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Preface

This approach paper is prepared as part of the Inclusive Cities Programmatic Approach, a multi-year initiative launched by the Social, Urban, Rural and Resilience Global Practice (GSURR) in October 2013. In line with the World Bank's twin goals of ending extreme poverty and boosting shared prosperity, the programmatic approach aims to assist the Bank, development partners, and client countries to identify and design more effective policies and programs for promoting inclusive city development. Various activities planned under the initiative include: preparation of topical background notes; internal consultations; knowledge exchange events; dialogue with practitioners, academics, clients, etc.; and finally, preparation of an approach paper aimed at providing operational guidance to Bank staff.

The approach paper primarily targets an internal audience with an aim to guide Bank staff to initiate dialogues, promote further analyses and support operations in the direction of a multi-dimensional approach to inclusive cities. While the paper attempts to provide a frame that guides the Bank's approach and shape Bank operations to promote inclusive cities, it is not an attempt to provide new definitions or an analytical foundation. Rather, it draws from existing strong analytical foundations: the World Development Reports on Equity and Development (2006), Reshaping Economic Geography (2009), Gender Equality and Development (2012), Jobs (2013); the Urban and Local Government Strategy (2009); the flagship report prepared by the former Social Development Global Unit 'Inclusion Matters – the foundation for shared prosperity' (2013); and Strategic Framework for Mainstreaming Citizen Engagement in World Bank Group Operations (2015). Additionally, four background notes were commissioned under the Inclusive Cities Programmatic Approach which also influenced the paper: i) Access to affordable land and housing, infrastructure, basic services; ii) Economic opportunities for all; iii) Engagement of excluded groups in inclusive cities; and iv) Lessons learnt from Brazil's experience. The paper also benefitted from consultations and discussions with Bank staff as well as external stakeholders, including two workshops organized in January 2014 and March 2015 respectively. The approach paper concludes with an update on ongoing activities and the proposed next steps.

Chapter 1: Background: Approaches, Concepts and Experiences

1.1 *With more than half the world's population now living in urban areas, cities are on the critical path for attaining the Bank's twin goals of ending extreme poverty and promoting shared prosperity:*

High urban densities reduce transaction costs, make public spending on infrastructure and services more economically viable, and facilitate generation and diffusion of knowledge, all of which are important factors for growth. Today, cities contribute more than 70-80% of global GDP. Hand in hand with economic growth and prosperity, urbanization has often helped reduce overall poverty by providing new opportunities and raising incomes.

1.2 *Benefits of urbanization are not equitably distributed:* While urbanization has been recognized as a powerful force in support of economic growth and poverty reduction, it is equally true that poverty is rapidly urbanizing as more and more people moving to cities. Furthermore, most of the increase in urban population is taking place in Africa and Asia, regions that are home to some of the poorest countries in the world (UN 2014). Service provision in urban areas has not kept up with rapid urbanization. Due to lack of affordable and serviced land in locations that offer easy access to income-earning opportunities, increasingly the urban poor have to resort to informal settlements with inadequate services. Lack of access, rights and opportunities for the excluded have exacerbated incidents of social upheaval in cities. Rising inequality and resulting incidents of crime and violence, call for higher attention to inclusion in urban areas.

1.3 *Forms and manifestations of spatial, social and economic exclusion in urban areas are multiple:* High disparities are manifested in terms of spatial, social and economic exclusion in urban areas. The spatial dimension of exclusion deals with geographic segregation, the social dimension deals with discrimination, and the economic dimension deals with lack of access to opportunities (Annex 1: Exclusion in Urban Areas).

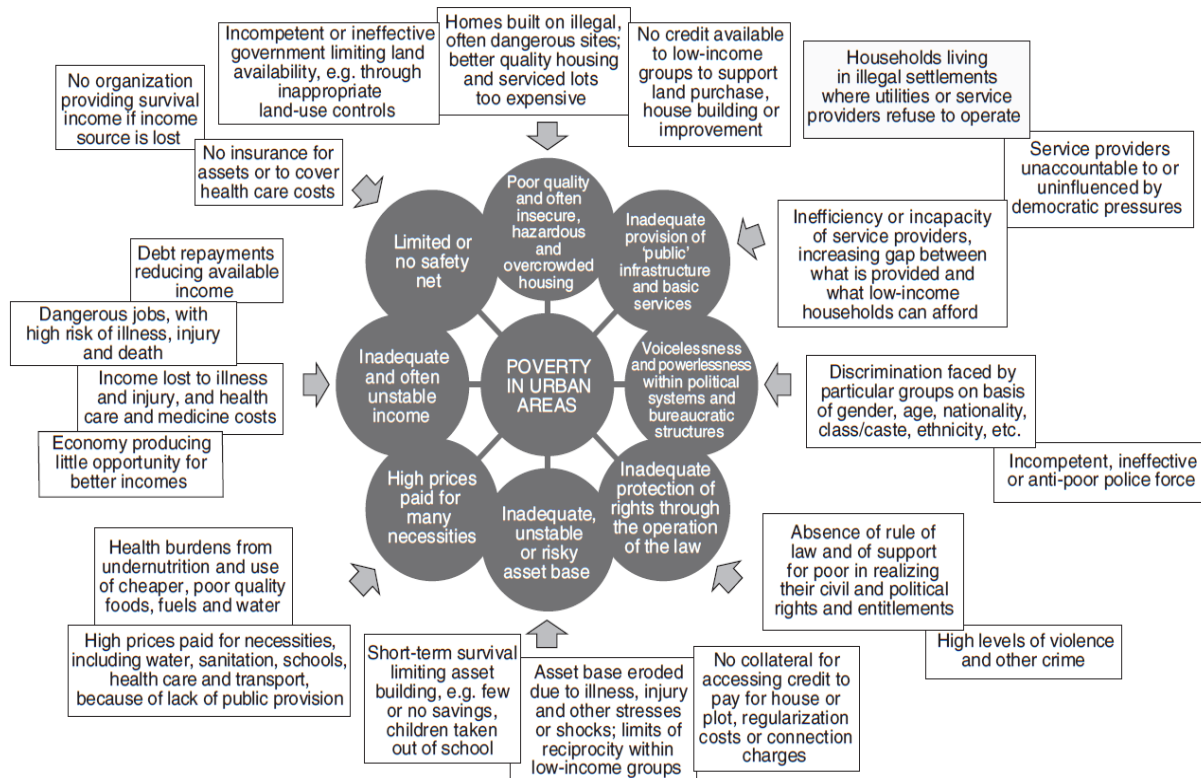
1.3.1 Spatial segregation results from low-income households clustering together in spatially informal and/or remote areas. Among others, restrictive and exclusionary land use regulations, lengthy and expensive administrative processes for land development, lack of land regularization and titling mechanisms, and corrupt practices of land conversion have led to high prices of land and informal occupation. As a result, in cities of developing countries, the urban poor often settle on land exposed to natural and man-made hazards such as garbage dumps and polluted sites due to their proximity to opportunities for economic growth. Additionally, due to non-availability of affordable land and restrictive building regulations, housing remains out of reach for many and informal settlements form. Slums and informal settlements are a common sight today with nearly one in every three urban residents in the developing world – or a total of one billion people - living in slums (UN Habitat 2014). Infrastructure provision in these marginal locations is highly inadequate. Lack of water, sanitation and other basic services lead to deterioration of the urban environment and pose public health risks.

1.3.2 Social exclusion and marginalization on the basis of socio-economic status, gender, age, caste, ethnicity, and other categories often pose particular difficulties in gaining and securing access, rights,

and opportunities in urban areas. For example, women may face discrimination within their household, within the labor market and in regard to access to services. In some countries, migrants in urban areas and displaced persons settling in cities may be denied the ability to access public services, while also sharing many of the same challenges as the urban poor – i.e., informal settlement, poor living conditions, lack of economic opportunities, and social marginalization. People who are displaced due to conflicts or disasters may also face additional constraints such as legal status, trauma, loss of assets and jobs, and social tensions, to name a few. In the case of displacement, even though it is usually a long-term or even permanent condition in urban areas, issues related to displaced population are rarely factored into urban planning.

1.3.3 As a result of the lack of opportunities as well as spatial and skills mismatch, most of the marginalized population often ends up in low-paying or informal jobs that do not provide a dependable stream of income and are often characterized by precarious working conditions (World Bank 2009b). Lack of a formal address or identity may preclude access to formal jobs while lack of education and poor health can also restrict access to higher-paying jobs. Additionally, unaffordable transit fares and disconnect from the public transportation network further suppresses access to economic opportunities. Very low incomes and multiple necessary expenditures mean that individuals and households have a very limited capacity to save or invest, and there is little ability to withstand shocks. Access to finance is problematic as credit unions and micro-finance initiatives may require regular monthly payments which is particularly difficult for those employed informally. Exclusion from both market and state opportunities make the excluded more and more vulnerable.

Figure 1. Deprivations associated with urban poverty and their immediate external causes



Source: (Mitlin and Satterthwaite 2013)

1.4 Exclusion and rising inequalities come with significant externalities: Growing social distance between the decision makers and the marginalized population may lead to failure to sufficiently represent different interests, adversely affecting democratic processes. Policies that are not sensitive to the needs of the excluded population often fail to adequately provide basic services, which in turn hampers the chances of closing the social, spatial and economic gap. The lack of participatory processes in decision making undermines inclusive growth. Lack of opportunities for voice and redress can lead to social tension and instability, which may also have direct impact on the investment climate and economic growth opportunities. Without an active approach to empower the communities to advocate for their interests and provide incentives for the local authorities to increase their responsiveness to the communities' needs, inclusive strategies often fall short of promoting embedded and sustainable integration of marginalized population.

1.5 Lessons from past experiences indicate the need for an integrated approach: Even though the aforementioned arguments speak of the complexity of lack of inclusion in urban areas, programs and policies aimed at inclusion often target spatial issues such as housing deficit, supply of land and provision of services. The evolution and implementation of these approaches highlight many important lessons, which are described in Annex 2: Past Approaches and Experiences.

1.5.1 The Initial response to proliferating slums in many cities was large scale evictions. Yet, due to the non-availability of affordable housing options and proximity to economic opportunities, more and more people moved to slums. Mass public housing projects were undertaken as a response to housing deficit. However, the upfront cost of providing public housing that meets the demand of an increasing population scale is prohibitively expensive. Due to this, these houses were often located on cheap land on the periphery of the city with low quality construction and compromised standards in order to curb costs. This exacerbated spatial segregation and failed to meet the demand of the urban poor.

1.5.2 As mass social housing was realized to be a cost intensive endeavor, a 'sites and services' approach aimed to provide serviced land, considering that people would build on these plots themselves. In most cases, serviced land was provided in unfavorable locations. Moreover, serviced land also meant higher land prices, making it difficult for the urban poor to pay the rent. Additionally, it was often politically challenging for city leaders to justify investment in infrastructure for people who have not yet arrived, when many current residents lack infrastructure. As a result, the sites and services programs yielded mixed outcomes. One alternative was incremental housing programs, which provided access to serviced land and a minimum core unit, requiring the residents to build and expand on their own according to the set standards. These approaches required fewer initial resources from government, as they leverage private and community resources. More recently, affordable housing approaches have been focusing access to different types of solutions to suit the demands of people, rather than constructing finished low cost housing units. All these approaches aimed at addressing spatial inclusion are narrowly targeted at peoples' housing needs and often fail to address inclusion at scale.

1.5.3 Slum upgrading has been the preferred approach for the last two-three decades. Slum upgrading projects entail improving the living conditions of slum dwellers *in situ*. The scope of slum upgrading programs varies from neighborhood-level projects to city-wide slum upgrading and national programs. Early slum-upgrading projects tended to be confined to improvement of housing and physical infrastructure. With time, slum upgrading has started to pay attention to community involvement, governance, legal status of the households' title, and environmental safety (Annex 3- abridged history of slum upgrading). More recently, secure land tenure has been considered as an enabling factor for housing investment and economic growth. While the results of increased investment in housing due to security of tenure are not yet confirmed, security of tenure is also seen to be a source of identity, status and political recognition that can serve as a basis for acquisition of other rights and services.

1.5.4 Increasingly, community participation is being considered as a significant factor in achieving inclusion, through involvement of the community in development processes, governance, and decision making. Community driven development approaches that promote co-production of public goods and services have been a means to mobilize both public agents and private citizens. Engagement of the community has often included participation during planning and implementation, and in certain instances the community has taken control over planning and resources handling as well. Most recently, rights-based approaches to inclusion have attempted to fundamentally change exclusionary and inequitable practices. In urban contexts, rights-based approaches have been particularly notable for securing land tenure, access to basic services, and access to trading spaces (World Bank 2014d).

1.5.5 While there has been a wide recognition of participation and protection of rights of the marginalized communities as important factors to achieve inclusion, the efforts to involve and engage with the marginalized communities have been scattered and ad-hoc. Similarly, apart from livelihood and vocational training components attached to the slum upgrading and housing projects, there has not been evidence of incorporating economic inclusion as an important factor to promote inclusive cities. Some of the tested approaches to promote economic inclusion such as access to financial markets through savings and loan facilities, support by housing markets with shelter micro-finance, and support for enterprise development with micro-credits, are often implemented at national level. These types of approaches need to be appropriately connected to local urban initiatives like slum upgrading and infrastructure upgrading as well as interventions targeted at social inclusion in order to be more impactful when implemented.

