gt;• Ministry of Education&lt;br&gt;• Housing Development Departments (HDD)&lt;br&gt;• Community Development Division&lt;br&gt;• The National Christian Council of Kenya (NCCK)&lt;br&gt;• The Medical Research Center</td>
</tr>
</tbody>
</table>
Annex 1C: Matrix on Slum Upgrading Projects/Programs in Latin America and the Caribbean

<table>
<thead>
<tr>
<th>Country/Project</th>
<th>Objectives</th>
<th>Components</th>
<th>Beneficiaries</th>
<th>Organizations</th>
</tr>
</thead>
</table>
| Brazil          | Slum upgrading | • Slum upgrading  
• Environmental sanitation on a river basin-wide scale | One water catchments in a metropolitan area (pop. 600,000) | Horizontal institutional arrangement |
| Guarapiranga Program, São Paulo, Brazil | To contribute toward increasing the access to shelter and other essential urban services and to strengthen institutional arrangements needed to promote such programs efficiently while improving the prevailing income distribution and environmental conditions in urban centers. | • Development of new serviced sites of La Paz  
• Upgrading program  
• Construction of five new food retail markets to serve marginal settlement of La Paz  
• Provision of a special line of credit for artisans and small-scale entrepreneurs  
• Provision of technical assistance elements required | Slum residents Government of Bolivia | The implementation of the main project components will be carried out by HAM, by CO-NAVí, and by BISA. HAM will implement the urban upgrading and the markets components; CONAVí will be in charge of the sites and services component; and BISA will implement the credits for artisans. |

Bolivia

| Urban Development Project, 1977 | To contribute toward increasing the access to shelter and other essential urban services and to strengthen institutional arrangements needed to promote such programs efficiently while improving the prevailing income distribution and environmental conditions in urban centers. | • Development of new serviced sites of La Paz  
• Upgrading program  
• Construction of five new food retail markets to serve marginal settlement of La Paz  
• Provision of a special line of credit for artisans and small-scale entrepreneurs  
• Provision of technical assistance elements required | Slum residents Government of Bolivia | The implementation of the main project components will be carried out by HAM, by CO-NAVí, and by BISA. HAM will implement the urban upgrading and the markets components; CONAVí will be in charge of the sites and services component; and BISA will implement the credits for artisans. |
<table>
<thead>
<tr>
<th>Country/Project</th>
<th>Objectives</th>
<th>Components</th>
<th>Beneficiaries</th>
<th>Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ley de Participación Popular, Bolivia</td>
<td>The project aims to enhance the efficiency of municipal governments and improve the provision of public services to urban dwellers</td>
<td>Slum upgrading, social investment (schools, clinics, community centers); rural infrastructure</td>
<td>Slum residents</td>
<td>Local grassroots organizations</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Government of Bolivia</td>
<td>Government organizations</td>
</tr>
<tr>
<td>Peru</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban Sites and Services Development Project, 1976</td>
<td></td>
<td>Basic and productive support infrastructure in pueblos jóvenes in Lima &amp; Arequipa</td>
<td>Low-income communities in Lima and Arequipa</td>
<td>Banco de la Vivienda del Peru (BVP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>National government/local government</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>CBO national government/Local government</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>CBO</td>
</tr>
<tr>
<td>Comunidad Urbana Autogestionaria de Villa El Salvador, Lima</td>
<td>Slum upgrading</td>
<td>Slum upgrading, social investment (schools, clinics, community centers), strategies for land tax and service fee collection, metering and consumption-based tariffs for water sanitation and electricity</td>
<td>One district of a metropolitan area (pop. 360,000)</td>
<td>Banco de la Vivienda del Peru (BVP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>National government/local government</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>CBO National government/local government</td>
</tr>
<tr>
<td>Mexico</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico Low-income Housing Project, 1985</td>
<td>Support replicability and growth of the FONHAPO program, support promoting the application of new on lending terms while ensuring specific standards of financial performance and providing technical assistance, and support the government in addressing sector issues</td>
<td>FONHAPO will provide technical assistance to: (a) support sub-borrowers in the preparation, appraisal, implementation, and M&amp;E of sub-projects, (b) establish of a computer program system for financial information, (c) design and promote the use of collection models, and (d) carry out a study to develop a medium-term program.</td>
<td>FONHAPO</td>
<td>FONHAPO</td>
</tr>
<tr>
<td>Country/project</td>
<td>Objectives</td>
<td>Components</td>
<td>Beneficiaries</td>
<td>Organizations</td>
</tr>
<tr>
<td>-----------------</td>
<td>------------</td>
<td>------------</td>
<td>---------------</td>
<td>---------------</td>
</tr>
</tbody>
</table>
| Northern Border Community Infrastructure Project—Tijuana | Develop a financially sustainable mechanism at the federal and municipal levels of government for the financing of community-driven neighborhood improvement projects | The Northern Border Community Infrastructure Projects consists of three primary interrelated institutions aimed at addressing problems caused by the rapid urbanization of the northern border region of Mexico due to employment opportunities generated by the Maquila Industrial Zones and the proximity of the region to the United States. | Urban residents | • The Fondo de inversión en Infraestructura (FINFRA)  
• Community Development Investment Fund (CDIF)  
• The Border Finance Institution (BFI) |
| Programas de Obra Social Comunitaria, Tijuana | Slum upgrading | Slum upgrading | Communities operate at a very high level of cost consciousness and control; community contribution; transparent subsidies | | • Federal government  
• State government  
• Local government  
• Community government |
Annex 1D: Upgrading Instruments Across Africa, Asia, and Latin America

<table>
<thead>
<tr>
<th>Component and instruments</th>
<th>Africa</th>
<th>Asia</th>
<th>Latin America</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gha</td>
<td>Nig</td>
<td>Ken</td>
</tr>
<tr>
<td>Regulatory</td>
<td>PakCIP</td>
<td>PakCIP</td>
<td>PakZIP</td>
</tr>
<tr>
<td>Land titling and transfer</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Protection of tenure rights</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Resettlement</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Building and business regulations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pollution control</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity building / training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water supply and sanitation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solid waste management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social services facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skill and business development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing (investments)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Grants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profits from land development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small business loans</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>User and plot charges</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building material loan</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Community cash contribution</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community labor contribution</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local taxation</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private sector equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

77
Urban Community Upgrading: Lessons from the Past, Prospects for the Future

<table>
<thead>
<tr>
<th>Component and instruments</th>
<th>Africa</th>
<th>Asia</th>
<th>Latin America</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder coordination</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Social analysis</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>User participation</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Implementation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community/user/NGO</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Public sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private sector</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Social/gender Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Programs: KIP = Kampung Improvement Program; CIP = Community Infrastructure Program; OPP = Orangi Pilot Project; ZIP = Zonal Improvement Program

Countries: Ghana, Nigeria, Kenya, Indonesia, Pakistan, Philippines, Bolivia, El Salvador, and Mexico
Annex 2A: Kampung Improvement Program (KIP), Indonesia

Project Background

The Kampung Improvement Program (KIP) was first initiated in Jakarta in 1969 by the DKI (Jakarta Provincial Government) as an expansion of an early program in the 1930s. It was developed for a number of political, social, and management reasons. Kampungs (literally 'villages') are densely populated, primarily low-income neighborhoods. KIP has been the target of several Bank-funded urban development programs in Indonesia. The first generation of projects were known as Urban I to IV, their major component in each case was the KIP, an initiative to improve the physical environment of the kampungs in such areas as housing, footpaths and roads, sanitation, water supply, drainage, and solid waste disposal.

Project-KIP Type Approaches:

- MHT in Jakarta: after an Indonesia hero, M. Husni Thamrin; Program accelerated when WB started to finance it in 1974.
- W.R. Supratman: from 1972–76 Surabaya City implemented a KIP called W.R. Supratman. It was similar to DKI KIP except 30–50 percent of the cost was contributed by the community residents and matched with local government funding.
- UNICEF KIP: by 1976 the Dept of Sociology in the University of Indonesia identified two weaknesses of KIP, i.e., lack of health education and social and economic programs. UNICEF expanded the KIP with these two components.
• KIP Perintis: After a successful implementation in Jakarta and Surabaya, the Ministry of Public Works expanded the program through national grants to over 300 towns, but at a lower level of service.
• Inpres: Not strictly KIP, but Inpres funds (grants for local infrastructure) were used to construct footpaths and drainage in Kampungs and to supplement KIP as local counterpart funding.
• International banks, UNDP and Bi-lateral-funded KIP.

Lessons Learned/Impact

• The projects rapidly improved infrastructure in low-income areas at low cost (ranging from an average of US$118 per person in Jakarta to US$23 in smaller cities, 1993 US dollars). They led to improved housing, footpaths, lighting, and education and health facilities.
• KIP had a spillover effect: i.e., its experience served as a prototype for investments and improvements in other areas. A 1983 evaluation in Jakarta found that investments and housing conditions in KIP kampungs were better than those in non-KIP kampungs, but after about four years, housing, infrastructure, education, health, and other socioeconomic indicators in non-KIP kampungs (those not targeted for improvement) had caught up with those in kampungs assisted by the projects. This was a result of Indonesia’s macroeconomic and policy improvements, but also of informal and formal efforts to duplicate the KIP experience.
• Urban environment: The projects led to environmental improvements in the kampungs, including wider access to clean and safe water; better drainage and hence less frequent flooding, better solid waste management, and more common use of private toilets and septic tanks.
• Improved drainage has helped reduce flooding. There are notable differences in rates of flooding in KIP and non-KIP kampungs: 61 percent of KIP residents say they have no flooding in or outside their homes, compared with only 32 percent of non-KIP residents. The flooding problem was especially worse in non-KIP kampungs in Jakarta, where 80 percent of residents reported having open drainage or no drainage system at all.
• Land/house values, ownership: Studies find that, among other benefits, KIP residents enjoyed land values higher than those in non-KIP kampungs. But there has been relatively little ‘gentrification’, due mainly to the rapid speed of the program and the modest level of government investment.
• Institutional development: The projects had some landmark impacts on institutional development. The government created new agencies to direct development and investment activities, while the managerial capabilities of existing agencies were strengthened considerably. Although the projects
were directed by the central government in Jakarta, special KIP units were established within the local administration of each project city.

- Community voice and urban stability: One weakness of the programs was relatively little community participation. One weakness of the KIP is poor maintenance, and local governments need the cooperation of communities to maintain existing infrastructure and facilities.
Annex 2B: Tondo Foreshore Urban Development Project, Philippines, 1975–82

**Project Background**

This urban development project took place in the Tondo Foreshore, the largest and most politically volatile slum in Manila and one of the largest in Asia with over 180,000 people. After having tried several small-scale resettlement plans, the city decided to implement an upgrading program instead, for a less disruptive and lower-cost solution to the problem. The program represents an efficient approach to housing/servicing problems in that it proved to be less disruptive than resettlement and it cost one quarter the price of a “low-cost” home in a resettlement area. The slum community virtually transformed itself over ten years into an upwardly mobile neighborhood without appearing to have evicted the truly poor. Tondo reaffirmed the assumption that if given security of tenure and basic services, families will build their own housing, the quality of which surpassed even the most optimistic predictions. Tondo residents were active participants in upgrading and became property owners with a stake in stability.

**Project Objectives**

To upgrade the depressed communities by providing urban services.

**Project Financing**

The cost of this nine-year World Bank project was estimated at P 488 (US$65) million, but by project completion the actual cost was P 974 (US$92) million—a 100 percent peso increase and a 40 percent dollar increase.
Project Components

This project was comprised of the following components:

- Water supply
- Sanitation (sewerage)
- Surface water, drainage
- Roads and foot paths
- Community facilities

Lessons Learned

Upgrading in Tondo was a highly ambitious goal that was successfully achieved in physical and social terms.