1.6 *A review¹ of the World Bank's recently closed lending projects for slum upgrading (Annex 4):* A review of World Bank financed projects aimed at slum upgrading was carried out. It revealed that slum

¹ The review was conducted for 19 projects, which were filtered from the pool of housing projects between 2000 and 2014. The filtering process was as follows: 1) Urban Sector Board Projects with approval year between 2000 and 2014 under theme and sector codes 71, 74, 101, 102, FC, YC (Urban services and housing for the poor, Other urban development, Urban planning and housing policy, City-wide infrastructure and service delivery, Housing finance, and Housing construction); 2) projects with housing components that were identified under 6 categories – housing finance, sites and services, housing policy, green building, disaster relief, and slum upgrading; and finally 3) closed projects with housing components under the slum upgrading category.

upgrading is dominated by physical improvements, without accompanying investment in improving the level of social development in the households or in the community as a whole. Even less frequent is a project element directly aimed at enhancing economic livelihoods. In most cases, social-related investments are largely for launching awareness-raising campaigns and economic-related investments are about weaving in a channel to provide microcredits and small grants. The average investment size of social and economic interventions is quite limited and could be scaled up for leveraging greater impact.

1.7 *The spatial, social, and economic dimensions are all intertwined:* The aforementioned lessons from the past policies/programs point to the shortcomings arising from acting on one dimension of inclusion while ignoring others. The spatial dimension of inclusion cannot be separated from economic and social dimensions since it is usually socially and economically marginalized groups that inhabit physically deprived spaces. Efforts to improve the living conditions of the slum dwellers by providing basic services have had limited impact on social inclusion at the city scale. As highlighted in the WDR 2009, spatially focused interventions for improving slums are unlikely to be enough for social integration, unless accompanied by institutional and complementary reforms (World Bank 2009a). Similarly, the World Bank's Urban and Local Government Strategy (World Bank 2009b) establishes that narrowly focused neighborhood slum upgrading interventions, while generally effective, have fallen short of addressing the magnitude and scope of expanding informality and slums. It is clear that without considering social and economic dimensions, interventions confined only to seaming spatial disparities have not yielded desired results. The following sections of the paper explore the multi-dimensional approach to inclusive cities and ways to mainstream the approach in Bank's operations.

Chapter 2: Inclusive Cities: A multi-dimensional approach

2.1 Putting the pieces of the puzzle together – strengthening approaches to inclusive

cities: Inclusion requires access to affordable necessities, such as housing and services, which often present a crushing burden to many disadvantaged households. But, inclusion also clearly demands access to good jobs and opportunities (to build assets and wealth) as well as equal rights and participation of all, including the most marginalized. The paper, therefore, argues for an integrated multi-dimensional approach that moves beyond brick-and-mortar interventions and includes all three dimensions related to inclusive interventions –spatial, social and economic, in a single framework (Figure 1):

- Spatial Dimension: Access to land, housing and infrastructure
- Social Dimension: Rights and participation
- Economic Dimension: Opportunities for all

2.1.1 The spatial dimension is a cornerstone of inclusion in urban areas. Spatial approaches generally focus on equal access to housing, infrastructure and basic public services lumped together under the title of ‘upgrading the quality of the living environment’. Urban land underpins all spatial issues and access to land is a fundamental factor to foster inclusion. Land tenure, land use planning, and land based financing are some of the tools that could help in achieving inclusion. Similarly, housing and infrastructure provision also has a role in ensuring inclusion, in addition to its importance for economic growth. While services such as water and sanitation are important for ensuring public health, services such as transport are also important due to their impact on mobility, asset building and the community’s image.

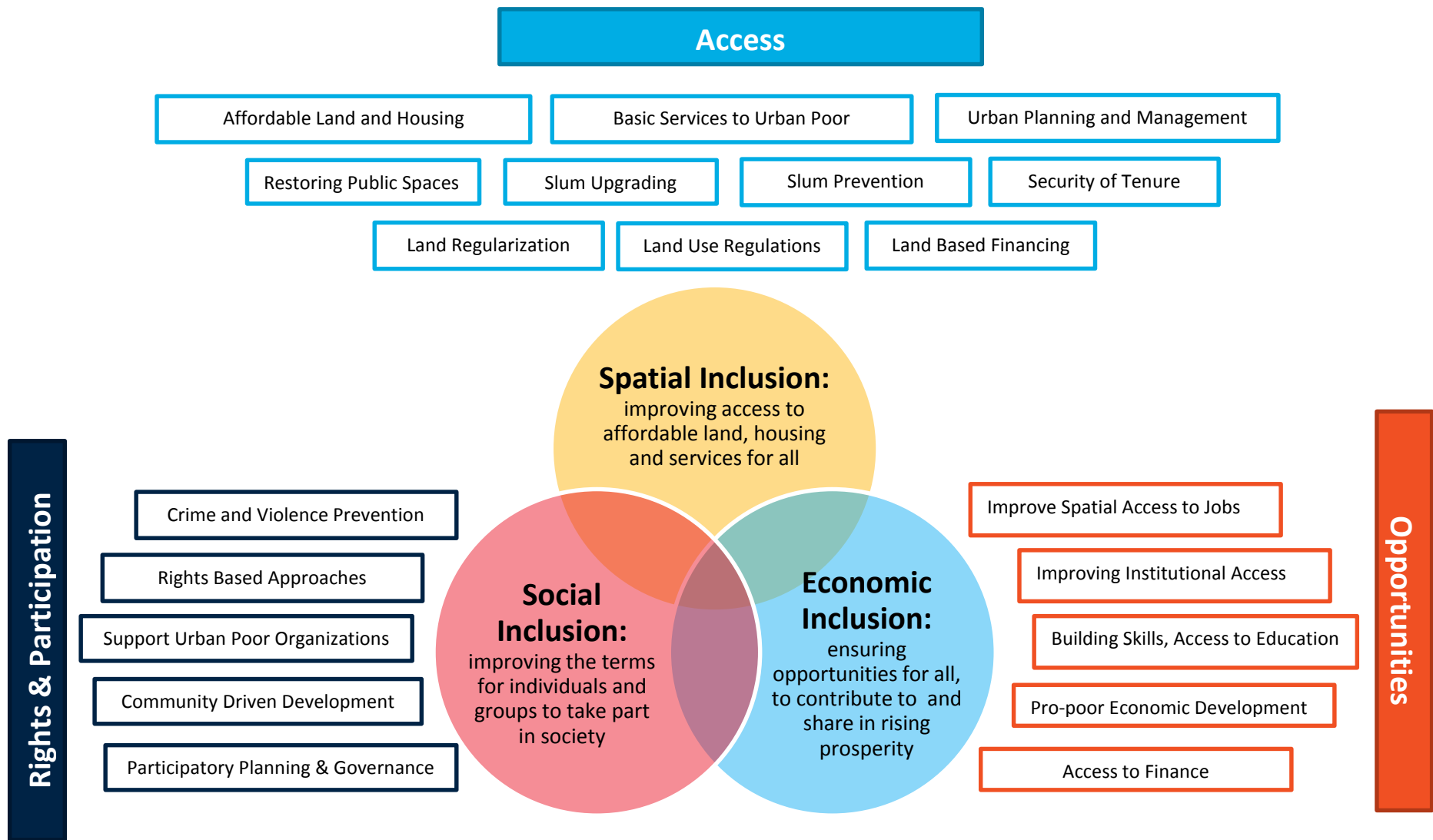
2.1.2 The social dimension relates to fundamental principles of rights, dignity, equity and security. The social development flagship report ‘Inclusion Matters – the foundation for shared prosperity’, defines social inclusion as the process of improving terms for individuals and groups to take part in society (World Bank 2013a). Prejudice and discrimination embody cultural behavior patterns (ethnic, religious and customary) that are deeply rooted and hence difficult to overcome. ‘Inclusion Matters’ recommends enhancing social inclusion by improving ability, opportunity and dignity. In an urban context, this can be done through recognizing and securing collective and individual rights of citizens (rights to the city, right to housing, right to sanitation), ensuring participation of all in development and decision making, and enhancing safety and security. The most important factor is to recognize the role of the marginalized and work together with them in order to achieve inclusion.

2.1.3 The economic dimension of inclusion involves economic opportunities for all. It relates to the ability of all, including the most marginalized, to contribute to the economy and also to share in the benefits of economic growth. Underpinning factors are the state of the local economy; skills and access to education and training; and availability of non-collateralized credit and microfinance. Incorporation of pro-poor interventions in local economic development strategies will promote economic inclusion. Recognition and integration of informal economy also boosts inclusion since the real status of the

economy can be assessed and better managed as a result. Additionally, provision of formal practices protects the marginalized from high prices and low-standards. Skill-building, ensuring access to education and extending access to finance also open up new opportunities for the excluded in the economic dimension.

2.1.4 All the three dimensions - spatial, social and economic - are interlinked. As a result of the interlinkages between the different dimensions, interventions in a given dimension will inevitably have consequences on the other ones. For example, provision of affordable transport services will result in better access to jobs and opportunities. Extending economic opportunities to the excluded will result in their increased capacity to access shelter and services. Access to shelter, services and opportunities will result in increased participation of the excluded in development and decision making. The multidimensional web of interconnected factors, thus, can become mutually reinforcing. On a negative path, these factors interact to trap people in a stigmatized space of poverty and marginalization. Working in the opposite direction, they can lift people out of exclusion. The chart below shows how spatial, social and economic aspects of inclusion are interlinked and what kind of interventions could be helpful to achieve these three aspects of inclusion.

Figure 2. Multi-Dimensional Approach to Inclusive Cities: interventions aimed at inclusion in each dimension



2.2 *A path towards inclusive cities needs constant and concerted efforts from various*

actors: Most international organizations have championed the cause of 'Inclusion'. Some national governments have recognized the issue and are actively working on inclusion in urban areas at the federal level, while some local governments are also seeking to make their cities more inclusive. In some cases, activism by NGOs and communities has been instrumental in prompting actions at both national and local levels. Civil society is also essential in creating inclusive cities through their ability to work directly with communities. The following section discusses the roles of various actors in promoting inclusion.

2.2.1 International commitment to inclusive development International agencies play a critical role in generating awareness and encouraging governments to commit to addressing the issue of lack of inclusion. The World Bank's twin goals – ending extreme poverty and ending and promoting shared prosperity – aim to create an inclusive society, not only in terms of economic welfare but also in terms of the voice and empowerment of all groups. The goals emphasize participation of all groups in society, including traditionally marginalized groups, such as ethnic minorities and indigenous populations, in decision-making processes (World Bank 2013c).

With clear goals towards significantly improving the living conditions of 100 million slum dwellers, the Millennium Development Goals (MDGs) have called for action towards inclusive development². While the post-2015 agenda and sustainable development goals are under development, it is critical that inclusive urban development continues to be incorporated the advancement of the inclusive agenda.

UN Habitat defines an inclusive city as a city that promotes growth with equity. "It is a place where everyone, regardless of their economic means, gender, race, ethnicity or religion, is enabled and empowered to fully participate in the social, economic and political opportunities that cities have to offer." (UN Habitat 2004). The Third United Nations conference on housing and sustainable urban development (Habitat III) in 2016 will address failures of the urbanization process such as widening slum challenges, deep divisions between rich and poor in cities, and civil unrest³.

The Asian Development Bank has adopted the motto that "Livable Cities are Inclusive Cities," a framework that argues that inclusive cities must be economically, environmentally, and socially sustainable in all urban operations (Steinberg and Lindfield 2011).

DFID supports the Commonwealth Local Government Forum's Inclusive Cities Network (ICN). This program's definition of inclusion encompasses participation in city governance by slum dwellers, migrants, minority groups, women, and young people. It also supports, along with the Canadian aid agency, the Safe and Inclusive Cities Initiative, which focuses on urban crime and violence prevention in

² <http://www.un.org/millenniumgoals/environ.shtml>

³ <http://unhabitat.org/habitat-iii/>

40 cities in sub-Saharan Africa, South Asia, and Latin America⁴. Other bi-lateral agencies including GIZ, SECO, etc. are actively working on the inclusive urban agenda.

2.2.2 National and sub-national governments play a major role: As countries are urbanizing rapidly with their cities contributing a major share in national GDP, many governments are increasingly paying attention to cities. While the focus is on urban economic growth, many national governments have

BOX 1: National legislation to foster inclusion needs to be complemented by corresponding local initiatives:

Colombia's experience highlights the fact that national legislation that enables cities to foster social inclusion also allows dynamic local leadership to launch strong initiatives, but that alone may not be sufficient to make significant progress on the inclusion agenda. Colombia's constitution (1991) and its Land Management Law (388/1997) provide the legal framework for urban development today, with significant amounts of power and instruments given to local governments to regulate land use and development through a master plans linked to capital investment programs. Bogotá adopted a city constitution designed to support building an inclusive city characterized by dignity and equity; while, Medellín instituted "Medellín Solidaria" - a poverty reduction program that included targeting specific poor neighborhoods for investments in infrastructure and education among others. As a result of the local initiatives, Bogotá and Medellín have both benefited from improved security as well as increasing attractiveness and connectivity within the city. However, while Bogotá and Medellín have successfully translated national legislation into local action, Cartagena, another city in Colombia, has not used the powers and tools made available by the national legislation as effectively. In Cartagena, behind the coastal high end residential communities and tourism development, there are dense, lower income settlements. Beyond constructing a section of peripheral road to prevent further encroachment on a lagoon, little has been done to alleviate the marginalization of the residents. It is evident from Colombia's example that the national government's efforts need to be complemented and followed through at the local government level with a strong and committed local authority (World Bank 2014b).

taken steps to promote inclusive urban development. Countries including South Africa, Brazil (Annex 5: Brazil's Experience in Making Cities Inclusive), Chile, and Indonesia have launched national programs to make cities slum free and advance the inclusion agenda (World Bank Forthcoming 2015a). These national programs include initiatives such as declaring housing as a human right, subsidizing housing acquisition, making housing more affordable for buyers, promoting community-driven development, and embarking on nationwide participatory processes for provision of basic, among others (World Bank Forthcoming 2015a). While setting the stage for inclusive development at the national level through the right kind of policies is important, it is equally necessary to translate these policies into local implementation. In the absence of national policy frameworks, some local interventions went on to contribute to the national debate on inclusion. For example, the Metrocables project in Medellín, Colombia reduced spatial segregation with the implementation of gondolas as a public transit system for people who live in the surrounding hillsides. These physical inclusion measures were accompanied by soft measures to change user behavior so that the user felt safe and kept the system clean (World Bank 2014b).