- The fact that the sale price doubled from the appraisal price did not negatively affect the outcome of the project because, in the meantime, the incomes of the Tondo residents rose threefold from project start-up. Originally, 85% of residents were expected to be able to afford the project, and by completion, 95 percent were able to afford it.
- Even though extensive community participation was one of the most positive features of the program, it created formidable complexities and delays.
- The project met its objective of increasing the institutional capacity of the National Housing Authority (NHA). At the beginning of the project, the NHA had little or no experience with low-income housing, and now it is the only agency providing such housing to the residents of Manila.

The project was anticipated to last four years, but it actually took nine. A large increase in cost occurred due to delays associated with the massive size, complexity, and experimental nature of the project. Delays were associated with project start-up, higher than expected land acquisition and reclamation costs, petroleum price increases, and a lack of detailed design and engineering on major civil work at appraisal. Cost recovery was the weakest element of this project. Land and infrastructure costs were to be paid through mortgages but the lot price was set prematurely at P95/sq. m. Four years later when completed, the actual cost had risen threefold. In fact, 90 percent of the residents could have afforded the real cost of P300 but instead only paid the P95 and the rest was subsidized. Cross subsidies from commercial/industrial sales produced disappointing results because; (i) the Philippine economy had declined over the course of the project, eroding the prices of commercial/industrial lots; (ii) the govern-
ment agencies failed to make payments; and (iii) the amount of land available for sale shrank by 20 percent. At completion, unit development costs were four times higher in terms of the peso due to the lack of cross subsidy funds.
Annex 2C: Third Urban Development Project, Philippines, 1980 (including Zonal Improvement Program)

Project Background

The project was the third Bank urban development operation in the Philippines. It represented the continuation of Bank assistance to the urban sector initiated in 1976 with the purpose of providing basic shelter improvements to the urban poor, primarily through slum upgrading and sites and services. The Bank loan of US$72 million to the Government of the Republic of the Philippines was approved on March 23, 1980, and was closed on December 31, 1987, three years after the original closing date. It is designed to assist the Government in providing affordable solutions to the problems of shelter, environmental sanitation, and employment generation.

The primary risks are related to management and coordination of new programs, which will require rapid expansion to improve the conditions of the urban poor. Measures proposed under the project to strengthen the institutions would minimize the risks.

Project Objectives

The objective of the operation was to continue assistance to the Philippine Government in developing affordable solutions to the problems of poverty, shelter and environmental sanitation in the Manila metropolitan area.
Project Finances

Project costs were estimated at approximately P888.00 million (US$120 million).

Project Components

The project includes: (a) provision of tenure, basic services, and home improvement loans to low income communities, benefiting about 160,000 persons; (b) provision of critical basic services, benefiting about 300,000 persons; (c) provision of about 6,140 serviced plots, about one half of which would be developed by NHA and the remaining by private developers; (d) employment promotion through the development of commercial sites and small business loans, creating approximately 6,000 new jobs; (e) provision of equipment and facilities for refuse collection; and (f) technical assistance to strengthen national agencies and local governments.

Project Organization

The NHA led the ZIP and was for policy formulation, implementation guidelines, coordination of the yearly program, providing supervision and technical support to the district teams, receiving funds from the ministry of budget, preparing and signing agreements with the MMC and local governments for project implementation, and acquiring land for project sites.

Lessons Learned

- Upgrading of difficult dispersed sites can be successful.
- Cost recovery is successful when clear commitments established.
- Small business components can be successfully introduced into physical upgrading programs.
- In addition to participation in project planning communities can undertake the implementation of simple on-site infrastructure, both through self-help and by contracting by the CBO.
- Project Complexity. While the major components—the ZIP and MMINUTE upgrading programs—were successful, problems arose from attempting a project with the serviced plots, the commercial sites, and the solid waste components, involving five different agencies (plus the newly created
Management Coordination Board (MCB) during a period of economic and political instability.
- Studies overload.
- Ambitious institutional strengthening objectives for the MMC mainly failed due to political changes.
- Project costs need a strong control mechanism.

Despite implementation delays, project physical achievements for slum upgrading and sites and services subprojects eventually reached targeted levels and, in the case of several components, significantly exceeded them. The small business component was also largely successful, while the level of up front subsidies implicit in the below cost pricing of project-generated shelter solutions was significantly decreased vis-à-vis the experience under the two previous projects. On the negative side, however, serious problems with lot mortgages and home improvement loan collections persisted, mainly because repayment requirements were softened or forgiven, due to political and electoral interests. Furthermore, the project proved to be too complex in design, having eight distinct components involving five different agencies, and overly ambitious in its technical assistance and institutional strengthening objectives.
Annex 2D: Slum Improvement and Resettlement Project (SIR), Philippines

Project Background

Comprehensive slum upgrading programs in several Philippines regional cities, implemented by the local government and NHA. In Davao, NHA established a Slum Improvement and Resettlement (SIR) unit.

From start to finish, 18 hectares were upgraded and 2,500 households with 18,000 former squatters were improved on sites they had previously occupied. The cost of US$3 million (US$1,200 per household averaging 7.2 persons) was considered a bargain by all parties concerned. Administrative costs, reduced by resident participation in the collection of payments, were charged against the project. With this experience the Bank authorized a second phase intended to develop an additional 1,900 home sites serving a population of 15,009. When completed, “housing solutions” were available to 25 percent of the critical squatter barrio population of the city in nearby relocation sites. Cost recovery from Phase I was expected to pay for Phase II. A subsequent “roll over” would have continued the process until redevelopment was complete.

The Davao SIR program strikes a number of contemporary themes. It was a product of cooperation between low-income residence groups, anthropologists providing technical assistance, a major financial institution, local influential citizens, and politicians in power. All major stakeholders took part in the process. Residents were empowered to form associations, elect officers, design and allocate sites, and choose among improvements and optional costs.
Project Objectives

Nationwide slum upgrading in regional cities (under II urban project)

Project Components

Following were the main components of the project:

- Sanitation
- Secure tenure: registration of residential lots
- provision of safe water supply
- Roads/streets
- Loans for building material for house improvements, schools, and clinics

Project Impacts

At both national and local levels, it represented a new policy direction, substituting investment and improvement over relocation to remote sites. US$60 million in World Bank funding was approved for a Regional Cities Development Program to transfer “the Davao model” to six other secondary cities in the Philippines.
Annex 2E: NWFP Community Infrastructure Project (CIP), Pakistan, 1996–2004

Project Background

In 1990, the Community Infrastructure Project (CIP) had its beginnings during a World Bank Shelter Sector Review, conducted with financial assistance from the Swiss Agency for Development and Cooperation (SDC). This review identified priority investment needs and policy changes to promote improved housing conditions and access for low-income rural and urban communities. Lessons from initial surveys showed that improved housing is not always the communities’ highest priority. More often the communities’ main priority is to meet a variety of infrastructure needs. As a result, three pilot projects to develop and test approaches, methods, and procedures for shelter provision in low income communities were proposed, which later developed into a larger project.

Project Objectives

To increase the productivity and well-being of low-income groups in NWFP by improving their living conditions through provision of basic infrastructure.

Project Funding

The loan amount was US$38.8 million

<table>
<thead>
<tr>
<th></th>
<th>GoNWFP</th>
<th>Local Council</th>
<th>Communities &amp; HH</th>
<th>IDA</th>
<th>SDC</th>
<th>UNICEF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>14%</td>
<td>4%</td>
<td>17%</td>
<td>56%</td>
<td>8%</td>
<td>1%</td>
</tr>
</tbody>
</table>
**Project Components**

- Upgrading infrastructure and community development in existing rural and urban low-income settlements
- Promoting the use of demand-driven, participatory design procedures and affordable standards for infrastructure, to collaborate with communities to implement low-income infrastructure programs promoting sustainable arrangements for O&M of basic service
- Strengthening the ability of provincial and local government

**Unique Features**

- Community Driven Approach implanted by local government staff
- 20 percent upfront community contribution
- Community implemented, operated, and maintained the schemes
- Project serves large communities/urban/per-urban/rural
- Process monitoring

**Impact of CIP**

CIP began implementation in 1997 and by the time of the closing on June 30, 2003, it had delivered services directly to over 550,000 people in 90 communities and benefited another 50 neighboring communities with more than 100,000 residents who implemented their own program, in partnership with NGOs and local councils with support from the CBOs organized through the CIP.

- **Health:** A survey established that more than 80 percent of the beneficiary communities were aware of health and hygiene importance in general, whereas 20 percent felt that CIP had contributed to a reduction in illness in their communities.
- **Improved Environment:** Upgraded basic infrastructure has improved the overall environment.
- **Employment Generation:** The development of infrastructure created job opportunities for skilled and unskilled labor at the local level, which increased beneficiaries income.
- **Economic Benefits:** Link roads to the main roads or to the market have encouraged the private transporters to invest and increase the frequency of buses traveling on these roads.
- **Increased Job Opportunities:** Improved roads have not only eased transportation of farm and household consumption commodities but have also
provided an opportunity to the rural dwellers to look for employment opportunities in the urban centers and enabled easier return visits to their villages.

• **Micro-credit**: Provision of micro-credit and linkages with development financial institutions enabled beneficiaries to start micro-enterprises.

• **Increase in Income**: Employment generation at the community level due to the infrastructure development schemes, micro-credit facility, and increased employment opportunities in the urban centers.

• **Women Empowerment**: The project has significantly empowered the women in the conservative culture of NWFP. Women can only be included in project discussions through the agreement of the male head of household in NWFP. It was thus essential that the understanding and support of the male was solicited, and this was actively undertaken in all communities. In almost all the communities, it was agreed that a separate women’s CBO should be formed in each community. Most of the project components benefited women and children more than men (water supply, sanitation, access ways, TBA, health education, micro-credit training and referrals, etc.).

• **Institutional Development at the Local Level**: The project influenced local government legislation (the decentralization law of 2001). The local institutions (CBOs) play a significant role in the socioeconomic development of their respective areas. Their impact is visible in the maintenance of infrastructure, increased socialization, and effective monitoring.

Project Background

Orangi is Karachi's largest katchi abadi and has a population of 1.2 million. Dr. Akhtar Hameed Khan, the renowned Pakistani social scientist, initiated the Orangi Pilot Project (OPP) there in 1980. In 1988, the project was reorganized into four autonomous institutions: the OPP Research and Training Institute (RTI); the Orangi Charitable Trust (OCT); Karachi Health and Social Development Association (KHASDA); and the OPP Society which channels funds to these institutions. The OPP considers itself a research institution whose objective is to analyze Orangi's outstanding problems and then, through action research and extension education, find viable solutions. These solutions can then be applied, with modifications where necessary, to other settlements and can become part of state policies. The OPP does not fund development but, by providing managerial and technical guidance, it encourages the mobilization of local resources and the practice of cooperative action.

Project Components

- **The Low-cost Sanitation Programme**: This programme is managed by the OPP Research and Training Institute (RTI). It enables low-income families to construct and maintain an underground sewage system with their own funds and under their own management.

- **The Family Enterprise Economic Programme**: This programme is run by the Orangi Charitable Trust (OCT), which was formed in 1987. The OCT borrows from commercial banks and then lends on to small family busi-
ineses with few bureaucratic requirements and with no collateral required from borrowers.

- **The OPP’s Low-cost Housing Programme:** This programme is operated by the OPP-RTI and provides loans and technical assistance (based on research) to building component manufacturing yards (or thallas as they are called, in Orangi) so that they can mechanise and increase their production, improve their products and train their staff.

- **Health Programme:** The OPP’s Health Programme is operated by KHASDA and originally consisted of developing women’s organizations at the lane level, where the sanitation system has been built. A mobile team of experts gave advice to such organizations, through discussions and meetings.

- **OPP’s Education Programme:** OPP’s Education Programme is run by the OPP-RTI and, through social and technical guidance, it improves and upgrades the physical conditions and academic standards of private schools in Orangi.

### Impact of OPP

- In Orangi, people have invested Rs 78.79 million (US$4.2 million) (Rs. 18.65=US$1) on internal development (including 405 secondary sewers) in 5,987 lanes consisting of 90,596 houses (there are 104,917 houses in Orangi). It would have cost the state more than six times that amount to do the work. The programme is being replicated in seven cities in Pakistan by NGOs and CBOs, and in 49 settlements in Karachi by the Sindh Katchi Abadi Authority (SKAA). The OPP concept has been accepted by the Karachi Municipal Corporation (KMC) and SKAA and is being applied to their development plans.

- At present, there are 6,555 housing units being supported by OCT loans totaling Rs 123,738,610 (US$6.6 million). Of this amount, Rs 97,327,482 (US$5.2 millions) has been paid back with a mark up of Rs 22,999,610 (US$1.2 million). The recovery rate is 97 percent. The World Bank has also given a grant as a revolving fund for the programme.

- The OPP research, programmes, and documentation have provided NGOs, CBOs, and government agencies with successful models for overcoming the physical, social, and economic problems faced by low-income settlements and communities.

- The infrastructure development models in particular reduce capital costs, ensure good quality work (since communities acquire skills for building internal infrastructure, for maintaining it, and for supervising government work for external infrastructure), and create a more equitable relationship between government agencies and poor communities.
• Increasingly, the OPP is becoming involved in policy issues and in promoting macro level solutions, based on its models, for sanitation, health, housing, and economic issues. This has led the OPP to document 189 katchi abadis in Karachi and to put forward physical and economic proposals for upgrading the *nallas* of Karachi, through which most of the city’s sewage flows.

• Based on its documentation of Karachi’s katchi abadis and on its work, the OPP has developed proposals for a sewage system for Karachi. These proposals cost only a fraction of the government proposals that were to be funded by the Asian Development Bank (ADB). In principle, these proposals have been accepted, and the ADB loan has been cancelled.

Project Background

FAUP was working in the selected low-income areas of Faisalabad city. It was initiated in July 1989 by the Government of Pakistan and the UK Overseas Development Agency (DFID). The Faisalabad Development Authority remained the implementing agency except for the primary solid waste disposal component, which was implemented by the Faisalabad Municipal Corporation (post-devolution, this was renamed as the Faisalabad City Tehsil). The project adopted a participatory process approach for the economic and social welfare component which in 1994 was new to the public sector in Pakistan. The project was to be implemented in two phases; the first was to extend from 1992/93 to 1994/95 and the second was to be from 1995/1996 to 1998/99. However, for various reasons Phase 2 did not commence, and Phase 1, with the new devolution component, was completed end December 2002.

The philosophy of the project encompasses community participation for integrated development. For income saving/generation activities, FAUP provides different inputs through Multi Purpose Community Organization (MPCOs). Credit for income generation activities has been identified as one of the felt needs by the communities of FAUP areas. To address this need, FAUP set up the Financial Services for Sustainable Livelihood (FSSL). The objective of FSSL is to initiate a Micro Finance Programme (MFP), using available internal and external financial resources in addition to providing other nonfinancial inputs essential for development and promotion of micro enterprises. The development fund of FSSL will be used to establish Community Credit Pools (CCPs). Only those CCPs which adhere to specific criteria are eligible for funds. The terms and conditions and operational modality of the FSSL will be designed after as-
essment of the credit and training needs of the communities living in FAUP areas. For this purpose a comprehensive study under review was conducted in November 1999.

**Project Objectives**

The ultimate objective of FAUP is to improve the quality of life and income earning abilities of a majority of the poor people living in low-income areas of Faisalabad city.

**Project Funding**

<table>
<thead>
<tr>
<th></th>
<th>FAUP</th>
<th>Community</th>
<th>Other Department</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14%</td>
<td>4%</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Project Components**

The project consists of two components.

- The promotion of economic and social welfare for slum and katchi abadi dwellers and
- Improvement of primary infrastructure for water supply, sewerage, drainage, and solid waste. An important feature of the project was to develop a sustainable capacity within the communities to manage the upgrading.

**Unique Features**

- Within government an NGO style of working
- Grassroots community motivation and participation
- Small enterprises development
- Linkages with government’s line agencies
- Health and education program

**Impact of FAUP**

Salim Alamuddin, Arif Hasan, and Asiya Sadiq have mentioned in “IIED Working Paper 7 on Poverty Reduction in Urban Areas” that it is difficult to
evaluate the FAUP in terms of sustainability since its reports do not furnish us with any accounts. They mentioned that an institutional review of the project in March 1997 raised concerns regarding sustainability once DFID funds are no longer available. Concerns regarding replication have also been raised and options for change have been suggested, including taking the project out of government hands and implementing it through an NGO which will take the place of the PMU. Problems of working as a government institution with a non-government strategy were also identified by the institutional review. In physical terms, FAUP's impact has so far not been substantial nor has it been able to bring about any major change in the functioning of government planning. However, it can be an important support organization to NGOs and CBOs working in the development sector in Faisalabad, if it agrees to support them rather than only the MPCOs that it helps create.

**Project Background**

The katchi abadis regularization and improvement programme in Sindh was initiated in 1978, under which 972 katchi abadis were identified. The job was entrusted to the local council, and the federal/provincial government as grant in aid also provided limited financial assistance between 1978 and 1986. The councils carried out a survey of katchi abadis, covering 13,000 acres and planning exercises for 6,300 acres. The work continued at slow pace, as among other bureaucratic snags, it was not considered a priority area. Katchi abadi’s improvement was not taken up under the formal annual development plans. There were neither specified targets nor a clear-cut program orientation. Because of the low priority and ad-hoc approaches, the program was only partially successful. Following another policy statement made by the then prime minister of Pakistan in April 1986, when the cut off date was extended to March 1985 and the total number of dwelling units qualifying as katchi abadi was reduced from 100 to 10, the number of katchi abadis increased from 972 to 1,293 (including expanded katchi abadis).

The new authority (SKAA) started its work in May 1987 and immediately took up the task of preparing schemes for improvement of Katchiabadi and pursuing approvals and release of funds through the concerned departments. Under the Sindh Katchi Abadi Act, SKAA was authorized to declare any area or part thereof, which was partially or wholly occupied in an unauthorized manner, prior to March 23, 1985, as a katchi abadi. The act extends to the whole of the province of Sindh.
Project Objectives

To transfer land titling and improve the living condition of katchi abadis in Sindh

Project Components

Following were the main project components:

- Declaration and notification of katchi abadis in accordance with the SKKA Act 1987
- Legal status and development plans for katchi abadis
- Provision of social and physical services, such as health, education, family planning, etc.

Lessons Learned

SKAA’s work continues unabated in spite of changes in government in quick succession. A number of innovations were introduced to expedite regularization programs. Important in this respect are:

- the decision to have mobile lease camps, i.e., to bring the bureaucratic part of regularization to the areas’ inhabitants, rather than forcing them to visit government offices, which mostly are located in the cities’ and towns’ centers and which in general have a reputation of being inaccessible;
- the simplification of the lease procedure in which the number of steps was reduced to a minimum, most of which could be handled in the lease camps. It is of interest in this connection to mention an experiment, in the early 1980s, by the Karachi Directorate of Katchi Abadis and Evaluation to boost the issuing of leases through a one-window operation from a mobile lease camp; this experiment was successful (Kool, et al. 1988, 150);
- the reduction of development costs by abolishing standard improvement plans for katchi abadis and by, instead, incorporating infrastructure improvements which had already been brought about, either by the residents’ own efforts or through the councilors’ improvement grants; and
- the aim of attaining full cost recovery by collecting lease and improvement changes from the lessees. This cost recovery is also vital for SKAA’s financial self-sufficiency.
Promulgation of the Sindh Kachi Abadis Authority Act in 1987 was no doubt a progressive step, and as a result the Sindh Kachi Abadis Authority, which is a semi-autonomous body, did pioneering work in surveying, notifying, regularizing, and upgrading 1,157 katchi abadis in the province of Sindh.

Project Background

The project, covering thirteen states in Nigeria, will support integrated infrastructure upgrading subprojects in poor urban settlements that are developed in partnership by state governments (SGs), local governments (LGs), and communities, thereby initiating a culture of beneficiary community participation in urban infrastructure development. The project will catalyze public sector agencies to focus on “appropriate” standards and sustainability issues. By introducing alternative options for operation and maintenance (O&M) that involve actors other than the public sector, it will demonstrate to SGs and LGs the potential for improving the lives in poor communities in urban areas through a “comprehensive upgrading” approach with an investment of about US$20,000 per hectare. The project will introduce incentives for rewarding performance by making SGs, LGs, and communities compete for project funds.

This project will be implemented in two phases, both phases consisting of investments and capacity building. Seven states, Akwa Ibom, Bauchi, Edo, Ebonyi, Jigawa, Nassarawa, and Ogun, will participate in the project’s first phase. The six additional states that will participate in Phase II, Abia, Adamawa, Kaduna, Ondo, Rivers, and Sokoto, were selected on the basis of criteria agreed during the negotiations geopolitical balance, size of urban population, degree of urban poverty, capacity to borrow and meet counterpart funding requirements, and lack of outstanding audits from previous IDA credits. This second phase consists of an upgrading fund that all states can access.
Project Objectives

To deliver basic municipal services in poor urban settlements; and to demonstrate viable approaches to infrastructure development and service delivery. The development objectives are:

• to establish partnerships between communities and their local government (LG) so that subproject proposals are developed jointly by them;
• to deliver basic municipal services in poor urban settlements; and
• To demonstrate viable approaches to infrastructure development and service delivery that enable LGs to move away from a culture of total financial dependency for infrastructure investment and even recurrent expenditures for infrastructure O&M.

Project Cost

US$137.32 million

Project Components

The following are the project’s components:

• Upgrading of basic municipal infrastructure in select settlements in seven cities of seven states—Phase 1;
• Upgrading fund (referred to in the Development Credit Agreement as “Subprojects”) to finance basic municipal infrastructure in select settlements in cities of 13 states—Phase II;
• Capacity building and training, one city development strategy, and knowledge sharing networks;
• Implementation support for the Project Implementation Units (PIU) and the Federal Project Coordination Unit (FPCU);
• HIV/AIDS awareness campaign on project sites; and
• A Project Preparation Facility (PPF).

Project Organization

Federal Project Coordination Unit (FPCU): A project coordinating unit will be established at the federal level. Chaired by the FMWHIs Deputy Director for Urban and Regional Development, the FPCU will be located in FMWH and
will consist of four representatives from the FMWH and two from the Federal Ministry of Finance (FMF). These six officers will be designated by their respective ministries for the duration of the project, and will not be changed without first informing IDA. The FPCU will have the overall responsibility for coordinating project execution. Specifically, the unit will be responsible for: (i) providing timely technical support to state PIUs; (ii) consolidating and disseminating all quarterly and annual reports; (iii) monitoring progress of project activities through participation in IDA supervision missions; (iv) screening subproject proposals in accordance with a check-list, to ensure that Phase II eligibility criteria have been met; (v) maintaining a knowledge network (initially located in the Bank’s Nigeria Country Office); and (vi) conducting an impact assessment before project closing.

Project Background

The Second Urban Project continued Bank support in the urban housing sector of Kenya initiated under the first urban project at Dandora in Nairobi. Significant new components directly resulting from inputs of the first project were: (a) squatter upgrading as a complementary approach to site and services (upgrading was unacceptable to the government in the first project); (b) lower standards in site and services; (c) specific institutional components aimed at improving both central and local government capabilities for developing and managing urban projects; (d) technical assistance to strengthen the financial management and resources of local authorities; and (e) efforts to improve nutrition and family planning service delivery to the low-income project areas.