⁴ <http://www.clgf.org.uk/inclusive-cities-network/>

Community based organizations (CBOs) act as strategic partners in driving inclusionary programs:

Communities play an important role in the inclusion agenda. Early programs and interventions aimed at communities were designed in a manner where communities were the beneficiaries or the recipients. Since then, there has been a shift in the engagement with the communities and their organization. Now, there is recognition that communities need to be treated as partners and they need to be included in planning and implementation. Rather than considering them just as beneficiaries, they need to be put in the driver's seat. The shift has proven to be successful in programs that have implemented such an approach. For example, the success of the Baan Mankong program in Thailand is, to a great extent, due to the fact that it was a community-driven approach with a strong ownership and involvement of the community in the process (World Bank 2014b, 2014d). Communities have also been proactive and have

BOX 2: Slum/Shack Dwellers International (SDI) is a good example of a CBO that leads work on inclusion cities:

SDI is a network of CBOs of the urban poor in 33 countries in Africa, Asia and Latin America. These federations bring together residents of informal settlements and those living informally in formal areas enabling them to identify and realize a range of strategies to address their needs and interests. These national federations link to small professional agencies (NGOs) that provide SDI affiliates with support services.

The core form of organization within the slum/shack/homeless people's federations remains savings schemes, local groups that draw together residents in low-income neighborhoods to save, share their resources and develop strategies to address their collective needs. Local groups benefit from peer support through community to community exchanges. In addition to savings groups, another mechanism used by SDI to mobilize, organize and empower communities is settlement profiling and enumerations. Settlement profiling is an instrument developed for understanding the socio-economic characteristics of informal settlements. Community mapping and surveying gathered by communities themselves through settlement profiling forms the basis for building a strong platform at the neighborhood level, and pilot activities identify and demonstrate improved solutions for housing, basic services and settlement planning. Where possible, the federations also develop an increasing emphasis on city-wide strategies for change.

With most federation savers and savings-group managers being women, these savings groups help address the multiple forms of disadvantage, oppression and exploitation that they face. The immediate focus and localized orientation to collective savings provides them with a new role supported by their peers. This challenges and helps overturn discrimination and limited social expectations as women engage with each other.

The core SDI network now involves over 16,000 savings groups with an average membership of 70 per group. A key mechanism for investing in improved tenure and services has been Urban Poor Funds which are established by SDI affiliates. Savings activities thus lead to Urban Poor Funds (at national and/or city levels) with blended finance, with which developmental projects are undertaken (for example building houses or a community-managed public toilet) by the urban poor communities in partnership with government and other stakeholders.

These local groups and the larger federations to which they belong are engaged in many community-driven initiatives to upgrade informal and squatter settlements, improving tenure security and offering residents new development opportunities. They are also engaged in developing new housing that low-income households can afford, and installing infrastructure and services (including water, sanitation and drainage). Just over 200,100 households have secured formal tenure (either individual or collective) as a result of this work. Across the network of federations, there are 102 agreements with provincial or city authorities which establish a dialogue with a potential for a more equal relationships between the authorities and the communities.

Source: (Satterthwaite, D. and D. Mitlin 2014; <http://www.sdinet.org/>)

become a part of social and urban movements promoting inclusion, which have been instrumental in bringing about changes in policies and implementation. For example, there have been movements related to formal/informal work, land and housing, basic services, and social discrimination (sub-divided by gender, age, ethnicity and other distinctions) (World Bank 2014d). Some of these movements have organized the disadvantaged in groups, often building their capacity in terms of mobilization (forming saving groups), negotiation (with government or other actors) and implementation; (through collective planning, community contracting, etc.), thus leading to increased community participation and inclusion.

In addition to CBO and community groups, the role of NGOs is particularly important due to their capacity to build and work with community networks. It is precisely this point that drove Ahmedabad Municipal Corporation in India to collaborate with an NGO - SEWA (Self Employed Women's Association), in implementing the Parivartan slum upgrading program (World Bank 2014b). SEWA and its Mahila Trust housing microfinance arm are based in Ahmedabad, India and were already active in the slums where the poorest populations of the city lived. The slum residents were mostly employed in low-skilled jobs within the informal economy. SEWA was best positioned to organize the slum communities and guide the dialogue and negotiations with local authorities. As a result, residents were given security of occupancy of the land for ten years that could be extended for additional periods. SEWA's ability to organize CBOs in the slums empowered the communities and strengthened their relationship with local authorities (World Bank 2014b). As such, civil society and NGOs played a key role in building capacity within and across communities. Aside from directly addressing the immediate challenges facing the communities, NGOs and CBOs are also instrumental in creating channels to regularly communicate communities' voices to different levels of authorities.

2.2.3 The private sector is increasingly involved in provision of shelter and basic services: The private sector plays an essential role due to its comparative advantage to help address deficiencies in services for both economic growth and general well-being. One of the ways of involving the private sector has been through public-private partnerships (PPPs) for service delivery. PPPs generally bring efficiency gains and cost benefits by involving private enterprises in implementing, financing and maintaining infrastructure services for the poor.

In Latin America, Colombia stands out as a country where the overall experience with water PPPs has been largely positive. Gains in access, service continuity, and operational efficiency were achieved in many large and middle-size cities, despite having high poverty rates a much deteriorated infrastructure (Barranquilla, Cartagena, Monteria, and Soledad) (PPIAF 2009). In Côte d'Ivoire, a private water company has been successfully operating for the past 40 years without any direct government funding. As a result, the population with access to piped water has doubled over a decade (from 3.5 million people to about 7 million) and the average tariff went down in real terms (PPIAF 2009). In Chile, the private sector invested a total of US\$1.2 billion in wastewater treatment between 1999 and 2006, making Chile the only country in the world (including North America and Europe) where full treatment of urban sewage is being achieved without any government money (PPIAF 2009). PPPs have also been instrumental in provision of services such as transportation, waste management, etc. However, despite a belief that greater private sector involvement would improve the scale and quality of delivery of

services, over 80 per cent of water supply still remains in the ownership and management of the state (OECD 2003). There is a need to create an enabling environment for greater private sector participation.

In summary, it is important to set international goals and national priorities, and it is equally important to build local partnerships with sub-national governments, communities and the private sector to work towards enhancing access, opportunities and rights of all, in order to achieve inclusive development in urban areas.

BOX 3: Key Messages

Focusing on one component of inclusion and ignoring others will not work: Inclusion is a multi-faceted issue and all the dimensions – physical, social and economic – are interlinked. The lessons learned from past experiences point to the fact that a fragmented approach that focuses on just one of the components is not sufficient. Interventions to address inclusion could be targeted at one or more components, as long as it is clear that such interventions need to be part of a larger program that seeks to address all components in an integrated manner.

Recognition is the first step: Despite advances in information technology, accurate data on cities is often not available. Such inaccurate measurement and scarce data usually excludes remote areas that are not usually well connected. The people who live in those settlements are usually the urban poor and it's hard for authorities to address issues in their communities because they are "invisible"; they are not reflected in documents used for planning and implementing services such as the city development plan. As a result, informal settlements are excluded from planned economic growth and from city's planning and governance processes. Therefore, it is necessary to recognize the excluded population by gathering relevant information and accurate data.

Slum upgrading is a 'curative' approach – a necessary but not a sufficient condition, slum prevention is equally important: Slums and squatter/informal settlements are concentrations of poverty and inequality in urban areas, where all the three dimensions of exclusion are present. Slum upgrading has been the most preferred approach to address exclusion. While that approach has resulted in improved living conditions for many, it has mainly focused on physical aspects and it still remains an 'after the fact' approach; it upgrades the living environment of existing housing stock. However, it is equally important to plan and provide for the rapidly growing urban population, rather than just upgrading the situation afterwards.

Make room for people in urban areas in a way that they are both able to contribute to and benefit from rising prosperity: More and more people are moving to cities. By 2030, there will be an additional 2 billion people in the world's urban areas. It is important to plan for the anticipated growth in an inclusive manner. An inclusive city is one that allows low-income people both to benefit from, and contribute to, rising prosperity over their life courses. It is concerned with both consumption (what low-income people get) and production (what low-income people make and do). Policies and programs should be designed keeping in mind that the most marginalized population has an affordable place to live with an adequate living standard and a fair chance to contribute to the city's economic growth.

Build capacities at local levels to implement inclusionary programs: It is important to recognize that in most aspects of addressing exclusion, higher levels of government and international agencies are only as effective as the local organizations / institutions they support. With decentralization policies effective in many countries, local governments are increasingly responsible for implementing local development interventions. However, many local governments suffer from a lack of capacity and a lack of resources. Many past experiences indicate that it is vital to have strong and committed local authorities that understand the needs of the people and that have the ability to integrate those needs into local policy making and implementation. Therefore, it is important the local government has the political backing, devolved powers, necessary tools and sufficient resources at local level to achieve inclusive local development. Equally important is the need to build the capacity of the communities that are affected by the interventions both as beneficiaries and increasingly as partners of the local government.

Harness communities' potential as strategic partners in driving inclusion: Community participation is recognized as an essential component. However, increasingly, it is also recognized that a community can be a strategic partner in implementing interventions. Community's participation right from the planning and designing phase to implementation and finally, for maintaining and sustaining the benefits, is viewed as a success factor for any intervention. The success of community-driven approaches is attributed to the fact that the community is in the driver's seat and can plan and prioritize its own needs. These experiences suggest that the community's capability to partner with the government to drive inclusive approaches should be explored.

Chapter 3: Operationalizing the Inclusive Cities Approach

3.1. Supporting, prioritizing and scaling up investment for inclusive cities: While the urban development portfolio review highlights that the projects aimed at inclusion have been mainly slum upgrading projects, Bank's investment in slum upgrading remains relatively small with average investment of \$100millions per year, since FY 2000 (Please see Annex 4). The new multi-dimensional approach to promote inclusive cities, therefore, argues for '*doing more*' and '*doing it differently*'. '*Doing more*' recognizes the need for boosting financial and technical assistance towards inclusive cities, in line with Bank's twin goals that highlights the importance of inclusive development. '*Doing it differently*' recognizes the need to move away from single-sectoral - 'brick and mortar' interventions to a multi-dimensional approach that encompasses spatial, social and economic aspects.

3.1.1. Enabling environment for investment aimed at inclusion: While implementing interventions aimed at inclusion, the enabling environment that supports these interventions is also important. This includes appropriate institutional and policy frameworks that encourage and promote inclusive cities. Policy frameworks allow governments and institutions to have a vision for what they want to accomplish in their cities and a plan to make it happen. The framework that would enable inclusive cities may include, but is not limited to, policies on urban development, slum upgrading and informal settlements, affordable housing, housing finance, land development/land use, land regularization, land-based finance, urban planning guidelines, infrastructure delivery, financial inclusion, informal economy, social inclusion of excluded groups, social protection, involuntary resettlement, etc. The national government frameworks need to be flexible and they should complement and/or guide the local government agenda; but should not conflict. There are examples of national policy frameworks that have led to successful local interventions and there have also been examples of very strong national policy frameworks that did not materialize in local action. This indicates the fact that national policy frameworks are important but are not sufficient on their own to prompt local action (see Section 2.2). An ideal enabling environment will have both national and local interest in inclusion to leverage available resources.




3.1.2. Multi-sector investments: As discussed earlier, the concept of inclusion encompasses a multi-dimensional web of interconnected factors. Therefore, it is argued that Bank's investment lending towards inclusive cities should also adopt a multi-dimensional approach. Translating the multi-dimensional approach in Bank operations will imply coordinated multi-sector investments in a country/city. For example, physical interventions in terms of provision of infrastructure services accompanied by improved connectivity to areas with jobs could result in inclusion. While interventions to address inclusion could be targeted at one or more components based on the contextual needs and demands, it is not argued to make every investment project a multi-sector project. It is important to understand that single-sector focused investments are necessary but these should be part of an overall integrated scheme that includes spatial, social and economic aspects of inclusion.

3.1.3. Phalanx of operations: An ideal investment lending operation to promote inclusion will combine a series of simultaneous and interlocking interventions that together address multiple dimensions of the

approach. It may not necessarily be combined into a single operation, but it could be a series of operations towards the same goal with different dimensions/entry points. This implies that the Bank would offer a bundle of services to its client countries/cities that together move towards inclusion. This will require a long-term multi-year commitment and a 'program' rather than a 'project' approach to investment lending operations. At initial stages of preparation and identification, the task team can diagnose the context to select the dimensions to be addressed in a city/country as well as number of entry points/interventions. The next step would be to come up with an implementation plan and sequence these multiple interlocking interventions, based on which, a multi-year and multi-sectoral operation can be launched.