Project Objectives

These were to enable the government to accelerate implementation of low-income housing programs in Nairobi and initiate similar programs in two additional cities. During its execution, the project also built technical, institutional, and financial capabilities to continue and extend the low-cost approach to urban shelter on a nationwide scale.
Project Components

- **Settlement Upgrading**: provision of basic infrastructure to five existing unserviced settlements (total of 536 ha) in the three cities, affecting about 10,000 households
- **Sites and Services**: preparation of about 11,770 serviced plots in parallel with upgrading of existing sub-standard areas
- **Settlement Plots**: preparation of about 2,500 surveyed plots with public water and sanitary facilities and unpaved roads
- **Low-cost Housing Plots for Market Sale**
- **Housing Loans**: access to credit for house improvement and new house building in project areas
- **Community Facilities**: provision of social, education, and health facilities to serve each site.
- **Support for improvement of these services** to 265,000 beneficiaries in project areas including facilities for home visiting, staff training, monitoring nutritional status, prevention of malnutrition, and evaluation of benefits
- **Employment Opportunities**: provision for commercial activity and small industries including space for about 350 kiosks, 1,830 market stalls, 960 serviced sites for small industries, and loans for construction of workshops
- **Technical Assistance**: financing for consultants' services for detailed design and engineering, studies, training programs and consultants services aimed at strengthening of institutions, monitoring and evaluation, and future project preparation.

Project Costs and Financing

Costs totaled Ksh 762,000, of which the government contributed 22 percent, the community 22 percent and the World Bank the remaining 56 percent, split equally between IBRD loan and IDA credit.

Lessons Learned (from Project Performance Assessment Report)

- The project left three cities with sizable new neighborhood, social and community facilities, basic infrastructure, and basics for “Forward Planning.” However, policy initiatives can only be ensured through continued dialogue and support.
- Community Participation: The experiences at Mombassa emphasized the importance of strong and early efforts to involve local communities.
Significant problems arose because of lack of community involvement which was essential for the implementation of the project.

- Successful housing programs for low-income families require not one, but several concurrent policies: reduced standards, community involvement, open allocation system (transparency) building credits, secure land tenure, and cost recovery.

- The project experiences carry lessons not only for shelter operations but also for the other municipal development projects.

- Simple, logical, and tested project design ensures greater success compared to complex and untested innovations.

Project Background

This first Bank-financed urban project in Bolivia was aimed at improving the difficult living conditions of the urban poor and in particular the families living the lowest-income neighborhoods of La Paz. The project provided serviced plots with core dwellings under a sites and services program, essential urban services in low-income areas under an urban upgrading scheme, retail food markets, credits for artisans and small-scale enterprises to provide jobs and create employment for the project participants, and technical assistance to strengthen institutional arrangements and technical capabilities of the executing agencies. The project was designed so that its benefits reached down, in the case of urban upgrading, to households as low as 5th percentile of income groups in La Paz. The main risks faced by the project was associated with coordination and implementation of a complex project in the social sector. La Paz has grown from an area of approximately 533 ha in 1935 to more than 3,800 ha in 1976. The Municipality of La Paz (HIAM) initiated in 1975 a concerted effort to study the urban needs of the city and propose appropriate solutions, as a result of which, a growth model for the metropolitan area (Modelo de Crecimiento) was completed and published in July, 1976. The new document was conceived as an indicative framework for the city’s future urban development schemes; it assesses the city’s future growth potentials and needs and proposed a suitable expansion pattern.

Project Objectives

To contribute toward increasing the access to shelter and other essential urban services and to strengthen institutional arrangements needed to promote such
programs efficiently while improving the prevailing income distribution and environmental conditions in urban centers.

**Project Financing**

The estimated total cost of the project, including land and contingencies, was $B450.20 million or US$22.51 million.

**Program Components**

- Program to develop an estimated 5,525 new serviced sites with core dwelling units and 142 industrial/commercial plots in El Alto of La Paz;
- An upgrading program to provide about 4,500 families living in low-income areas of La Paz with essential infrastructure and other urban services, as well as construction materials credits;
- The construction of five new food retail markets to serve marginal settlements of La Paz;
- The provision of a special line of credit for artisans and small-scale entrepreneurs designed to increase incomes and provide about 1,560 new jobs among low-income groups in the sites and services and upgrading areas of the project; and
- The provision of technical assistance elements required for the efficient implementation of this project, as well as for the preparation of additional programs of this kind in La Paz and elsewhere in the country.

**Project Execution**

The implementation of the main project components was carried out by the Municipality of La Paz (HAM) and National Housing Council (CONAVI). The Industrial Bank (BISA). HAM implemented the urban upgrading and the markets components; CONAVI was in charge of the sites and services component; and BISA implemented the credits for artisans.

**Lessons Learned**

- Despite numerous difficulties of national strikes; hyperinflation; delays due to suspension of disbursement to Bolivia by the Bank, etc., in physical terms
the project achieved a great measure of success particularly in the provision of urban services.
• A comprehensive self-help approach was established and strengthened.
• Local professionals were engaged as consultants—enhancing the capacity of local manpower.
• Community organization was the main strength of HAM’s predecessor, i.e., Acción Comunal, an organization which was absorbed into HAM.
• Intensive orientation and participation of residents led to a replicable approach to housing and urban upgrading.
Annex 2L: Urban Sites and Services Development Project, Peru, 1986–96

**Project Background**

The project was an integral part of the government of Peru’s program aimed at providing the urban poor with basic facilities and employment opportunities to increase their capacity to be productively absorbed in the urban economy. The project focuses on three areas of assistance—basic and productive support infrastructure, directly productive investments, and technical assistance and institutionalized a delivery system for urban services to low-income areas.

**Project Objectives**

Providing the urban poor with basic facilities and employment opportunities to increase their capacity to be productively absorbed in the urban economy.

**Program Components**

- Basic and productive support infrastructure in pueblos jóvenes in Lima and Arequipa: water, sewerage, electrification, upgraded existing roads and new access roads, and health and nutrition centers.
- Directly productive investments in Lima and Arequipa: industrial, commercial, and residential sites and services and supervised credit.
• Technical assistance:
  - to establish a technical assistance unit in the Ministry of Housing and Construction to assist settlers primarily in the construction of dwellings and shop/stores;
  - to provide advisory assistance for the planning, management, and monitoring of the industrial sites and services in Lima;
  - to assist in the review of plans and in the preparation of a water supply and sewerage project in Arequipa;
  - to provide advisory assistance as well as vehicles and equipment for the development of a training program for community health and nutrition in pueblos jovenes; and
  - to assist the Banco de la Vivienda del Perú (BVP) in overall project implementation, financial planning and related studies for the mobilization of additional resources for urban development programs and future projects.

Project Execution

BVP was the executing agency for the project. Other agencies participated in the execution of individual sub-projects.

Lessons Learned

• The project was economically successful.
• Restructuring of the loan agreement's procurement schedule to allow more local competitive bidding (LCB) was instrumental in speeding up project execution. In most of the Bank's urban projects a ceiling amount to pre-finance LCB followed by ex-post review by the Bank have been incorporated.
• The project implementation could have been faster if the usaries rejection had been pre-determined and assessed at the appraisal.
Annex 2M: Low-Income Housing Project, Mexico, 1985–92

Project Background

In September 1983, the Mexican government expressed interest in a significant amount of World Bank support to the housing sector. This first loan was channelled through the Low Income Housing Fund (BANOBRAS). Project preparation was based on the findings of a study on Public Housing Policy in Mexico (IBRD-4993a-ME), which was produced by Bank staff in June 1984. The project was the first in a series of lending operations in the housing sector and supported the sector policy dialogue. The project addressed the issue of cost recovery and measurement of subsidies for the FONHAPO program. While FONHAPO was responsible for only 5 percent of the regulated housing investment, the government targeted a rapid increase in the share of funds devoted to this program by 1988. The loan assisted the government in the critical expansionary phase of FONHAPO, while achieving greater distributional equity in the allocation of resources.

Project Objectives

To support replicability and growth of the FONHAPO program, which focuses on housing investment to the poorest and largest segment of the housing market; to support FONHAPO during a critical expansionary phase by promoting the application of new on-lending terms while assuring specific standards of financial performance and providing technical assistance for institutional strengthening; and support the government to address sector issues.
Project Cost

US$150 million (in 1984 dollars): (i.e., US$890 for a serviced lot of 117 m$^2$ and US$3,700 for a 3-room unit of 38 m$^2$). A flat rate of 10Z has been included for possible physical increases in all components.

Program Components

FONHAPO provided technical assistance to: (a) support sub-borrowers in the preparation, appraisal, implementation, selection of beneficiaries, allocation and transfer of facilities, collection of charges, and monitoring and evaluation of sub-projects; (b) establish a computer program system for financial information; (c) design and promote the use of collection models for its sub-borrowers; and (d) carry out a study to develop a medium term program.

Lessons Learned

- Rapid and successful execution of the project can be attributed to a number of factors including the use of lines of credit which offer collective loans to public and private sector intermediaries representing pre-defined low-income beneficiaries.
- Effective demand from the beneficiaries and government support were vital elements for project success. Bank staff wisely did not impose alternative solutions but played a supportive role, emphasizing the achievement of a few policy goals.

Project Background

In Tanzania, local governments suffer from capacity constraints, have limited budgets, and are still undergoing a process of restructuring. GoT has recognized that without substantial improvement in local institutional and fiscal capacity, effective and sustainable service delivery will not materialize. GoT's basic strategy to bring about institutional and fiscal improvements is embodied in the Local Government Reform Program (LGRP), which is a means of implementing the Local Government Reform Policy. Within this framework, the Tanzania Local Government Support Program combines (1) capacity building for local governments and a capital grant facility for local investment in infrastructure, with (2) a pilot Community Infrastructure Upgrading Program targeted to upgrading low-income, unplanned settlements in Dar es Salaam. The latter supports local governments in engaging with communities in a participatory process to prioritize, design and implement community upgrading plans.

Project Objectives

The development objectives of the Local Government Support Program (LGSP) are:

- to strengthen fiscal decentralization, improve accountability in the use of local government resources, and improve management of intergovernmental transfers; and
• to increase access to infrastructure and services in unplanned and under­served areas of Dar es Salaam and to improve revenue performance for sustainable operations and maintenance.

Project Components

• Component 1: Local Government Capital Development Grant System. The component supports an overall Local Government Capital Development Grant (LGCDG) system, which is also being supported by GoT and bilateral development partners.

• Component 2: Dar es Salaam Upgrading and Institutional Strengthening. This component has two subcomponents, (a) the Community Infrastructure Upgrading Program which is a community-driven infrastructure upgrading program targeted at unplanned and under-serviced residential areas in Dar es Salaam, (b) the O&M/Revenue Enhancement Program.

• Component 3: Management and Institutional Development.

Basic Principles

Thus, the program recognizes that

• The community and local governments need to work in partnership and take joint responsibility for improving and maintaining community-level infrastructure and services (i.e., it is not just about community control);
• It is important to build capacity and create incentives for local governments and communities to work with each other; and
• The infrastructure investments need to be tied to city-level networks and systems.
Annex 20: Philippines Community Mortgage Program

The Community Mortgage Programme (CMP) may be considered the most successful government program to finance informal settlers in the country. It was established in 1999 and involves the organization of communities of informal settlers for land acquisition, land development, and home improvement. The CMP and its associated initiatives (Slum Upgrading, Community Land Acquisition Support Programme, Group Land Acquisition and Development (GLAD) and Cooperative Housing) are usually directed toward the resolution of land acquisition and tenure issues. The National Housing Authority (NHA), local governments and NGOs act as conduits between the community association and cooperative on the one hand, and the financing institutions, such as the National Home Mortgage and Finance Corporation (NHMFC), Home Development Mutual Fund and other government and non-government institutions, on the other.