3.1.4. Use new financing instruments for promoting inclusion: It is recommended to also explore new financing instruments such as results-based financing for tackling inclusion and reaching out to the excluded population. While PforR has now been used widely in urban areas, its application has been limited to sectors such as transportation and solid waste management. Interventions in these sectors produce measurable results and therefore, it is also easier to deploy results-based financing mechanisms. PforR could be a very good instrument for launching multiple inter-linked interventions, since it allows sequencing of various entry points based on results achieved. However, in order for a PforR instrument to be used for an intervention that promotes inclusion, it is necessary that we have more clarity on how to measure inclusion (Annex 6: Measuring Inclusion).

Table 1. Key Indicative Principles, Strategies, Information and Tools at each stage of Project Cycle

| Project Cycle | Key Principles | Key Strategies | Key Information | Tools |
|--|--|---|---|--|
| Identification (Diagnosis)  | <ul style="list-style-type: none"> Involve communities, community-based organizations and other relevant stakeholders | <ul style="list-style-type: none"> Identify priority issues (spatial/social/economic) Identify stakeholders | <ul style="list-style-type: none"> Assessment of spatial/social/economic issues Data & information Past interventions Stakeholders Enabling environment (policies and institutions) | <ul style="list-style-type: none"> Settlement profiles Slum enumeration Information systems Stakeholder analysis Review of existing policies and institutions |
| Preparation and Design (Identify, prioritize and sequence entry points)  | <ul style="list-style-type: none"> Build broad-based partnerships within and outside World Bank Group Create a phalanx of operations | <ul style="list-style-type: none"> prioritize various entry points in accordance with the priority issues Design integrated interventions: coordinated, interlocked and multi-sector investments aimed at inclusion | <ul style="list-style-type: none"> Identify entry points, including but not limited to, infrastructure, land, housing, policy/institutional reforms, jobs, gender, displaced people, crime and violence prevention, CDD, citizen engagement, social accountability measures, capacity building, etc. | <ul style="list-style-type: none"> Multi-dimensional approach to inclusive cities Citizen engagement tools |
| Implementation (Implementation & Monitoring)  | <ul style="list-style-type: none"> Implement interventions as a bundle of services Keep in mind how operations fit within the larger phalanx of operations/program | <ul style="list-style-type: none"> Conduct periodic monitoring and revise the implementation plan accordingly | <ul style="list-style-type: none"> Identify issues related to implementation | <ul style="list-style-type: none"> Implementation plan with interlocked and multi-sector interventions M & E system for inclusive cities interventions |
| Completion (Monitoring & Evaluation) | <ul style="list-style-type: none"> Timeframe beyond interventions to ensure appropriate post occupation mechanisms and M&E | <ul style="list-style-type: none"> Conduct impact evaluation of the interventions Social accountability measures to engage citizens in providing user feedback | <ul style="list-style-type: none"> Identify and assess various parameters in order to measure inclusion Identify what worked and what did not | <ul style="list-style-type: none"> M & E system for inclusive cities interventions Feedback mechanisms Social accountability Tools |

3.2 Potential entry points for investments aimed at inclusion: As discussed, the multidimensional nature of inclusion demands for an approach that acts on all the three dimensions of inclusion: spatial, social and economic.

3.2.1 Spatial inclusion through planning and provision of affordable land, services and housing can help reduce inequality:

- A. Affordable Land and Housing:** Land is the fundamental building block that enables the urban poor to access other services and to build assets. Tenure security and land regularization have been attempted by many national and local agencies. There is an increasing recognition to adopt less cumbersome and more cost effective procedures for land conversion and land records leading to transparent land administration system. There is also a growing recognition of the need to consider a ‘continuum of land rights’ with the understanding that what tenure security means will differ from place to place.

Many local authorities seek to regularize land tenure to expand the tax base and unblock the urban regeneration potential of the urban areas. The development potential of land creates opportunities for a range of creative instruments to foster inclusion. Land based financing could be one of the ways to generate revenue that could be utilized to finance urban improvements. Cross subsidization and mixing income groups by combining market rate serviced parcels and low cost building lots in urban projects have been widely used. More creative financing methods rely on infrastructure and land regulations to open up the development potential of well-located sites and allocate the proceeds of charges paid by developers to improve infrastructure, housing and the urban environment, in lower income communities elsewhere in the city as part of the same program.

The availability of affordable housing in strategic locations is one of many factors that affect the ability of the urban poor to access services and economic opportunities in urban areas. Various past approaches to provide affordable housing, including mass housing projects, sites and services, slum upgrading, etc. have seen varying degree of success (section 1.5).

- B. Access to Basic Services and Infrastructure:** Incorporating inclusion as a key principle while developing infrastructure plans and service provision could help reduce spatial segregation and improve quality of life of all urban residents. Interventions to develop large scale infrastructure as well as interventions to upgrade infrastructure locally have improved the living standards of the citizens. In addition, planned expansion of infrastructure in anticipation of future growth can also help to accommodate the needs of rapidly growing urban population.

Traditionally, investment in infrastructure has been the entry point for interventions aimed at inclusion given that disparity in infrastructure is the main reason for spatial inequalities. However, as it has been discussed, addressing inequalities by providing infrastructure, although very much

necessary, has not been sufficient. While infrastructure, land and housing remain very important entry points, the following section discusses other entry points that could be worth considering.

3.2.2 Addressing vulnerabilities and ensuring the participation and rights of the most marginalized groups can help foster inclusion:

- C. Gender and inclusive urban development:** In urban areas, women frequently face particular difficulties. They may face discrimination within their household, within the labor market and in regard to access to services. Nowhere are the inequalities facing urban woman more evident than in informal settlements where women account for over half the population. In these settlements, women face the most serious urban challenges: poverty; overcrowding, sexual harassment and assault, and lack of access to security of tenure, water and sanitation, transport and sexual and reproductive health services⁵

The WDR on Gender Equality and Development (2012) suggests that gender equality is smart economics; it can enhance economic efficiency and improve other development outcomes in three ways: First, removing barriers that prevent women from having the same access as men to education, economic opportunities, and productive inputs can generate broad productivity gains. Second, improving women's absolute and relative status feeds many other development outcomes, including those for their children. Third, leveling the playing field—where women and men have equal chances to become socially and politically active, make decisions, and shape policies—is likely to lead over time to more representative, and more inclusive, institutions and policy choices and thus to a better development path (World Bank 2012a). Therefore, investing in interventions that promote gender equality and ensures equal rights to women will be necessary to achieve inclusive development in urban areas.

- D. Inclusion of excluded groups:** Residential patterns, social networks, occupational concentration and social norms lead to various types of exclusions in urban areas that may affect some groups more so than others. For example, gender, age, caste and other characteristics can lead to exclusion for some. Lack of income and assets are also critical factors determining or influencing exclusion in urban areas. Internationally and internally displaced people also face particular difficulties. For example, among the 45.2 million persons, who are displaced worldwide, more than half live in urban contexts (World Bank Forthcoming). Most displacement is protracted and the displaced become permanent urban residents, however, forced displacement is rarely factored into urban planning strategies. Urban strategies and interventions that not only recognize excluded groups that are part of the population but also aim towards including them in formal urban planning processes would help achieve inclusion in urban areas.

⁵ <http://unhabitat.org/urban-themes/gender/>

E. Citizen engagement (CE) and community driven development (CDD)⁶: Citizen engagement is critical in the development process because of several reasons: a) it creates an enabling environment for the implementation of development projects and inclusive interventions due to increased ownership of the community; b) it allows institutions to be more aware of the needs of the local community by facilitating channels of communication; c) it keeps corruption in check by keeping a transparent process, including on resource use; and d) it allows citizens to provide feedback on service delivery which can lead to enhanced quality of services. All of the aforementioned reasons for policymakers to promote citizen engagement foster three key characteristics needed in an inclusive city: transparency, accountability, and empowerment. The 2004 World Development Report: Making Services Work for Poor People, highlighted the role of the citizens in influencing the accountability relationships that make service delivery pro-poor (World Bank 2003).

The WBG, recognizing the important role of the citizens in improving development results, recently launched a framework for citizen engagement which aims to facilitate mainstreaming of citizen engagement in WBG-supported policies, programs, projects, advisory services and analytics (World Bank 2014a). The framework highlights some of the key approaches to citizen engagement in WB operations including consultations; collaboration; collecting, recording, and reporting on inputs from citizens; grievance redress mechanisms; citizens-led monitoring; social inclusion and empowerment through community-driven development; capacity building for citizen engagement; and use of ICT to facilitate citizen engagement. The framework recommends incorporating citizen engagement throughout the project cycle. The emphasis is also on engaging with citizens through beneficiary feedback mechanisms that will encourage citizens to participate in development process and also help integrate citizens' voice in development programs as a key accelerator to achieving results. With this, the Bank has set a goal to include beneficiary feedback in all projects by FY18. The World Bank's operations' results framework now incorporates indicators on citizen engagement with an aim to track progress in this area. The World Bank's *Social Accountability Sourcebook*⁷ offers examples of mechanism and tools that can be applied to promote bottom-up accountability:

⁶ For this discussion CDD refers to participatory approaches, not necessarily to approaches for communities directly managing financial resources. Refer to the 'Participatory and Community Driven Development in Urban Areas' paper).

⁷ http://www.worldbank.org/socialaccountability_sourcebook/essd9.swf

Table 2. Examples of social accountability practices

| Government Function | Social Accountability Process | Social Accountability Mechanisms and Tools |
|---------------------------------------|---|--|
| Policies and Plans | Participatory Policy Making and Planning | <ul style="list-style-type: none"> - local issue forums - study circles - deliberative polling - consensus conferences - public hearings - citizens' juries |
| Budgets and Expenditures | Budget-Related Social Accountability Work | <ul style="list-style-type: none"> - participatory budget formulation - alternative budgets - independent budget analysis - performance-based budgeting - public education to improve budget literacy - public expenditure tracking surveys - social audits - transparency portals (budget websites) |
| Delivery of Services and Goods | Social Accountability in the Monitoring and Evaluation of Public Services and Goods | <ul style="list-style-type: none"> - public hearings - citizens' report cards - community scorecards - public opinion polls - citizen's charters |
| Public Oversight | Social Accountability and Public Oversight | <ul style="list-style-type: none"> - CSO oversight committees - local oversight committees - ombudsman |

Source: World Bank Social Accountability Sourcebook⁸

A clear demand-driven approach to citizen engagement is community-driven development⁹. A community's participation right from the planning/designing phase to implementation and finally, to maintaining and sustaining the benefits ensures the participation and ownership. In urban contexts, "participatory urban upgrading" gained prominence when the growing needs of the urban poor began exceeding the capacity of the local authorities to respond with public housing policies and other more conventional 'top-down' approaches. As the 'Participatory and Community Driven Development in Urban Areas' paper elaborates, participatory and community-driven development approaches can play a powerful role in addressing acute poverty and inequality growing in cities, while also contributing to the process of democratization and empowerment. As rightly highlighted in the aforementioned paper, CDD and other participatory processes are critical to contributing to inclusive urban development, yet the complexities of urban areas present a number of challenges to applying a typical set of CDD processes. Various issues that require particular consideration in urban context include: understanding the role of communities and local government and the importance of their collaboration; identification and targeting of beneficiaries; and, social mobilization in complex urban settings (World Bank Forthcoming 2015b).

⁸ http://www.worldbank.org/socialaccountability_sourcebook/essd9.swf

⁹ While the CDD approach has principally been used by projects operating in rural areas, 40 out of 319 currently active projects in the CDD database (12.5 %) are under the Urban Sector (World Bank Forthcoming 2015b). It is important to note that many slum upgrading projects in urban areas also have incorporated community driven development components, in addition to CDD projects (for further details, please refer to the 'Participatory and Community Driven Development in Urban Areas' paper).

- F. Crime and Violence Prevention:** Crime and violence are typically more severe in urban areas and are compounded by rapid growth. Spatial segregation within cities is one of the root causes for the crime that has afflicted many cities in LAC, Africa and other parts of the world. Rising inequality in urban areas coupled with exclusion and lack of opportunities for voice and redress leads to conflicts. The lack of opportunities for the urban poor and greater demand for voice by the socially excluded has exacerbated incidents of social upheaval in urban areas. A recent study has shown that 60% of urban dwellers in developing and transitional countries have been victims of crime over a five-year period (UN Habitat 2007). In Latin America, where 80% of the population is urban, the rapidly expanding metropolitan areas of Rio de Janeiro, Sao Paulo, Mexico City and Caracas account for over half of violent crimes in their respective countries (UN Habitat 2007). The direct impact of social unrest, crime, violence, and citizen insecurity on governance, economic growth, investment climate and business opportunities have brought these issues to the fore. At the local level, crime and violence result in stigmatization of neighborhoods or even entire sections of the city. Areas with high crime often eventually lose out in terms of investment or provision of infrastructure and public services.

While strengthening the criminal justice, law and order, and policing systems is important, it is equally important to respond to the challenge at local level in partnership with the community. The local responses to the challenge of crime and violence include effective urban planning, design and governance; community-based approaches; targeted interventions for perpetrators and victims of crime; and strengthening of social capital through empowering and building capacity of individuals and communities to respond to crime in their neighborhoods.

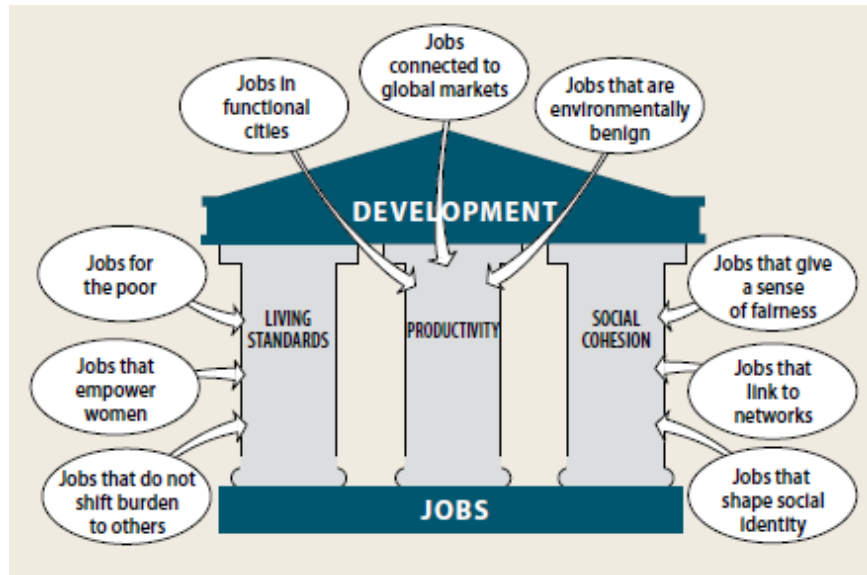
3.2.3 Ensuring that everyone in urban areas is equally able to share in, and contribute to, economic growth boosts inclusion:

- G. Jobs and economic inclusion:** Rapid urbanization is changing the composition of employment. As a result, the growth of the nonagricultural labor force will vastly exceed the growth of the agricultural labor force. This structural change, which in industrial countries took decades, now transforms lives in developing countries in a generation. Secondly, with more and more people moving to cities in search of better employment and better standard of living, urban areas have enormous pressure to create jobs. In most developing countries, urban economies have become increasingly informal over the past 10 years as the formal sector consistently fails to provide for both young people and adults seeking employment, even in the face of healthy economic growth (World Bank 2012b).

While it is important to address economic exclusion, different cities will have different starting points for addressing the issue, based on the level of growth, quality and accessibility of local jobs in the city, demographic profile and geography of opportunity. These different starting points would demand different type of strategies. For example, the economic challenges faced by a city with majority of its population under the age of 25 will be very different than the challenges faced by a city with a majority of retiree population. While unemployment and underemployment still

remain a huge challenges for cities today, there are some tested approaches that benefit the poor in terms of their economic inclusion: access to credit and finance, connecting people and jobs, building skills, access to education and pro-poor economic development strategies (World Bank 2014c).

Figure 3. Some jobs do more for development



Source: (World Bank 2012b).

- H. **Skill-building:** Lack of education and skills hinders the prospects for economic security through formal jobs for the urban poor and the disadvantaged. Their upward mobility in labor market will remain limited unless and until the disadvantaged gain skills and job readiness. Investing in skill-building opens up new opportunities for the disadvantaged.

- I. **Pro-poor Local Economic Development Strategies:** In most cases, the local economic development (LED) strategies are focused on pro-growth strategies rather than pro-poor interventions that include the disadvantaged and excluded population. In many developing country cities, large numbers of low-income families work within the informal economy. Employment in informal economy is characterized by insecurity of jobs, inadequate or low remuneration, hazardous working conditions, lack of social security and other benefits, etc. In India, for example, the economy grew 5 % annually over the past 10 years, yet many people work in informal economic sectors with no social security (UN Habitat 2010). Around 370 million people, or 9 out of 10 employees, are not affiliated with any formal social security scheme (UN Habitat 2010). Similarly, Mexico, which grew an average of 2.5 % per year in the past 10 years, extends social security to only 30 % of its workforce (UN Habitat 2010). These informal activities are often low-growth activities as a result of a lack of access to proper infrastructure and services (i.e., electricity, water, and roads), regular means of financing, information and skills. The development of LED strategies should recognize and accommodate the constraints and

opportunities of the informal economy so as to broaden the appeal of a strategically planned LED strategy. It should also encourage wider social benefits for all sectors, formal and informal.

Another critical factor is also the spatial mismatch between where people live and where the jobs are located. The spatial connectivity between jobs, housing, public transportation, recreational areas, retail, etc. ensures access and boosts shared prosperity. This requires investment in affordable public transport, housing in locations that are connected to areas of employment, etc.

- J. Improved access to credit and finance:** Making credit and finance available to urban poor and the disadvantaged leads to empowerment, asset building, and wealth creation opportunities for the urban poor. Surveys from Mexico, Colombia and Brazil show that between 65 and 85 per cent of households living in major cities do not hold any kind of deposit account in a formal-sector financial institution (Solo 2008). Faced with such realities, micro-credit and micro-finance projects are developed to provide low-income residents and entrepreneurs with the capital they need to expand their business and access services. Many of the interventions including, the extension of financial markets with savings and loan facilities, support for housing markets with shelter micro-finance, and support for enterprise development are targeted at individual households and/or individuals, although in the case of micro-finance, groups may be involved to provide social collateral (World Bank 2014d). Oftentimes, it is difficult for the urban poor and disadvantaged population to provide collateral needed to obtain finances from the market. Investing in making financial markets work for poor, therefore, will lead to inclusion.

3.2.4 Cross Cutting Interventions:

- K. Investing in Data:** Despite advances in information technology, accurate data on cities is often not available. Particularly, there is lack of relevant and useful information on informal settlements and low income areas which often exacerbates their social and economic marginalization because they are not included in formal city planning processes and economic strategies (World Bank 2014d). For example, there are a lot of people who work in informal sectors of the economy, for which there is no adequate data available. Therefore, it is necessary to invest in gathering relevant information and accurate data. Some data collection tools include household surveys, settlement profiling, mapping and enumeration. Recent experiences of involving communities and excluded population in collecting, analyzing and validating data have been successful. Recognizing the excluded population is the first step towards achieving inclusion. It will enable the authorities to take informed decision and design policies with adequate knowledge of all citizens. It will also empower the excluded population in a way that they can participate in the city's governance.
- L. Proactive urban planning:** The world's urban footprint is expected to double or triple by 2030 with additional 2 billion people arriving to the world's urban areas (Angel et al. 2011). Therefore, it is equally important to plan and provide for the rapidly growing urban population in an inclusive manner, rather than just upgrading complex situations afterwards. Policies and programs should be designed keeping in mind that the most marginalized population needs affordable places to live

with adequate living standards and a fair chance to contribute to and benefit from the city's economic growth. Regulatory frameworks for inclusive growth and expansion that cities can implement include: innovative and inclusionary zoning, land use management and land tenure regularization, and mixed-use development.

M. Capacity Building: Capacity constraints of local governments limit their ability to manage, finance and provide basic services which are essential to reduce poverty and foster shared prosperity. At the same time, inclusive governance entails coordination across multiple stakeholders which include the citizens. As a result, achieving an inclusive city depends heavily on the local capacity.

The Bank's approach to urban capacity building blends operationally-relevant global knowledge and learning with analytical, financial and convening services. The urban core curriculum is directly linked to the pillars of the Bank's urban and local government strategy and thus complements other global urban initiatives. The World Bank has taken a leadership role in collaboration with global, regional and national partners to develop a comprehensive e-learning curriculum that reaches a large number of participants all over the world. More importantly, these action learning programs have enabled local governments to design and implement reforms. The courses offered cover topics such as municipal finance, land use planning, street addressing, disaster risk management, urban crime and violence prevention, and slum upgrading; all relevant to the inclusive cities agenda. In addition, the learning program features massive open online courses (MOOC) on various topics which reach very large numbers of participants, making sure that people from all backgrounds are able to access learning opportunities. The content of the capacity building program remains flexible to meet needs and develop new relevant topics and experiences which are also drawn from related Bank operations. All the aforementioned resources can be applied to develop the necessary capacity to drive inclusion in urban areas forward.

3.3 Building Partnerships within and outside the World Bank: Internally, articulation of goals and strategies aimed at inclusion in the Country Assistance Strategies will enable the Bank and the clients to push the inclusion agenda forward. However, it is also necessary to recognize that multi-dimensional approach calls for multi-partner interventions. While the Bank can offer what it is good at and has a comparative advantage (large investments, policy analysis, convening power), other players can provide complementary parts as part of a concerted strategy. This will allow to build a set of inter-linked and complementary interventions that together will help to achieve inclusion. Some potential areas for collaboration are discussed below.

Partners within the Social, Urban, Rural, and Resilience Global Practice: The new structure of the Global Practice provides great opportunities for collaboration across all sectors. For example, the newly created Global Programs Unit brought together the former global urban and social units who were already collaborating on the inclusion agenda prior to the merge. The former global social unit launched the flagship report 'Inclusion Matters – The Foundation for Shared Prosperity', which defines social

inclusion and provides a frame of reference to move towards it. In the report, social inclusion is looked at in three interrelated domains – markets, services, and spaces – and inclusion is promoted by enhancing ability, opportunity and dignity of individuals and groups (World Bank 2013a). At about the same time, the former global urban unit launched the ‘Inclusive Cities’ program which adapts the concepts and recommendations provided in the social inclusion flagship report to urban areas, and complements them with physical and economic aspects of inclusion that are equally important to achieve inclusive cities. Now that they are under a unified unit, both teams will be able to collaborate more effectively and explore more issues in detail. In addition, the former urban practice of the World Bank Institute became part of the Global Programs Unit in 2014 which added a lot of knowledge in terms of capacity building and multiple learning initiatives on slum upgrading and affordable housing.

Partner with other Global Practices within the World Bank: Global Practices that traditionally focus on physical infrastructure have also demonstrated innovative ways in which the inclusive agenda is woven into project designs. For example, the transport practice group has made significant headway on “Inclusive Mobility”, identifying effective methods to mobilize community participation in improving the accessibility of road infrastructure. The ICT practice group works on enhancing accountability and feedback mechanisms using information technology, as well as optimizing the use of ICT for service delivery. Another example is the Governance Global Practice and the Global Program on Social Accountability. The Governance Global Practice works on governance and institutional aspects of delivering public services. Collaborating with Governance GP on their interventions focused on institutional strengthening, transparency and accountability in public service delivery could enhance our collective ability to work with our clients on these issues.

Partner with IFC and the private sector: The inclusive cities agenda entails mobilizing the private sector to collaborate with the public sector and communities in order to enhance economic opportunities and service delivery. For example, the Inclusive Business Models Group that is part of the IFC works with private companies to deliver services to geographically isolated communities. In some cases, it is going to be challenging to convince government officials that investments towards economic and social interventions need to be considered when compared to clear infrastructure gaps. It is therefore important to partner with the IFC and the private sector in order to offer assistance to the governments in implementing effective and efficient interventions. As it has been mentioned before, there are cases of private companies taking care of service delivery which resulted in very satisfactory outcomes.

Partner with other international organizations: The World Bank should continue to build on the history of cooperation with UN-Habitat in the areas of slum upgrading, urban poverty, and housing. Currently, the international process towards establishing the Sustainable Development Goals as well as the road towards HABITAT III in 2016 are both quite suitable international platforms for collaboration and promotion of the inclusion agenda. In addition, the Bank should also partner with organizations working on the topic, including but not limited to, other IFIs, UCLG, ICLEI, Cities Alliance, bi-lateral donors etc., to advance the agenda.

Partner with organizations representing and working with the urban poor: Many capable and well instituted organizations already exist around the world that work with the urban poor and other marginalized groups in different capacities. These include organizations such as Slum Dwellers International (SDI), Asian Coalition for Housing Rights (ACHR), and they are working on activities such as informal settlement profiling, community savings, community organization, tenure regularization, etc. These entities can be strategically engaged by leveraging their strongholds, such as embedded relationship and convening power of the communities at stake and collection of data on the ground. By partnering with organizations representing the marginalized, the World Bank and the client cities will be able to determine what the actual needs are and identify areas in which communities can take the lead.

3.4 Taking stock and way forward: The inclusive cities agenda is inherently multi-sectoral. Cities are places where all the sectors come together and inclusion is also something that can be looked at from many different perspectives. In order to move this multi-dimensional agenda forward, it will be important to continue and scale-up on-going and planned activities geared towards convening experts and people from different backgrounds, generating and sharing knowledge, and coming up with practical ways to incorporate inclusive interventions into World Bank operations. The section below includes information on the existing work as well as planned activities for the future.

3.4.1. Analytical pieces and guidance notes: A very crucial aspect of the Inclusive Cities Programmatic Approach is the production of analytical pieces that make the case for the inclusion agenda. Guidance notes will also be prepared to help TTLs engage in conversation with their government counterparts and also to facilitate the introduction of inclusive interventions in WB operations. The following section provides information on analytical work already underway.