The implementation of the CMP at the community level and the ability to offer security of tenure to low-income families are the main factors that have made CMP successful. CMP is able to reach the target poor households, although on a limited scale, because of its relatively small budget. Its subsidized loans (6 percent/35 years) made it an affordable program for the poor. For an undeveloped lot, beneficiaries can avail of a loan of P 30,000 (US$600) for a developed lot; the maximum loan amount is P 45,000 (US$900). In the period 1993–98, CMP accounted for an estimated 60 percent of “completed units of assistance” targeted by the National Shelter Program (NSP), and for the January 2001–August 2003 period an additional 49,635 households were served.

This approach with loan sizes of between P 75,000 and 170,000 (US$1,500 to US$34,000) for other programs targeted all low- and moderate-income groups, and P 180,000 and above (US$34,000 plus) for purely private sector re-
tail lending implemented between the years 2000 and 2003. The CMP collection ratio averaged between 72–80 percent compared to other socialized housing programs which averaged only 35 percent.

Annex 3A: A Regional Dialogue on the Basic Services for the Poor—A Report on the South Asia and East Asia Experiences, Manila, Philippines, March 14–16, 1999

Organized by: The Thematic Group on Services to the Urban Poor, The East Asia & Pacific Urban Development Unit (EAP), The South Asia Infrastructure Unit (SASIN), The World Bank Institute, in collaboration with the Office of the President of the Philippines & The Philippine Presidential Commission for the Urban Poor.

Executive Summary

Urban development practitioners, city managers and planners, and representatives of the international donor community who came together during the two-and-a-half-day regional dialogue to explore and share best practices models in urban upgrading and basic services delivery, to put upgrading on the agenda of national governments and the donor community, and to push for the creation of networks of practitioners to exchange information on improved methods and technology. The dialogue was held in Manila on March 14 through March 16, 1999 and was attended by more than 100 participants from Brazil, Guatemala, Bangladesh, Nepal, India, Indonesia, Pakistan, Thailand, and the Philippines, and staff of the World Bank, as well as from donor organizations such as CIDA, UNDP, UNDP-UNCHS (Habitat), the Department of International Development (UK), and the Asian Development Bank (ADB). The dialogue was made possible with the cooperation and support of the government of the Philippines, the city managers, policymakers, urban practitioners, and non-government organizations (NGOs) from the South and East Asian regions, as well as the international donor community.
Challenges and Recommendations for the Bank's Urban Development Strategy

- Incorporate urban upgrading as a major component of the Bank's Poverty Alleviation and City Development Strategies. This means convincing governments and local city administrations to invest in infrastructure and basic services provision in upgrading low-income settlements. Many local governments, because of the financial constraints, give low priority to such projects. National governments should be encouraged to assist local government units in implementing upgrading programs.
- Encourage local governments to formulate an overall urban upgrading plan rather than undertake service delivery projects on a piecemeal basis. This will entail a review of existing land use plans, and preparing an inventory of available land for citywide upgrading initiatives.
- Assist governments in drawing up associated capital investment and financial plans that will help them recover costs. The plans should incorporate provisions for micro-credit and income generating activities as major components of the upgrading program.
- Establish cross-linkages among the participants of the regional dialogue to act as a network of urban planning practitioners as well as city administrators and other like-minded institutions and agencies within the Asian region for information exchange. Create a website to store related information, including best practice cases and new research findings.
- Assist governments in forging partnerships with other sectors like the private sector, NGOs, academic and research institutions, and other active city-level partners.
- Develop monitoring and evaluation tools and techniques to ensure effective implementation of urban upgrading initiatives.
Annex 3B: Upgrading Low-Income Settlements—A Regional Round Table for Africa, Johannesburg, South Africa, October 3–5, 2000

The Africa Region of the World Bank and the City of Johannesburg, with support from the Cities Alliance, organized a Regional Round Table on Upgrading Low-income Settlements in Johannesburg, South Africa, October 3–5, 2000. Practitioners, policy makers, and development assistance organizations from around the globe shared innovative approaches to improving the urban poor’s access to basic infrastructure and services. The goal of the round table was to examine the opportunities and challenges of carrying out upgrading in the African context. As a prelude to the larger Regional Round Table on Urban Upgrading in Africa, an advisory group of international experts traveled to Johannesburg to work with a project team from the Greater Johannesburg Metropolitan Council (GJMC). The participants in the Interactive Planning Workshop for the City of Johannesburg, reviewed and evaluated the city’s planned upgrading program for the township of Alexandra, perhaps the most densely populated and complex settlement in South Africa. The goal of the Round Table was to examine the opportunities and challenges of carrying out upgrading in the African context. As the workshop was winding down in Johannesburg, the Global Campaign for Secure Tenure in South Africa was being launched in Durban on October 1–2, 2000. The Global Campaign, organized by the United Nations Centre for Human Settlements (UNCHS, or Habitat) and its partner organizations, is designed to take forward the commitment of governments to providing adequate shelter for all (a main theme of the Habitat Agenda), and seeks to achieve secure land tenure rights for the poor in the world’s cities.
Lessons from South Africa

Alexandra (South Africa) in many ways is a prototype for strategies, approaches and actions that could be applied in other parts of Greater Metropolitan Johannesburg.

“Special development zones” (SDZs) can be designated as areas to introduce alternative, more appropriate planning, design, and regulatory norms. These zones would allow for testing and demonstrating effective and least-cost ways of adapting to the needs and preferences of residents, increasing the efficiency of land use, and producing innovative and lower cost housing types/options. SDZs can serve to compare and monitor alternative development and maintenance costs and should lead to better informed decisions on city-wide land use, zoning, and development guidelines. Therefore demonstration plans in SDZs should be accompanied by a monitoring and evaluation system that would produce recommendations for updating policies and standards.

Relate costs to affordability in selection of standards

Given the huge demand for new low cost housing, relocation plans, and the scale of in situ upgrading needed in the GJMA plus the need to plan for the eventual elimination of large subsidies, cost reduction in all new actions is called for. These financial and land constraints are best addressed by testing and adopting new performance-based functional standards on a city-wide basis that maximize land use and minimize infrastructure investment and maintenance.

Introduce more choice in new schemes on vacant land and in relocation sites

Recognize that family circumstances and family needs vary. Some families are small, some are larger. Cost savings might be achieved by offering more choice to beneficiaries and by charging families in proportion to the value of the plot received.

Introduce planned backyard rental units

Backyard rental units seem to be culturally accepted as a means of obtaining extra income. By planning for such schemes for families that may choose this option, densities will be increased and infrastructure can be properly planned. Also the currently unmet demand for rental units can be addressed.
Integrate service planning and delivery

Integrated service planning and delivery should be standard practice in in-situ upgrading areas, re-blocking, relocation, and new land release/development programs. By integrating and synchronizing the design and implementation of the various service networks, efficiencies and minimized implementation disruption can be achieved.

Develop relocation strategies, guidelines, and plans

Having city-wide strategies and guidelines for handling relocation needs can help plan and carry out site-specific actions when needed. It can also help estimate and plan for the resources needed over time. Principles for relocation could be defined and made public. These might include policies about minimizing relocation, community cost recovery principles, land tenure policies, priorities for near-by relocation, etc., and could be specified in a general policy paper with related guidelines for application (see, for example, the World Bank guidelines for voluntary relocation in projects). An accompanying strategy paper could help outline short- and medium-term estimates of households that will need to be accommodated in specific areas of the city and the land requirements for doing so in differing sectors of the city. This would help set priorities for land use, land acquisition needs, and help estimate the cost/subsidies needed. It would also help define a timeline for implementation in synchronization with the various housing actions over time. The plan should also introduce a “menu” of options for relocation.
To take a free look at urban poverty alleviation, the World Bank Urban Development Division and Latin American Technical Department invited public and private development practitioners from eleven countries, plus staff of the World Bank and other donors to the round table where they discussed how donors can make substantial, more active and effective response to urban poverty.

The round table assembled a diverse group of Latin American development practitioners from eleven countries, which represented central and local governments and non-governmental and community organizations, and brought decades of experience in responding to urban problems.

**Six Recommendations Made**

- **Look at Urban Poverty in a new way**: be aware that urban poverty is about both the poor in cities and poor cities, which lack both the services and a vibrant economy and so, compound poverty. Providing urban services is a means of organizing and building assets of community and individuals. In doing so, the poor are transformed from disenfranchised, to participating self-sufficient citizens who contribute to their own well-being and to a city’s economy.

- **Approach urban poverty with new types of action**: encourage participation and partnership where all affected parties have clear roles in the joint effort. For example, local government should promote alliances of impoverished communities, NGOs, the private sector and the state.
- *Increase Resources for Cities* to respond to growing poverty and need for urban services by scaling up actions to match the scope of the problem and leverage local resources by taking advantage of new efficiencies, particularly the absorptive capacity of community groups, NGOs, and local governments who are willing to pay for the services.

- *Facilitate Processes* that transform the urban poor from precarious to mainstream citizen who are economically active and participants in civic life, for example, by creating enabling policies legislation to decentralize responsibilities and resources, streamline bureaucracy, and better transfer authority, resources, and technology to the urban poor.

- *Take the Risk* of supporting large scale urban poverty alleviation partnerships and continue dialogue with NGOs and community alleviation programs.
The World Bank sponsored an urban research symposium to help bring together organizations, networks, and individuals, working at the forefront of research on issues of urban poverty in developing and transition countries. It is hoped that, in future years this event might serve as one of the principal international urban research fora. In that context, the symposium aimed to convene some of the world’s leading researchers and international and non-governmental organizations, to share and exchange knowledge. By working more closely together, we hope to raise the profile and broaden the scope of international research into urban poverty. This inaugural event differed from typical research conferences in that, this year, the principal objective of the symposium was to develop an understanding of the current state of urban research in the themes identified in the concept note, specifically:

- to familiarize participants and World Bank Staff with the major sources and centers of urban research with relevance to poverty in developing and transition countries;
- to identify the broad outlines of an agreed poverty reduction research agenda, and
- to help provide the direction, impetus, and collaborative framework for subsequent research conferences.

Following were the main discussion points for the symposium:

- The Challenge: Making Cities Work for Their Residents and for the Nation
- Assessing Urban Growth and Its Socio-Economic Implications
Urban Community Upgrading: Lessons from the Past, Prospects for the Future

- Urban Population Growth, Concentration, and Dispersion—Implications of Different City Systems
- Labor Migration
- Measuring and Assessing Poverty in Urban Areas
- Trends in Urban Poverty—Causal and Risk Factors

- Creating Inclusive Governance Systems That Match The Scale and Scope of Problems
  - Fiscal Decentralization and Intergovernmental Relations
  - Incentives for Good Governance
  - Strategic Planning, Capacity Building, and Learning
  - Planning Tools and Technologies for Urban Management

- Reducing Urban Poverty and Raising Welfare through Access to Assets
  - Income Poverty and Financial Security
  - Health and Urban Poverty
  - Access to Secure Tenure and Developed Land
  - Housing and Related Basic Services

- Promoting a Clean, Safe, and Spatially Inclusive City—Enhancing Positive and Reducing Negative Externalities
  - Public Environmental Goods
  - Integrating Transport and Land Use Planning to Ensure Accessibility
  - Meeting Both Social and Private Goals Through Land Market Development
  - Risks of Social Exclusion and Inequality—Crime, Violence, and Social Disintegration
Annex 4A: Overview of Urban Thematic Group

Mission

To fight urban poverty with passion and professionalism, sharing knowledge and learning among ourselves and others for results.