Selected on-going analytical work

Slum upgrading, involuntary resettlement, land and housing - Lagos, Nigeria: Under the Inclusive Cities Programmatic Approach, the Global Programs Unit is partnering with the Africa region for an analytical activity: ‘Slum upgrading, involuntary resettlement, land and housing: Lessons learned from the experience in Lagos and other mega-cities’. The analytical activity will document the lessons learned from Lagos Metropolitan Development and Governance Project (LMDGP). The LMDGP (P071340), closed in FY14, aimed to increase sustainable access to basic urban services in Lagos through investments in critical infrastructure, enhanced public governance and capacity building, and increased policy and project coordination.

The specific objectives of this activity are to 1) extract lessons learned from the Lagos Metropolitan Development and Governance Project (LMDGP) in a systematic manner with a focus on slum upgrading and involuntary resettlement policies and practices, 2) provide in-depth analysis of the modalities of urban housing and land sector engagements in a mega-city like Lagos with inefficient land markets, and 3) make recommendations towards the structure and engagement process in such settings. In addition, the analytical piece will include a review of lessons learnt from relevant international experiences (from countries including, Brazil, Philippines, Indonesia, Vietnam, Colombia, and India) related to slum

upgrading and involuntary resettlement in the context of urban development interventions, and urban land and housing policies and practices. . The report is expected to be delivered by April 30, 2015.

Housing Diagnostic in the Greater Baku Region (Azerbaijan): The inclusive cities program is supporting Phase II of the development of a housing diagnostic in the Greater Baku Region (Azerbaijan). This activity is being developed in partnership with the newly created Housing Department of the Ministry of Economy. It builds on Phase I, which involved collection of primary data through a household survey. The survey was representative of the Greater Baku Region but had a particular focus on vulnerable groups such as internally displaced people (IDPs) and refugees. The data revealed large disparities in housing tenure, access to services and housing quality among the population. The worst housing conditions were found in these vulnerable groups.

Phase II of the housing diagnostic will include a qualitative assessment of the housing sector in order to identify existing bottlenecks in the provision of affordable housing to vulnerable and low-income groups and will outline a set of policy recommendations. The assessment will look at existing legal frameworks for land and housing including land ownership/licensing issues and IDP resettlement/housing projects. The draft report is expected to be ready by June 2015 and the final delivery will be in early FY 16.

Citizen Engagement: As part of the Bank's Citizen Engagement framework, President Jim Kim committed to incorporate beneficiary feedback and participatory practices in all World Bank projects by FY18 (World Bank 2014a). In line with the corporate vision, the inclusive cities team is rolling out an analytical piece to be delivered in FY15 that will identify various ways to engage with citizens in order to promote and achieve inclusive development in cities. The product will include a repository of tools for citizen engagement as well as guidance for staff on how to use the different tools to mainstream citizen engagement in urban operations.

The activity will be scaled up to include more analytical insights as well as operational guidance. Building on initial analysis, during FY 2016 the team will work on producing an operational guidance note for TTLs that would provide practical advice for using Citizen Engagement tools and mechanisms in urban operations. Since incorporating citizen engagement in WB project has been a corporate mandate, this will be an important component of analytical activities planned during the next FY.

Social entrepreneurship in Thailand: Empowering NGOs working with women: The inclusive cities team is supporting a small activity in Thailand on gender inclusion and social entrepreneurship. Thailand has experienced tremendous economic growth which has brought upon several positive outcomes, however, it has also caused many international donors to stop providing funding to Thai NGOs, including those that provide services for women. Many individual countries are choosing not to donate funds to Thai organizations unless it's under a multi-donor framework and this has inevitable hurt the organizations that rely on funding for the implementation of their activities. In light of the current situation, social entrepreneurship offers an alternative. Social entrepreneurship is not new to Thailand, however, it is unclear how NGOs are leveraging this sector in order to continue striving for their objectives in spite of limited funding. The project will therefore contribute in the following ways:

1. Explore social entrepreneurship in Thailand: The team will look into the social entrepreneurship sector in Thailand. This will include understanding how easy it is for organizations to adopt social entrepreneurship-related activities, which federal institutions/resources can be access for this, who are some important players in the sector, etc. The research will be conducted thinking about how NGOs could either adopt, improve, or scale up some of the practices in the sector.
2. Strengthening the network of the organizations that work with women: Based on research, there are a large number of organizations that are working with women in Thailand. As part of this project, the team will organize a workshop in FY16 in order to 1) disseminate the findings about the social entrepreneurship sector; and 2) create a networking opportunity for these organization to learn about each other's work and leverage efforts to enhance results.

The delivery date for this project is FY16.

Global dialogue on national upgrading and affordable housing policies and programs: The World Bank, in partnership with Cities Alliance, UN-Habitat, GIZ, and the IDB; launched an initiative to document, analyze, and disseminate the lessons from national policies and programs in 15 countries across the world (World Bank Forthcoming 2015a). The initiative focuses on capturing slum upgrading and prevention experiences and determine what worked, what did not, and why. More specifically, the work focuses on questions around five key themes including context and policy evolution; policy breakthrough and design of slum policy/programs; decision-making; implementation; and results and lessons learned. The publication mentions that there are usually two approaches to slum upgrading: 1) The national government can scale up local governments' efforts to replicate the work in cities across the country. An example of this is Colombia; the federal government scaled up programs implemented in Bogotá and Medellín to address the housing deficit at the national level. 2) A different approach is to implement a policy framework at the national level and influence local governments. A highlighted case in the book which implemented the latter approach is South Africa. The federal government launched the Upgrading of Informal Settlements Program (UISP) in 2004 to strategize the needed upgrading that resulted from the years of Apartheid.

The publication will contribute to the knowledge base of the inclusive cities program and it will help guide TTLs designing and implementing slum upgrading-related projects. Delivery is expected at the end of FY15.

Potential analytical activities for the next FY: Monitoring and evaluation system: A monitoring and evaluation system will be set in place in order to keep track of the progress made by inclusive cities-related projects. This will allow the team to provide advice to the TTLs in charge of project implementation. The increasing focus on results, particularly with new Results Based Financing instruments, it is very important to design a system that monitors results while inclusive interventions are being implemented. The monitoring and evaluation system will also allow to draw lessons and examples from different projects to start collecting best practices and inform projects at inception/planning stage.

New analytical activities will be introduced based on demands received from regional units. A few suggested issues/topics are: affordable housing, land tenure regularization, service provision in low income communities, gender inclusion in urban areas, livelihoods, etc.

3.4.2 Operationalizing Inclusive Cities Approach

In order to make the inclusive cities framework operationally relevant, the team will support proposed new operations in cities where inclusion is a strategic objective and where the new operation would complement other on-going or potential projects. Opportunities include:

1. AFR: Dar Metropolitan Development Project Team: DMDP project team has closely participated in events organized as part of Inclusive Cities Programmatic Approach. The design of the operation is being shaped by the process.
2. AFR: In Kenya, there are several on-going and proposed urban operations. The Kenya team is working to bring in crime and violence prevention components in these operations in different ways including e-learning courses, south-south knowledge exchange, etc. was brought together with the team working on e-learning course on crime and violence prevention to help the task team design operations that are aimed at inclusion through crime and violence prevention.
3. ECA: Housing Diagnostic in Greater Baku Region: This analytical activity is being developed to support better inclusion of displaced people living in greater Baku and it may lead to a Bank operation in the region.

Throughout the design and implementation of the regional pilots, the team will be distilling important lessons and observations to create a knowledge base for future interventions. Eventually, teams across the Bank should have enough information and insights to introduce inclusion components into their own projects. Successfully addressing the aspects associated with a lack of inclusion in an operational manner is critical for the achievement of the World Bank's twin goals.

The team will continue the dialogue with interested regional teams to incorporate the multi-dimensional approach to inclusive cities in operations during the next FY. The team will also explore how results based instruments could be used for operationalizing the inclusive cities approach in urban projects.

3.4.3 Knowledge dissemination and learning

E-learning Course on Slum Upgrading: Complementary to the book on slum upgrading programs and policies, an e-learning course is being developed by the urban team that will go further into the topic. The course is designed for urban practitioners who need to acquire basic knowledge and skills in order to manage slum upgrading projects. This includes national and sub-national government officials, city managers, CSOs, the private sector and academia. In response to growing demand for capacity development in these areas, the Global Programs Unit will also partner with training centers of excellence to contextualize the content and custom-deliver the course through a variety of mechanisms, ranging from face-to-face to distance learning platforms.

BBLs, workshops, consultations: Knowledge events will be organized whenever there is demand for a particular topic or whenever there is a clear knowledge gap. The format of the events will vary according to the desired outcomes and the team will draw from the pool of formats used at the forum 2014 and GSURR forum 2015.

Laying the foundation for inclusive cities – relevant events: Two workshops were organized as part of the launch of the new inclusive cities agenda. The first one, held in January of 2014, included internal and external participants and speakers that addressed inclusive interventions in the different dimensions; social, economic, and spatial. During this event, four background papers were also presented which laid the foundation for the inclusive cities approach by discussing access, opportunities and rights for all. This was an important event because it introduced how the World Bank was starting to shift its strategy regarding inclusion in urban areas.

Another important follow-up event was a workshop organized in March of 2015. This was the first event organized by the newly created Global Programs Unit with the former social and urban global teams together. The event had internal and external attendees and it provided a platform for both former individual teams to present products on different topics of inclusion in urban areas: internally displaced people, involuntary resettlement, slum upgrading, and a new incremental-housing toolkit. In addition to the presentations, the event featured the following: i) a master class on slum upgrading which focused on a Vietnam slum upgrading project to strengthen staff's skills and share lessons learnt from a successful but challenging project, and ii) a BBL to go further into the incremental housing toolkit that is being developed by a World Bank team. The event allowed to integrate previously separate projects and initiatives under a consolidated inclusive and sustainable cities platform.

Events during the GSURR Forum 2015: Building on the momentum from the inclusive and sustainable cities workshop, multiple events were organized as part of GSURR's biggest learning event, the Forum 2015:

- 1. Master class on slum upgrading:** Given the success of the master class on the Vietnam slum upgrading project, the team organized one master classes on slum upgrading. In Istanbul, the class focused on a Kenya slum upgrading project and in Bangkok, the class focused on CODI experience on community driven upgrading.
- 2. Inclusive Interventions in Operations: Dar es Salaam Metropolitan Development Project:** Turning the inclusive cities approach into an operational tool is essential for the success of the inclusive cities agenda. Prior to piloting the approach in three regional projects, the team organized a session that featured the Dar es Salaam Metropolitan Development Project which was just approved by the board in March 2015. The DMDP was taken as a case study to explore how the multi-dimensional approach to inclusive cities can be useful for a real-time urban operation.
- 3. Financing the Inclusive Cities Agenda: Expanding RBF to improve access to urban services in low income communities:** The session looked at how results based financing can be used for interventions aimed at providing services to low income communities. The session was jointly organized by the Inclusive Cities team, the Low Income Communities and Urban Poverty GSG; and the City Management, Governance and Financing GSG.

3.4.4 Moving Forward: Aligning with the GSG on Low Income Communities and Urban Poverty

The proposed next steps are aimed at advancing the inclusive cities agenda by working in parallel on analytical activities, dialogues and knowledge sharing, operationalization of the approach and building new partnerships for the agenda. The newly re-organized Global Practice (GP) offers a huge opportunity to advance the multi-dimensional Inclusive Cities agenda and the GSGs and KSBs are both suitable platforms for dialogue and knowledge sharing around the topic of inclusive cities.

Global Solutions Group on Low-income Communities and Urban Poverty (GSG): The Global Solutions Group on low-income communities and urban poverty led by R. Mukami Kariuki, the Global Lead, is already actively working with the inclusive cities to align and advance the inclusion agenda with the GSG. There is already collaboration on many fronts including organizing dissemination events related to the topic and asking Mukami to give us her input on the inclusive cities approach paper.

The global solutions group has the mandate to create a CoP on low-income communities and urban poverty. The Inclusive Cities team also has the objective of creating a CoP so both teams will collaborate on this in order to avoid duplication of work. The Inclusive Cities team plans on working closely with the global solutions group to roll-out other activities and leverage as much expertise as possible.

Inclusive Cities Knowledge Silo Breaker (KSB): The team has submitted a proposal for a KSB (pending review by the Management Team). The KSB has the purpose of facilitating dialogue and collaboration around the inclusive cities agenda among experts from all over the Bank. The main activities under the KSB will be related to knowledge creation and sharing (e-discussion, database of experts, analytical activities and their dissemination, etc.); capacity building (e-learning courses, webinars, peer-to-peer learning, etc.); and, innovation and incubation (encouraging new ideas and innovative operations through competitions). Some ideas for the third pillar include thinking about how to introduce interventions such as street-based upgrading and community mapping more widely in existing World Bank projects; launching a social media campaign around a specific issue to raise awareness; or organizing an event to highlight the importance of inclusion. The proposed Inclusive Cities KSB offers a perfect opportunity to build forward and backward linkages with the business lines of the GPSURR as well as multiple GSGs including low income communities and urban poverty, social inclusion, CDD and services delivery.

Community of Practice (CoP): During the GSURR Forum 2015, the inclusive cities team and the low-income communities GSG hosted brainstorming sessions at each of the locations in order to get a sense of the kind of CoP that potential members would like to have. The teams will continue crowdsourcing ideas for the CoP in order to make sure that the community meets the needs of the different stakeholders.