How We are Funded

Staff time and some budget from the anchor and regions, and ½ knowledge assistant from the anchor, our own time, trust funds, and grants. With other thematic groups, sectors, networks, and external partners; doing research and practical common tasks; guaranteeing continuity of state of the art practice and knowledge.

Thematic Group Links to Corporate Objectives

Millenium Development Goals: Poverty reduction and environmental sustainability; Achieve by 2020 a significant improvement in the lives of at least 100 million slum dwellers; cross-sector integration: land use, housing, utilities, recreation, local economic development, crime prevention, and human development. Some thematic group accomplishments: regional upgrading workshops in Africa, Latin America, and South East Asia.

Study tours of upgrading practices in Latin America and South East Asia. Inter-institutional video-conference on scaling up. External partners’ confer-
ence on Wiring the Barrio. Municipal capacity building workshops in Central America. Thematic Group Knowledge Products:

- Development of upgrading toolkit and manuals.
- Collections of case studies and good practices.
- Building upgrading databases.
- Dissemination of knowledge and training: Tacit Knowledge Downloads.
- External presentations, brown bag lunches (BBLs), clinics, and workshops.
- Advisory services: Pre-project Concept Document (PCD) reviews.

Overview

The Cities Alliance was created to foster new tools, practical approaches and knowledge sharing to promote local economic development and a direct attack on urban poverty. Its activities support the implementation of the Habitat Agenda.

What Is the Cities Alliance?

A global alliance of cities and their development partners committed to improve the living conditions of the urban poor through action in two key areas:

- City development strategies (CDS) that link the process by which local stakeholders define their vision for their city, analyze its economic prospects, and establish clear priorities for actions and investments, and
- City-wide and nation-wide slum upgrading to improve the living conditions of at least 100 million slum dwellers by 2020 in accordance with the Cities Without Slums action plan.

Launched by the World Bank and United Nations Centre for Human Settlements (UN-Habitat) in 1999, Cities Alliance members include all the G-7 governments plus Brazil, Netherlands, Norway and Sweden; the Asian Development Bank; UN-Habitat; the United Nations Environment Programme; the World Bank; and local authorities, represented by United Cities and Local Governments (UCLG) and Metropolis. Alliance partners have joined forces to
expand the level of resources reaching the urban poor, by improving the coherence of effort among on-going urban programmes, and by more directly linking grant-funded urban development cooperation with investment follow-up.

**The Cities Alliance...**

- pools the resources and experience of alliance partners to foster new tools, practical approaches and an exchange of knowledge to promote city development strategies, pro-poor policies, and prosperous cities without slums;
- focuses on the city and its region rather than on sectors, recognizing the importance of cities and local authorities in the social and economic success of a country;
- promotes partnerships between local and national governments, and organizations directly representing the urban poor;
- promotes inclusive urban citizenship, which emphasizes active consultation by local authorities with the urban poor, with time being taken to develop a shared vision for the city;
- looks to scale up solutions promoted by local authorities and the urban poor;
- encourages engaging slum dwellers as partners, not problems;
- promotes the role of women in city development;
- engages potential investment partners from the outset, encouraging the development of new public and private sector lending and investment instruments to expand the level of resources reaching local authorities and the urban poor, enabling them to build their assets and income.

**Cities Without Slums**

The Cities Without Slums initiative is a creative and daring response to urban poverty. Poverty reduction and upgrading of informal settlements will not be possible unless cities are productive and efficient and capable of providing the poor with economic opportunities to build their assets and incomes. Nelson Mandela was patron of the Cities Without Slums action plan at its launch in December 1999.

The Cities Without Slums action plan sets an agenda and clear targets for improving the lives of at least 100 million slum dwellers by 2020. It focuses on upgrading the most squalid, unhealthy, and un-served urban slums and squatter settlements in the world. The Cities Without Slums action plan, a product of the Cities Alliance, has been endorsed at the highest political level internationally—
by 150 heads of state and government— at the September 2000 UN Millennium Summit. The plan also calls for:

- Increasing investments aimed at provision of basic services to the urban poor;
- Leading a worldwide effort to move from pilot projects to city-wide and nation-wide slum upgrading and to generate the required resources to do so, and;
- Investing in global knowledge, learning, and capacity in slum upgrading, and for reducing the growth of new slums.

Scope of Work

Cities Alliance activities are organized around three strategic objectives:

- Build political commitment and shared vision: The United Nations Millennium Summit adopted the goal of the Cities Without Slums action plan as a new international development target. The challenge now is to translate this political commitment into a systematic attack on urban poverty.
- Create a learning alliance to fill knowledge gaps: Growing networks of cities are sharing their City Development Strategy experience, teaching each other, and serving as resource cities.
- Catalyze citywide and nationwide impacts: The Alliance is already working in partnership with the local and national authorities of Brazil and El Salvador; Madagascar, Mauritania, Nigeria, Rwanda, and South Africa; Egypt and Morocco; Bangladesh, Cambodia, China, India, Indonesia, Nepal, Pakistan, the Philippines, and Vietnam; Yemen, Mozambique, Kenya, Ethiopia, Zambia, and Bulgaria.

Organisational Structure

The Cities Alliance Consultative Group is composed of bi-lateral and multi-lateral development agencies and the political heads of the international associations of local authorities who have pledged their commitment to achieving Alliance goals. The Consultative Group, co-chaired by the Executive Director, UN-Habitat and by the Vice President, Private Sector Development and Infrastructure, The World Bank, is responsible for developing the Alliance's long-term strategy and approving its annual work programme.
The Policy Advisory Board is composed of eminent urban experts from each region who provide guidance to the Consultative Group on strategic and policy issues. They represent non-governmental and community-based organisations, the private sector, and regional urban programmes.

A small Secretariat based in Washington, D.C., carries out the mandate of the Cities Alliance and manages its operations. The Secretariat screens and evaluates project proposals in accordance with the criteria adopted by the Consultative Group.

**Working with the Cities Alliance**

---

**Proposals**

Proposals for country-specific activities typically originate from local authorities and must be approved by the government of the recipient country. All proposals must be sponsored by at least one member of the Alliance. Guidelines for preparing proposals are available from the Cities Alliance web site at http://www.citiesalliance.org.

**Criteria**

Proposals are evaluated based on the following criteria:
• **Targeting the Objective:** The activity must aim at promoting pro-poor policies, the reduction of urban poverty including promoting the role of women in city development, and directly support scaling up slum upgrading and/or city development strategies.

• **Government Commitment and Approval:** The activity must have government/local authority commitment and approval, to be documented by attachments to the application form.

• **Linkage to Investment Follow-up:** Investment partners must be clearly identified and involved from the beginning in the design of the activity so as to increase the prospects for investment follow-up for implementation.

• **Partnerships:** Proposals for City Development Strategies and scaling-up slum urban upgrading must be conceived as a participatory process with local stakeholders including both the private sector and community organizations. They must include appropriate strategies and actions to ensure participation of, and ownership by, resident communities. Cities will need to be able to demonstrate the nature and extent of participation by relevant stakeholders. The Cities Alliance gives priority to proposals with strong demonstrated ownership and buy-in.

• **Co-financing:** All proposals should include co-financing, combining seed funding from the Cities Alliance with a target of at least 20 percent financing from the cities themselves, as well as from other sources. At least 50 percent co-financing is needed for all proposals requesting over US$250,000 from Core Funds.

• **Coherence of Effort:** Activities should be designed to promote cross-sectoral, inter-divisional, and multi-donor coordination, and to maximize collaboration between the World Bank, the UN system, and other Cities Alliance members.

• **Scaling-up:** The focus is on designing city development strategies and citywide and nationwide upgrading rather than on pilot projects.

• **Institutionalization and replication:** Activities should contribute to the creation of mechanisms that help cities and their national associations institutionalize support for the formulation of city development strategies and citywide and nationwide upgrading so as to facilitate replication in other cities. The Cities Alliance favors proposals that maximize the use of local expertise.

• **Positive Impact on Environment:** Activities supported by the Cities Alliance are expected to achieve significant environmental improvements. These should be clearly stated in each proposal. Any activity in which negative environmental impacts could be anticipated must include an Environmental Impact Assessment and a Mitigation Plan as prior conditions for consideration.
• **Duration:** Special attention will be given to those activities that promise deliverables within well-defined time frames, preferably within 24 months.

### Cities Alliance Members and Contact Information

**Local authorities**

United Cities and Local Governments [formerly International Union of Local Authorities (IULA); World Federation of United Cities (FMCU-UTO); and World Associations of Cities and Local Authorities (WACLAC)]

**Governments**

Brazil, Canada, France, Germany, Italy, Japan, The Netherlands, Norway, Sweden, United Kingdom, United States

**Multi-lateral organizations**

Asian Development Bank (ADB), United Nations Human Settlements Programme (UN-Habitat), United Nations Environment Programme (UNEP), The World Bank

<table>
<thead>
<tr>
<th>Service Contact</th>
<th>Cities Alliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Contact</td>
<td>Susanna R. Henderson</td>
</tr>
<tr>
<td>Phone</td>
<td>+1-202-458-7269</td>
</tr>
<tr>
<td>Fax</td>
<td>+1-202-522-3224</td>
</tr>
<tr>
<td>Room</td>
<td>H 5-122</td>
</tr>
<tr>
<td>Mail Stop</td>
<td>H 5-505</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:info@citiesalliance.org">info@citiesalliance.org</a></td>
</tr>
</tbody>
</table>
Annex 5A: Philippines—Presidential Decree 1517, Urban Land Reform

MALACAÑANG
Manila

PRESIDENTIAL DECREE No. 1517

PROCLAIMING URBAN LAND REFORM IN THE PHILIPPINES AND PROVIDING FOR THE IMPLEMENTING MACHINERY THEREOF

WHEREAS, it is declared objective of the New Society to effect social, economic and political reforms attuned to the establishment of a secure national community and to an improved quality of life for all citizens and for all others who may sojourn our shores;

WHEREAS, the quality of human life in our times is inescapably determined by the relationship among population, resources, the environment, and intelligent policies;

WHEREAS, human settlement is an integrative concept embracing the interdependence of man's environment, human shelters and structures, and the design and organization of human communities consistent with a national framework plan, all for the people's security and well-being.

WHEREAS, land is the ultimate platform of all man's activities, and the crucial factor in determining the shape of human settlements;
WHEREAS, the basic law of the land explicitly provides for the regulation of the acquisition, ownership, use, enjoyment and disposition of private property and for the equitable diffusion of property ownership and profits which includes land and land resources;

WHEREAS, the traditional concept of landownership has aggravated the problem arising from urbanization such as the proliferation of blighted areas and the worsening of the plight of the urban poor and has spawned valid and legitimate grievances in urban centers giving rise to social tension and violent conflicts;

WHEREAS, a social reform objective of the New Society is to renew blighted areas, improve the conditions of the urban poor and resolve and redress legitimate grievances arising therefrom, while at the same providing incentives to progressive landowners and developers who wish to develop their lands in accordance with government plans and programs responsive to community welfare;

NOW, THEREFORE, in the light of the above premises, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree and make as part of the law of the land that:

Section 1. Title. This Act shall be known as the Urban Land Reform Act.

Section 2. Declaration of Policy. It is hereby declared to be the policy of the State a) to liberate our human communities from blight, congestion, and hazard and to promote their development and modernization; b) to bring out the optimum use of land as a national resource for public welfare rather than as a commodity of trade subject to price speculation and indiscriminate use; c) to provide equitable access and opportunity to the use and enjoyment of the fruits of the land; d) to acquire such lands as are necessary to prevent speculative buying of land for public welfare; and e) to maintain and support a vigorous private enterprise system responsive to community requirements in the use and development of urban lands.