As it has been mentioned before, the inclusive cities agenda is multi-sectoral and therefore, it is expected to have members in the CoP from various teams within GSURR but also from across the Bank. The CoP will serve as a place where the inclusive cities agenda will evolve due to ongoing discussion, knowledge generated and shared among the group members. Eventually, the CoP will be opened up to external participants in order to bring a fresh perspective on issues related to inclusion. The CoP will communicate mainly on a C4D platform which will be used to host different virtual discussions, promote

products, announce upcoming events, and share materials among other activities. A major influx of external participants will come from a previous Inclusive Cities community on a Ning platform which was established by the former urban practice of WBI, now part of the Global Programs Unit.

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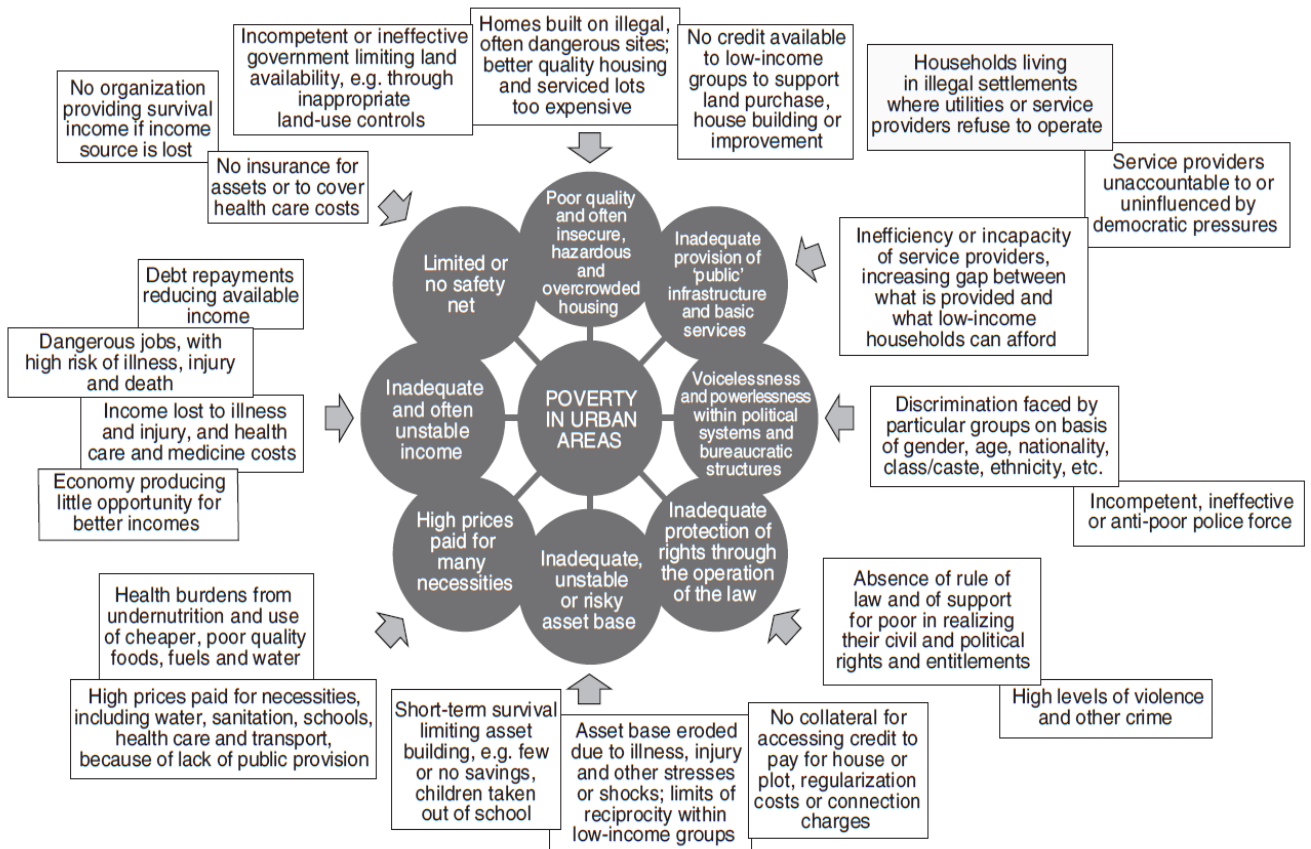
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Annex 1 Exclusion in Urban Areas (Problems)

Exclusion, in urban areas, is multidimensional and is manifested along a continuum. This chapter discusses various dimensions of exclusion and how each dimension affects the urban areas. The dimensions of exclusion could be categorized into spatial, social and economic dimensions. The spatial dimension of exclusion deals with geographic segregation, social dimension deals with discrimination and economic dimension deals with lack of access to opportunities. All these dimensions are intertwined. The following chart helps us understand the deprivations associated with exclusion in urban areas.



Source: (Mitlin and Satterthwaite 2013)

2.1 Spatial Exclusion

Spatial exclusion indicates intra-urban inequalities between various districts/neighborhoods in terms of access to land and housing, infrastructure, basic services, and public amenities. Some areas feature significant infrastructure, well-kept parks, gardens and up-market residential areas. In contrast, other areas are characterized by severe deprivation, inadequate housing, deficient services, poor recreation

and cultural facilities, urban decay, and scarce capital expenditures. These reflect the differences between legal/formal neighborhoods and illegal/informal settlements.

2.1.1 Land lies at the core of social exclusion beyond its purely spatial aspect

The high price and rapid appreciation of urban land, which has far outstripped increases in incomes worldwide, and the focus of local authorities on land development potential under its most lucrative use rather than its most urgent social need, are eroding the inclusionary impact of land. As a result, in most developing country cities, serviced land is under supplied and very expensive. The underlying reasons for the high prices and constrained supply are multiple: restrictive land use regulations, lengthy and expensive administrative processes for land development and conversion, corruptive practices, etc.

Exclusionary zoning regulations that set minimum lot sizes, building height restrictions, and open space allocations, can restrict the number of new housing units that are constructed in a community. They can also effectively set minimum housing consumption levels which are non-binding for high income people, but exceed what lower income people can afford, thus excluding lower income people. Most commonly, these exclusionary zoning regulations result in stratification of population by income groups, concentrated in certain geographic locations. A uniform height restriction in a metropolitan area tends to lower heights in the center of the city where land use would usually be most intense and raise them at the city edge. Mumbai's edge is much further out (by 17 km) than would be the case without a uniform height restriction (Henderson, 2007). As a result, the city center is occupied by the rich people while the poor are pushed to the edge leading to spatial segregation. Moreover, standards and regulations related to land conversion and land use permissions are very costly, involving lengthy administrative procedures, inspections and approvals. These regulations are often the means of corruptive practices.

Since 1979, Syria has enacted laws to expropriate privately held, unbuilt land; first around Damascus, and then in other cities to provide sites for social housing. The terms of the compulsory purchase were considered as quasi-confiscatory by property owners who rushed to subdivide and sell plots on the informal market giving rise to a belt of informal settlements around Damascus and a string of settlements to the south and west of Homs and Aleppo. A similar process is observed in growing cities in East and West Africa. Tribal council and property owners hasten to subdivide and dispose of land by sale or right of use ahead of annexation to the city's jurisdiction. Within the urban boundary they would be subject to the controls in master plans, zoning ordinances and other development regulations. Urban land is the most rapidly appreciating commodity in Middle Eastern cities, doubling in price every two to three years since the mid-1970s. Yet the tradition of property taxation based on rental income valuation makes it almost impossible to equitably tax vacant land and curb rampant speculation that has squeezed out of the informal land market, the non-remittance receiving households among the middle classes whose only option is to rent premises in informal settlements.

Land tenure designates the rights individuals and communities have with regard to land, namely the right to occupy, to use, to develop, to inherit, and to transfer land. Land tenure thus deals with land use and land ownership. While some users may have access to the entire 'bundle of rights' with full use and transfer rights, other users may be limited in their use of land resources (Fischer, 1995). The exact

nature and content of these rights, the extent to which people have confidence that they will be honored, and their various degrees of recognition by public authorities and the concerned communities, have a direct impact on how land is used (Durand-Lasserve and Selod, 2007). Lack of tenure or insecurity of tenure due to illegal occupation where land rights are not honored by the public authority leads to constant fear of forced evictions. From the viewpoint of social inclusion, unregistered titles carry risks for land owners and tenants. Ownership can be challenged by third parties at any time. Settlers are vulnerable to threats and exactions by corrupt local officials. While outright eviction is usually avoided for political considerations, settlers can be harassed and charged exactions for construction, additions and connections to utilities. The rate of appreciation of unregistered land is high, but still lower than registered property. Inability to register real estate has a depreciating effect on the value of the main asset of limited income families. Areas where the bulk of the properties are unregistered acquire a reputation for being areas where titles are difficult and expensive to issue; a reputation that deters private investment in the area.

Jordan's unaffordable minimum lot size has encouraged a sharp increase in joint ownership of land parcels which has become the predominant form of tenure in informal settlements. As a compromise, the state allowed titling of shares in a parcel, a process that has long been legally recognized in Egypt and where it has fueled informal land subdivision. Recent efforts have been made to untangle the situations created by joint ownership of land and overlays of real estate rights which impede the rehabilitation and renovation of older districts and the conservation of historic centers.

Informal land development occurs because available land options are either unaffordable or too isolated. In Latin American cities, urban poor organize land invasions; in South and East Asia, the poor settle on marginal, hazardous sites and along the edges of water bodies (as in Manila); in Africa they illegally subdivide tribal lands and settle the very poor opportunistically in vacant and unbuildable spaces. In most developing country cities, urban poor settle on land exposed to natural hazards and areas affected by man-made risks such as garbage dumps and sites affected by industrial pollution. When they have no other option they settle on land they create themselves by dumping unconsolidated garbage in water bodies as in Guayaquil, Cartagena and Cotonou or in the water bodies in shacks built on stilts as in Dhaka and Manila.

2.1.2 There is a huge mismatch in demand and provision of services

While the dynamics of land market accounts for the marginal locations where the urban poor live, infrastructure provision in these marginal locations is highly inadequate. The poorer inhabitants of the steep upper reaches of favelas and barrios still carry water to their houses, as do the residents in the outlying areas and upper floors of middle class buildings in informal settlements in many cities in the Middle East due to water scarcity and low water pressure. The statistics on access to services do not reflect the reality of the conditions in these areas. In most marginalized areas, the services are not available and where they are available the coverage and quality of these services are very low.

The disparity in service provision is most evident between slum and non-slum areas. In Mumbai (India), for instance, 50 percent of slums have no access to primary schools. In Chittagong (Bangladesh), the number of kindergarten schools for relatively wealthy households is on the increase, while children in

distant slums have almost no access to education. Slum-dwellers also face disproportionate risk to natural hazards, particularly flooding, largely due to where they can afford to live within cities. Lack of affordable public transportation leaves them out of the formal job market and they increasingly resort to informal low-paying jobs. The poor quality and inadequacy of water, sanitation and related services increases the chance of disease and illness, raising a public health risk for the whole city.

While low cost sanitation options may be viewed by local authorities as acceptable solutions, they are not feasible at the higher densities of lower income areas in larger cities and contribute to the pollution of the environment. Soils, aquifers and water bodies are contaminated due to overloaded, ill-maintained treatment facilities and illegal dumping of sludge in water courses by cesspit pumping truck operators. The social importance of water borne sewerage is such that households purchase toilets well ahead of the sewerage network reaching their neighborhood. Everywhere from Fez to Caracas, toilets, bathrooms and kitchens (no matter how modest and badly installed due to lack of resources) are prioritized by limited income families for both their functional use and social significance.

Among many other reasons, lack of flexibility in planning for physical infrastructure, housing and amenities in the context of dynamic and rapidly growing cities in developing countries leads to mismatch in demand and provision of services (World Bank 2013b). The local governments suffer from insufficient capacity and inadequate local revenue to address the infrastructure needs of people. As a result, the marginalized population has to resort to buying services from private providers and they end up paying very high price for services.

Four decades of focus on infrastructure upgrading and the provision of urban services in underserved areas and un-serviced urban extensions have improved living conditions temporarily or more permanently in some areas of most major cities and some secondary towns. Nevertheless, they have had little impact on social inclusion at the city scale. In most cities, spatial segregation has increased and aggravated perceptions of social exclusion.

2.1.3 One in seven of the world's urban population lives in poor quality and overcrowded housing

Sustained high demand for housing due to the high rate of household formation has created pervasive housing shortages for the urban poor and the middle classes. The severity of the shortages and the rapid appreciation of urban land have led to the emergence of land speculators capitalizing on the inertia or collusion of local authorities to take control of large tracts of land. The building regulations make housing more expensive, through costly permitting procedures. These serve to raise construction costs for new housing, making the community less attractive to any in-migrants.

All countries continue to fund social housing programs for political reasons even as they seek more functional alternatives to deliver affordable housing. In countries where the housing shortage is acute such as Egypt, Tunisia, Brazil and Colombia, public housing units are in high demand and are being preempted by middle income employees and salaried workers. Many countries allow occupants to acquire ownership of their dwellings after regularly paying rent for a specified time, usually 10 or 15 years. Projects built on the urban periphery suffer from spatial remoteness and in most countries are

allocated to re-housing families displaced by public works and natural and manmade hazards. This common practice leads to spatial segregation of families whose social and livelihood networks have already been disrupted by relocation.

The experience of Middle Eastern housing agencies in Egypt, Syria and Morocco exemplify the problems which have plagued social housing programs since the late 1970s when the price of urban land started escalating rapidly in the Middle East and in the rapidly growing sub-Saharan Africa's RDP housing program, or computed as a residual after infrastructure and construction costs, or set at the level necessary to secure large tracts, low land values entail peripheral locations and spatial segregation leading to social homogenization and marginalization.