Section 3. Definitions. As used in this Decree, the following words and phrases shall have the following meanings and definitions:

a) Development Rights, also known as "new use rights", refers to the right to use and/or develop land and improvements thereon including putting them
to a more intensive use, conversion to a more profitable use, increasing
density and the like.
b) Land Assembly refers to the acquisition of lots varying ownership through,
among others, expropriation or negotiated purchase, for the purpose of
planning and development unrestricted by individual property boundaries.
c) Land Banking refers to the acquisition of land in advance of actual need
for the purpose of acquiring lands at existing use value and disposing of
them in a manner which would influence land price formation and promote
planned development.
d) Land Exchange refers to the process of bartering land for another piece of
land and/or shares of stock of equal value in a government or quasi-govern­
ment corporation.
e) Joint Ventures refers to the commitment, for more than a limited duration,
of funds, land resources, facilities and services by two or more legally sepa­
rate interests, to an enterprise for their mutual benefit.
f) Tenant refers to the rightful occupant of land and its structures, but does not
include those whose presence on the land is merely tolerated and without
the benefit of contract, those who enter the land by force or deceit, or those
whose possession is under litigation.
g) Urban lands refer to the lands which conform to any of the following cri­
teria:

1. In their entirety, all cities and municipalities which have the population
density of at least 1,000 persons per square kilometer and where at least
50 percent of the economically active population are engaged in non-agricultural activities.
2. All barangays comprising the former poblacion or barangays including
a part of the former poblacion of cities or municipalities which have a
population density of greater than 500 but less than 1,000 persons per
square kilometer; and where at least 50 percent of the economically ac­
tive population engaged in non-agricultural activities.
3. All barangays not included in items 1 and 2 above which have a popula­
tion size of at least 1,000 and where at least 50 percent of the economi­
cally active population are engaged in non-agricultural activities.

h) Urbanizable lands refers to sites and land areas which, considering present
characteristics and prevailing conditions, display a marked and high prob­
ability of becoming urban lands within the period of five to ten years.

Section 4. Proclamation of Urban Land Reform Zones. The President shall pro­
cclaim specific parcels of urban and urbanizable lands as Urban land Reform
Zones, otherwise known as Urban Zones for purposes of this Decree, which may include Bagong Lipunan Sites, as defined in P.D. 1396.

Upon proclamation, the Ministry of Human Settlements, hereafter referred to as the Ministry, shall prepare the appropriate development and zoning plans, and formulate the enforcement and implementing guidelines which shall in force and effect upon approval by the President and shall be enforced by the Ministry or its attached agencies.

No urban land can be disposed of or used or constructed on unless its disposition or use conforms with the development and zoning plans of the Ministry, and the approved enforcement and implementation guidelines in accordance with the Official Development Registry System and the Development Use Permit System provided for in Section 13 and 16 of this Decree.

Section 5. Creation of an Urban Land Reform Coordinating Council. An interagency body, to be known as the Urban Land Reform Coordinating Council hereinafter referred to as the Coordinating Council, is hereby constituted. It shall be composed of the Ministers of Human Settlements Agrarian Reform, Finance, Justice, Local Government and Community Development, Industry, National Resources, and the President of the Land Bank; with the Minister of Human Settlements as the Chairman.

The Ministry, in conjunction with the Coordinating Council, shall formulate the general policies and guidelines for the Urban Land Reform Program and its rules and regulations, which shall come into force and effect upon the approval of the President.

Section 6. Land Tenancy in Urban Land Reform Areas. Within the Urban Zones legitimate tenants who have resided on the land for ten years or more who have built their homes on the land and residents who have legally occupied the lands by contract, continuously for the last ten years shall not be dispossessed of the land and shall be allowed the right of first refusal to purchase the same within a reasonable time and at reasonable prices, under terms and conditions to be determined by the Urban Zone Expropriation and Land Management Committee created by Section 8 of this Decree.

Section 7. Acquisition of Residential Lands for Existing Tenants and Residents. In cases where the tenants and residents, referred to in Section 6 of this Decree, are unable to purchase the said lands, the Government shall acquire the land and/or improvements thereon by expropriation or other land acquisition technique provided for under Section 11 of this Decree.
In case of expropriation the Government shall acquire said lands in accordance with the policies of existing law especially Presidential Decree No. 76 as amended by paragraph 3 of Presidential Decree No. 1224 and Section 1 of Presidential Decree No. 1313 as herein amended.

Upon the filing of the petition for expropriation and the deposit in the Philippine National Bank at its main office or any of its branches of the amount equivalent to ten per cent (10%) of the declared assessment value in 1975, the Government, or its authorized agency or entity shall immediately have possession, control and disposition of the real property and the improvements thereon with the power of demolition, if necessary, even pending resolution of the issues that may be raised whether before the Court of First Instance, Court of Agrarian Relations, or the higher Courts.

Section 8. Creation of Urban Zone Expropriation and Land Management Committee. For the purpose of expropriating lands as provided under Section 7, the Ministry is hereby vested with the power of eminent domain.

To assist the Ministry in the exercise of this power, an Urban Zone Expropriation and Land Management Committee, hereinafter referred to as the Committee, shall be created in the city, town or locality or within the Urban Zone, to be composed of members from the relevant government and private sectors designated by the Minister of Human Settlements, with the authorized representative of the Ministry serving as the Chairman.

The Committee shall in addition to the above mentioned function, formulate programs and projects specific to the Urban Zones, specifying among others, the operative procedure for land acquisition and its phasing, and shall recommend to the Coordinating Council the appropriate mode of disposition and other related aspects of land management.

Section 9. Compulsory Declaration of Sale and Pre-emptive Rights. Upon the proclamation by the President of an area as an Urban Land Reform Zone, all landowners tenants and residents thereupon are required to declare to the Ministry any proposal to sell, lease or encumber lands and improvements thereon, including the proposed price, rent or value of encumbrances and secure approval of said proposed transaction.

The Ministry shall have the pre-emptive right to acquire the above mentioned lands and improvements thereon which shall include, but shall not be limited to lands occupied by tenants as provided for in Section 6 of this Decree.
Section 10. **Innovative Land Acquisition Techniques.** The Ministry and/or its appropriate attached agency is hereby authorized to utilize any innovative land acquisition techniques as an alternative to land purchase and expropriation for the purpose of acquiring lands within the proclaimed ULRZS and/or Bagong Lipunan sites, including land assembly, land banking, land exchange land consolidation and readjustment and joint venture arrangements.

Section 11. **Land Valuation.** The Ministry of Finance shall develop and utilize new valuation techniques and assessment classification levels appropriate to the innovative acquisition techniques and tax system provided for in this Decree.

Section 12. **Official Development Registry.** To provide the basis for decisions of the Ministry with regard to land acquisition, exercise of pre-emptive rights under Section 9 of this Decree and disposition of lands, and to regulate transactions affecting land, the Ministry, through the Human Settlements Regulatory Commission, shall undertake on a continuing basis in every proclaimed Urban Zone, registration of existing land rights and interests, and development proposals of public and private entities through the establishment of an Official Development Registry.

The Registry shall contain, among others, information on detailed boundaries, of lands, titles to said lands and intent to acquire and/or develop specific parcels of land, which information shall be furnished by the holders of land rights and interested developers.

Section 13. **Role of the Bureau of Lands and the Land Registration Commission.** The Bureau of Lands and the Land Registration Commission shall provide the Ministry with the cadastral maps and other information entered into the Development Registry.

The Land Registration Commission, shall prior to registration of any transactions affecting properties in the Urban Zones, first secure clearance from the Ministry.

Section 14. **Land Disposition.** The Government shall adopt, as a general policy, a combination of land disposition techniques within the Urban Land Reform Zones.

The Ministry is hereby authorized to utilize innovative land disposition techniques in Urban Zones and/or Bagong Lipunan sites, including neighborhood ownership, residential freeholds subject to improvement conditions and the reservation of development rights, and tenure in improvements separate from tenure in
land. For this purpose, the Human Settlements Development Corporation create under P.D. 1396 as the corporate arm of the Ministry shall, notwithstanding the prohibition contained in Section 7(e) of P.D. 1396 be authorized to dispose of lands in any of them manner provided for in this Section.

The Ministry, in consultation with the Coordinating Council, shall determine the appropriate land disposition schemes for each Urban Zones.

Section 15. Development Use Permit System for Urban Land Reform Areas. A comprehensive development use permit system is hereby established in proclaimed Urban Zones and/or Bagong Lipunan sites which shall govern the development of lands within said areas.

Under this system, no development of lands, including its use, alteration and construction thereon shall take place without the corresponding Development Use Permit being issued by the Ministry, through the Human Settlements Regulatory Commission.

Section 16. Taxation. Within designated Urban Zones and/or Bagong Lipunan sites, the government shall implement a taxation system in support of the basic policies underlying the urban land reform program.

For these purpose, the Ministry of Natural Resources and the Ministry of Finance shall conduct an inventory, assessment of idle lands throughout the Philippines, with priority given to Urban Zones.

Section 17. Land Development Financing. To ensure and encourage private participation in land development and management activities the Ministry, with the appropriate public and private agencies, shall develop and recommend for the President's approval appropriate programs which shall mobilize land development funds from private individual group sources, government financial institution, joint public-private ventures, and private financial institutions.

Section 18. Land Development Accounting. The Ministry shall, where deemed necessary, institute a Land Development Accounting System for Urban Zones and designated Bagong Lipunan sites, which shall constitute a record of market transactions and revenues related to Government land acquisition, development and management activities.

Section 19. Public Hearings. The Ministry through the Human Settlements Regulatory Commission shall, upon proclamation of Urban Zones, conduct public hearings in order to allow the persons affected by said proclamation
and related acts, to present their views grievances and recommendations to the Ministry.

Section 20. Administrative Fines. Any violation of any provisions of this Decree or any of the rules or regulations issued thereunder shall be subject to the fines not exceeding ten thousand pesos (P10,000) to be imposed by the Ministry through the Human Settlements Regulatory Commission.

Section 21. Penal Provisions. Any person, firm or corporation who shall violate the provisions of this Decree and/or any rules or regulations issued thereunder shall, upon conviction, be punished by a fine of not more than twenty thousand pesos (P20,000) and/or imprisonment of not more than ten years or both at the discretion of the court, Provided that in the case of a corporation, firm, partnership, or association, the penalty shall be imposed upon its officials for such violation, and in case the guilty party is an alien, he shall immediately be deported after payment of the fine and serving the imprisonment.

Provided further, that every day that the violation shall be carried on or permitted to be carried on shall be considered as a separate offense.

Section 22. Repealing Clause. All laws, decrees, executive orders, rules and regulations inconsistent herewith are hereby repealed, amended or modified accordingly.

Section 23. Separability Clause. If, for any reasons, any section or provision of the Decree is hereby declared to be unconstitutional or invalid, the other provisions hereof not affected shall continue in full force and effect.

Section 24. Effectivity. This Decree shall take effect immediately.

Done in the City of Manila, this 11th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

Annex 5B: Land Valuation Methodology in the Philippines

To: All Regional Directors for Local Government Finance;
Commissioner for Finance of the Metropolitan Manila Commission;
Provincial, City and Municipal Assessors and Treasurers.

Subject: Guidelines in the determination of the market value of lands in blighted areas.

For the purpose of the determination of the market value of lands in blighted areas and in conformity with the provisions of Section 11 of Presidential Decree Number 1617 entitled “Proclaiming Urban Land Reform in the Philippines”, the following rules and regulations are hereby prescribed for the guidance of all concerned.

RULE 1: The definitions of terms adopted in these Assessment tabulations are as follows:

a) “Blighted Area”—A low income residential area officially designated as one or more of the following:

i) a project under the nationwide Slum Improvement and Resettlement Program instituted, adopted and implemented according to the provisions of Letters of Instruction Numbers 555 and 557 as amended by Letter of instructions Number 686;

ii) a project under the Zonal Improvement Program for Metropolitan Manila established according to the provisions of Executive Order Number 617 of the Metropolitan Manila Commission;
iii) an Area for Priority Development and Urban Land Reform Zone identified under Presidential Proclamation Number 1967 in conformity with the provisions of Presidential Decree Number 1517; and

iv) any other area which as a result of an inadequate provision of basic services, poor environmental conditions and unresolved problems of land tenure has been identified and agreed upon by the Ministry of Human Settlements, the National Housing Authority, the concerned local governments and if in the National Capital Region, the Metropolitan Manila Commission as an appropriate site for upgrading under the national Urban Bliss Level 1 program.

b) “Gross Area”—Total area of land within the defined boundary lines of the blighted area.

c) “Saleable Area”—Total area of land within the blighted area to be sold or leased to any public or private individual or organization. It comprises the total land area of all residential, commercial and industrial plots and land used for schools, health facilities, religious buildings, and security and civic facilities, but excludes the land used for roads, footpath, drainage lines, river easements, and public open space.

d) “Unit Development Costs”—Total cost of development of physical and social infrastructure within the blighted area to a standard similar to that of a low income residential subdivision divided by the saleable area in square meters of the subject site. Development costs comprise:

i) Off Site Works—Costs related to infrastructure outside the project site boundary, necessary to connect the site to existing facilities. Includes water main, roads, sewer and drainage outfalls.

ii) On Site Development—Costs related to site preparation, land reclamation, topographical survey, roads/footpaths, drainage, sewerage reticulation, street lighting, water supply, landscaping, open space development within the project site, lot surveying and documenting and moving of houses but only including works undertaken up to the individual plot boundaries. It does not include costs related to development within the individual plot boundaries nor those related to land reclamation or fill.

iii) Land Reclamation or Fill—Costs incurred in the process of filling low lying areas which may be subject to inundation through storm water, tidal or river action.

iv) Community Facilities—Costs incurred in the construction of Barangay Centers, Day Care Centers, Health Clinics, Schools, Building necessary to administer the project and Basketball Courts, and includes necessary sanitary and drainage facilities and water service connection from tile meter.
All cost components shall include the costs of labor, materials, and equipment used in the design and supervision of the project including the cost of field testing, and all other costs incurred for and during the inception and preliminary planning of the project.

The market value of the subject land shall be determined in accordance with the following formula:

a) Market value of land in the blighted

i) Unit market value of saleable land AND
   Unit market value of saleable land in the subject area multiplied by total saleable area
   Unit market value of serviced low income residential plots in the locality less unit development cost.

ii) UNIT DEVELOPMENT COST is the sum of the estimated unit costs of any and/or all of the components as listed below

a) According to the need for such development within the blighted area and the location of the said area. Component Off Site Works On Site Development Land Reclamation Community Facilities. Unit Development Costs (P per sq. m.) Metropolitan Blighted Area Blighted Area outside Metropolitan Manila

b) The “unit development costs” shall be inflated once a year commencing January 1985. Any resulting amendments to the “unit costs” presented in Rule 2. Section (ii) of these regulations shall be reported to all concerned personnel through a circular of the Ministry of Finance issued in January of each year.

c) The unit market value of serviced low income residential lands in the locality shall be determined by means of a comparative analysis of sales data of similarly developed lands in the locality.

For the purpose of clarity and reference a sample computation in the application of Rule 1 is provided as annex A.

RULE 4: The market value of lands in all blighted areas shall be determined within a period not greater than six months from the date of signing of these Regulations.

RULE 5: Repealing clause—All existing orders, rules, regulations, circulars, and other issuances of this Ministry which are contrary to, or inconsistent with this Regulations are hereby repealed or modified accordingly.
RULE 6: Effectivity—This Regulations shall take effect immediately. All Provincial Assessors and Treasurers are hereby directed to transmit the contents hereof to all Deputy Provincial and Municipal Assessors and Treasurers under their respective jurisdiction for their guidance and strict compliance.
Annex 6: Community-driven Urban Development (CDD)

<table>
<thead>
<tr>
<th>Issues and challenges with CDD</th>
<th>Proposed response in sector and project work</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political environment and ideology</strong></td>
<td><strong>Proposed response in sector and project work</strong></td>
</tr>
<tr>
<td>• Participation used as control/mobilization by autocratic governments</td>
<td>• Identify key political features, develop high-level commitment to CDD as non-political activity, try in test areas</td>
</tr>
<tr>
<td>• Community fragmented by opportunistic politicians in democratic governments</td>
<td>• Avoid political based CBOs, establish procedures for inclusion of all relevant sub-groups</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dysfunctional government-community relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lack of guidance from central to local government</td>
</tr>
<tr>
<td>• Bureaucratic orientation by LGs, no orientation to CDD</td>
</tr>
<tr>
<td>• Government neglect of community priorities, uneasy relations</td>
</tr>
<tr>
<td>• Community’s lack of trust in government from past experiences</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Community structure, attitudes to development</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Social &amp; religious divisions impede participation and communication within community &amp; outside.</td>
</tr>
<tr>
<td>• Suppression of minorities, including women.</td>
</tr>
<tr>
<td>• Temporary &amp; fluid structure (esp. in urban areas)</td>
</tr>
<tr>
<td>• Authoritarian community Leaders.</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
## Issues and challenges with CDD

<table>
<thead>
<tr>
<th>Proposed response in sector and project work</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Donors (with special reference to the World Bank)</strong></td>
</tr>
<tr>
<td>• Weak &amp; confused policy regarding CDD</td>
</tr>
<tr>
<td>• Inadequate knowledge of CDD approaches in specific countries.</td>
</tr>
<tr>
<td>• Limited understanding on the part of staff on CDD approach and the roles of LG's &amp; NGOs.</td>
</tr>
<tr>
<td>• Application of CDD approach not systematic in PBP sectors.</td>
</tr>
<tr>
<td>• No incentives for staff to use CDD approaches.</td>
</tr>
<tr>
<td>• Project cycle not attuned to CDD requirements.</td>
</tr>
<tr>
<td>• Over-reliance on written reports and in-field consultants, inadequate reality checks by staff.</td>
</tr>
<tr>
<td>• Rigid, preconceived sector approach to projects inhibits community motivation, reduces field effectiveness.</td>
</tr>
<tr>
<td>• Bank loan size &amp; rigid financial master planning inhibits CDD.</td>
</tr>
<tr>
<td>• Excess use of traditional engineering consultants with no CD experience reinforces technocratic approach, marginalizes CD</td>
</tr>
<tr>
<td>• Political agenda of some NGOs undermines CD</td>
</tr>
<tr>
<td>• Inexperienced/opportunistic NGOs</td>
</tr>
<tr>
<td>• Uncooperative/hostile building contractors' attitudes to community.</td>
</tr>
<tr>
<td>• Contractors exclude recipient community as source of labor &amp; materials.</td>
</tr>
<tr>
<td>• Establish broad guidance, avoid detailed prescriptions.</td>
</tr>
<tr>
<td>• Sectoral work on CBOs, NGOs, LG &amp; establish information base for rapid use by staff.</td>
</tr>
<tr>
<td>• Network among staff and with other aid agencies more experienced in this field.</td>
</tr>
<tr>
<td>• Hire/assign staff with experience, commitment &amp; style in community/LG work at central and field offices (background less important).</td>
</tr>
<tr>
<td>• Responsibility for project preparation should be fixed on local implementation group (LG/CBO)/intermediary not on consultants.</td>
</tr>
<tr>
<td>• Orient &amp; train all staff in CDD approaches, methods.</td>
</tr>
<tr>
<td>• Ensure staff continuity from prep. through supervision.</td>
</tr>
<tr>
<td>• Identify at early stage which projects require a CDD, adjust project cycle staff/prep. coefficients.</td>
</tr>
<tr>
<td>• Limit engineering consult to: (i) physical scoping &amp; options; (ii) technical advice/contract documentation; and (iii) supervision. CBOs to lead dev. process and sequence.</td>
</tr>
<tr>
<td>• Assessment of NGOs (across sectors). Develop qualification criteria. Use those closest to community.</td>
</tr>
<tr>
<td>• Train, orient NGOs on participatory tools; skills, training, technical independent monitoring of NGO performance.</td>
</tr>
<tr>
<td>• Contractor orientation.</td>
</tr>
<tr>
<td>• Include community resources in contractor bidding criteria.</td>
</tr>
<tr>
<td>• Monitoring role for community organizations.</td>
</tr>
</tbody>
</table>

### In general:

1. Extend project preparation. CDD to lead technical aspects not be a tack-on. Use phased (test) approach in field.
2. Avoid requirements for sophisticated packaging.
3. Establish ways to measure effectiveness of CDD.
4. Simplify contracting/disbursement arrangements (use more SOEs, encourage community contracting).
5. Experiment with more community-led definition of project components & sectors.
6. Diversify lending products. Use smaller loans, develop “community funds,” “local initiatives funds,” allow adjustment in project scope and definition during implementation.
Annex 7: The LED Program

The Local Economic Development (LED) Program typically follows a development process for carrying out interventions which serves as a guide, and depending on the local context, should be flexible and seen as a continuous process. See details below.

1. Start-up initiation activities and consensus building
2. Territorial diagnosis (including poverty and institutional mapping)
3. Sensitizing and promotion of a local forum
4. Design of a LED strategy and action plan
5. Implementation of LED interventions and services
6. Feedback, monitoring and evaluation, and sustainability

LED Development Process (cycle of activities):

1. *Start-up initiation activities and consensus building:* The objective of the phase is identify stakeholders, initiate activities an agreement on a LED framework and promotion
2. *Territorial diagnosis and institutional mapping:* The objective of this phase is to start and agree on basic framework, and acquire knowledge about the local economy and its existing resources. It comprises a preliminary analysis of the major socio-economic and political data of the territory. The institutional mapping process focuses on the objectives and activities of the different local stakeholders and the dynamics among them.
3. *Sensitizing, promoting a local forum and entry point activities:* The objective of this phase is to generate participation and social dialogue and where
local actors begin to assume ownership of the development process through a local forum, composed of the most important local stakeholders. Its responsibilities include: the formulation of the LED strategy; the coordination of the local resources; knowledge sharing, and ensuring the transparency of the LED process. They are brought into the decision-making process through a series of entry point activities such as workshops, presentations, and study and/or exchange visits. Bringing the actors together enable participants to share their knowledge of the local environment and local needs and to respond to different risks (such as poverty, unemployment, social exclusion, child labor, natural disasters, etc.).

4. **Designing a LED strategy and action planning. Promotion of a local forum:** The objective of this phase is for the local stakeholders to carry out a SWOT (strengths, weaknesses, opportunities, and threats) analysis, based on the results of the “Territorial analysis and institutional mapping” exercise. The LED strategy outlines the vision, objectives, and action plan in the long, medium, and short terms. The action plan, including financing, provides concrete suggestions regarding specific activities (policies and projects) and tools through which the local stakeholders can reach their common development objectives, including agreement on indicators, monitoring, and evaluation and feedback.

5. **Implementation of LED intervention and services:** This objective requires the local stakeholders to carry out specific LED activities, ranging from small business development services, finance and credit linkages, skill and capacity development through cooperatives, entrepreneurial organizations, and employment intensive investments works, to social security, schemes, including promotion of rights and specialized interventions (children, gender, youth), and continuous feedback mechanisms.

6. **Feedback, monitoring and evaluation, and sustainability of LED interventions:** The objective of this phase is to establish continuous feedback mechanisms and sustainability of LED operations.
“When dwellers control the major decisions and are free to make their own contributions in the design, construction, or management of their housing, both this process and the environment produced stimulates individual and social being. When people have no control over nor responsibility for key decisions in the housing process, on the other hand, dwelling environments may instead become a barrier to personal fulfillment and a burden on the economy.”

— John F.C. Turner
Hastings, October 2006