Despite calls for increasing attention to rental accommodations as an option to reach poorer population strata, the rental market in most countries has been absent or too distorted. It is the informal settlements that provide a rental market accessible to the urban poor, but this unregulated market is not devoid of selectivity, excessive charges and harassments.

The proliferation of informal settlement is characterized by a mix of middle and lower income residents and a built environment with an accumulation of code violations. Environmental differences between informal settlements, older slums, and opportunistically located bidonvilles within and on the periphery of the cities are reflected in the socio-economic characteristics of settlers and the degree of exclusion experienced by residents. Slums and informal settlements are characterized by overcrowding, hazardous sites, temporary shelter material and inadequate service provision.

In Egypt, the scale and rate of growth of informal settlements financed by remittances since the 1970s has overwhelmed the capacity of city and governorate authorities to control development in peri-urban and outlying areas. The government response to chaotic urban expansion since 1966 has been periodic decrees legalizing the de facto situation on the ground and stipulating stringent sanctions on future violators. These pronouncements and the delineation of urban perimeters for cities, towns and villages do not deter informal developers and settlers who only have to await the next blanket legalization regularizing their situation and delineating a new urban perimeter further out.

Policy and program responses to slums and informal settlements over the past few decades have included mass public housing projects, affordable housing, basic service provision, 'sites and services', slum upgrading programs, and a few proactive initiatives to prevent slums through land use policies. Of all, slum upgrading programs are the most prevalent.

Formal titling, access to infrastructure and housing should go hand in hand. Despite the security of occupancy, it is clear that lack of a recognized right to land tenure affects investment in housing. Conversely, formal titling without upgrading infrastructure and improving the living environment has had minor impacts. Therefore, access to land, infrastructure and basic services, and housing are important factors to address spatial inequalities.

2.1.4 In most developing countries public spaces are not well-kept and in many cases insecure

In many ways, public space shapes the image of a neighborhood (more so than buildings) and yet receives little attention compared to infrastructure and housing. In most cities in the developing countries, public spaces outside elite areas are not well maintained and in many cases insecure. In informal settlements they are hostile and often controlled by gangs, particularly in outlying settlements where roadways are long and narrow with few transversal links. Inhabitants avoid spending time in these spaces beyond their function as circulation paths. Women and youth who are vulnerable to harassment and violence dread them and hasten to reach home. In favelas and barrios, women are often forced to pay exactions merely to walk and climb the steps up the slope to their houses. They constantly face the risk of urban violence, including vandalism of their homes if they do not pay the exactions demanded. Public spaces are also hostile when they are too large and neglected. Mothers do not want their children to play in such spaces despite the small sizes of their houses, fearing for their security.

2.2 Social Exclusion

Urban areas offer huge opportunities for excluded groups. Many residents undertake new activities and frequently create new identities. For example, caste is famously diluted in cities. However, residential patterns, social networks, occupational concentration and social norms operate differently in urban areas leading to other types of exclusion. Social exclusion on the basis on age, gender, race, caste, religion, ethnicity, or disability impacts an individual's participation and voice in the governance and development of the city.

2.2.1 Who is excluded in urban areas?

The scale and depth of urban poverty in Africa and much of Asia and Latin America is greatly underestimated because of inappropriate definitions and measurements. Understanding the causes of such inaccurate measurement provides insight in those groups who are typically excluded and marginalized; in part they are marginalized because they are "invisible" to those authorities tasked with supporting them.

Women frequently face particularly difficulties. They may face discrimination within their household, within the labor market and in regard to access to services. Women-headed households may be over-represented within households with below poverty line incomes. Ethnicity, caste and other social categories may pose particular difficulties due to social attitudes. This takes numerous forms; for example, the Ga in Accra faced risks due, in part, to the difficulties of continuing with traditional livelihoods as the city expands into the areas in which they live. Other difficulties are faced by groups who migrate into urban centers, especially in nations where migrants are excluded from public services.

Age can be an indicator of vulnerability with both the (very) young and the elderly. One of the difficulties facing many elderly urban dwellers in the global South as their strength and physical capacity diminishes is the lack of pension provision. Young people may face particular difficulties. Two thirds of sub-Saharan Africa's population is under the age of 25. Young people have high expectations of urban life: for example, "Dar es Salaam is known by youth as Bongoland, the city of bongo (brains) where the smart ones go and 'make it'". But in practice, especially in urban Africa, there are few opportunities that are provided and

most youth are unable to access the kinds of jobs that they aspire to. Both formal and informal neighborhoods lack provision for children (play areas), and for adolescents (youth clubs and recreational facilities). Where facilities do exist, these are likely to be for sports. Girl children can be doubly disadvantaged by gender discrimination. Both the young population and the elderly are often not represented in the governance structures. They do not have any opportunities to participate in decision making or voice their concerns.

Lack of income and assets are critical factors determining or influencing exclusion in urban areas. This is manifested through difficulties faced by those with low incomes who find it difficult to pay for adequate goods and services, including food, and also through a residential location within informal settlements characterized by a lack of public services. Around one in seven of the world's population lives in poor quality and usually overcrowded housing in urban areas. Most of these lack provision for safe sufficient water, sanitation and many other needs. They include very large numbers of urban dwellers who are malnourished and suffer premature death or disease burdens that are preventable. Those who are street-dwellers or homeless also face acute needs that are rarely addressed. In Delhi, for example, it is estimated that there are over 100,000 homeless people, but the government runs only 14 night shelters with a maximum capacity of 2,937 people. However in addition to those without housing and with a general lack of income and assets, there are other groups that are particularly vulnerable in urban areas.

Internationally and internally displaced people also face particular difficulties. Among 45.2 million displaced persons worldwide, more than half live in urban contexts. While most displacement is protracted and the displaced become permanent urban residents, forced displacement is rarely factored into urban planning, disaster-risk and poverty-reduction strategies; since it is commonly seen as a humanitarian domain. The displaced face many of the same challenges as the urban poor; informal settlement, poor living conditions, lack of economic opportunities, social marginalization. In Colombia, nearly 10 per cent of the country population is living in the condition of displacement; and despite government support programs, 98 per cent have an income below the poverty line. In addition, displaced people also face additional constraints; loss of assets, trauma, lack of skill set, loss income source/job, household separation, impermanence, legal status (loss of identify documents/lack of legal rights to work), contested rights to land and housing, social isolation, social tensions, government policies. In some cases, the displaced people may be socially isolated and living apart from families and/or broader communities with the additional problems that a lack of social networks brings.

Similarly, refugee settlements may not be recognized as being urban centers, but over time many become permanent settlements rather than temporary accommodation. Problems may be exacerbated because of a refusal to recognize the likelihood of permanency and maintenance of a perpetual state of exception. In the short (and sometimes longer) term basic infrastructure and health facilities can be lacking with appalling consequences. The Global IDP Project, for example, reported under-5 mortality rates of 240 per thousand live births in a refugee camp in northern Bahr al Ghazal, Sudan (Global IDP, 2002). Livelihood strategies may also be curtailed in absence of a permanent residence.

Those with particular health problems are also a group facing exclusion. In many cases, health problems are primarily shaped by low-quality housing, unhealthy living conditions, and limited access to healthcare

services. Much of the exclusion for those with health problems is related to a lack of income and/or assets. Poor health is recognized to be one of the major factors leading to chronic poverty as families that are just coping are unable to recover following the primary income earner falling sick or being injured. It is accepted that in most nations, levels of HIV infection are usually higher in urban areas than rural areas and with large urban areas having the highest HIV prevalence. Within low-income urban dwellers, adolescent girls and young women are disproportionately affected because they are least able to avoid the risks and protect themselves. These populations need particular support in terms of access to medication and basic services, and they are frequently unable to secure these (Mabala 2006).

2.2.2 Exclusion impacts democratic processes adversely

There are a wide set of concerns about the broader consequences of exclusion, particularly in respect of its impact on democracy. Greater social distance of decision makers from low-income population may result in increasing inability of government to act in the interest of all. Policies that do not favor low-income population are likely to mean basic services, including health and education, are not provided to low-income population, which would in turn, increase inequalities. There are concerns that increasing inequality may be associated with less democracy. Government policies that lack space for participation of low-income population may be counter-productive. Lack of participation and dialogue with low-income population hampers inclusive development.

2.2.3 Exclusion and crime are closely linked.

Governance challenges in urban areas contribute to some groups feeling left out, and having few opportunities for voice and redress. The polarization and stark spatial segregation within cities is one of the root causes for the crime that has afflicted many cities in LAC, Africa and other parts of the world. For example, Honduras is about 52% urbanized and about 54% of urban population is poor. Urban poor are deprived of not only basic infrastructure but also have limited economic and educational opportunities, without limited prospect for the future. This has been a key factor underlying the crime and violence problem in Honduras. In recent years, crime and violence issue has become a central development issue in Honduras. It is no longer only a social issue but it also hampers economic growth, with a direct effect on investment climate and business opportunities. Over time, violence can become institutionalized, making it difficult to dismantle. Land mafia, drug lords and other extortionists then step into the role of what should have been core state function (World Bank 2013d).

2.3 Economic Exclusion

Economic exclusion implies an inability of the excluded to enter formal labor markets, obtain capital for business development, or the education necessary to be considered for employment.

2.3.1 Poverty is urbanizing and inequality is rising

Although urban areas account for lower rates of extreme poverty as compared to their rural counterparts, poverty is expected to urbanize rapidly. With more and more people moving to urban areas, the share of the total number of poor who live in urban areas is expected to grow. Urban poverty has been falling more slowly than rural poverty – in part because urbanization is the key driver behind rural poverty reduction, but also because some of those who migrate to urban areas remain poor (Ferre 2010). This is evident from increasing intra-urban inequalities. In Latin America, the most significant

increases in Gini coefficients have occurred in Colombia, where measures of income inequality climbed by 24 percent in Bogotá between 1991 and 2005, 10 per cent in Calí, and 4 percent in Medellín between 1991 and 1998. In East Asia, inequality has most notably increased in China (World Bank 2011). In urban Vietnam, income inequalities increased by 17 percent between 1993 and 2002 within a context of rapid economic growth.

Increased inequality in the distribution of earnings is not only a developing world phenomenon; it is also present in most of the cities in the US. Whereas the top 5 percent of earners took home 17.2 percent of the income in 1967 in the US, they accounted for 22.3 percent in 2012 (U.S. Census 2013a). The average incomes of those in the top 5 percent grew—after adjusting for inflation—by 70 percent, to over \$318,000, while those in the lowest 20 percent grew only 19 percent, to less than \$11,500 (U.S. Census 2013b). Since 2000, moreover, the real average income at the bottom of the distribution has dropped 15 percent, whereas the real average income for the top five percent has dropped by only 4 percent. These levels distinguish the U.S. as the most unequal income distribution in the industrialized world (Garfinkel, Rainwater, and Smeeding 2006). And an estimated one in four U.S. workers earns poverty-level wages (Osterman and Shulman 2011).

The wealth gap in the US has increased even more than the income gap. For example, “tracing the same households over 25 years, the total wealth gap between white and African-American families nearly triples, increasing from \$85,000 in 1984 to \$236,500 in 2009.” (Shapiro, Meschede, and Osoro, 2013) The gap between the wealth of blacks and Hispanics, on the one hand, and whites on the other is among the most threatening portents for the future.

2.3.2 Urban poor’s entry to formal labor market is restricted

The reason for the huge gap in income and wealth among the minorities and the rich population is due to the fact that marginalized population suffers from lack of access to formal labor markets. Lack of a formal address or identity comes in the way of the urban poor in accessing the formal job market. Social discrimination based on gender, age, ethnicity, etc. could also leave the urban poor out of job market. Lack of education and poor health can also restrict the ability of poor urban residents to access well-paid jobs. Due to inability to obtain necessary education and skills, the urban poor face a huge mismatch in their skills and the job opportunities. For example, while 45% of all jobs in 2018 in the US will require at least an associate’s degree, only 27% of African-American workers, 26% of US born Latinos and 14% of Latino immigrants have this level of education.

Another reason could be unaffordable transportation costs, or certain residential areas may simply be disconnected from the transportation network. Due to high prices of land and housing, urban poor are forced to live in areas that are not well connected to central city areas where generally jobs are. In some cities, much of this income segregation trend is also driven by the enclaving of the highest income households, not the spatial segregation of the lowest income households. Most of the urban poor, as a result of the spatial and skills mismatch, end up in low-paying informal jobs that do not provide dependable stream of income and are often characterized by precarious working conditions (World Bank 2009b). Highly risky working conditions raise the risk of illness or injury, which in turn poses a risk

such as erosion of assets of the urban poor. Inadequate and unstable income, risky working environment and very low economic mobility limit asset building or saving capacity of the urban poor.

In most developing countries urban economies have become increasingly informal over the past 10 years, as the formal sector consistently fails to provide for both young people and adults seeking employment, even in the face of healthy economic growth. In India, for example, whose economy grew 5 percent annually over the past 10 years, some 370 million people, or 9 out of 10 employees, are not affiliated with any formal social security scheme. Mexico, which grew an average of 2.5 percent per year in the past 10 years, extends social security to only 30 percent of its workforce (UN Habitat 2010).

There are marked differences between metro regions in the inter-generational economic mobility: the spatial variation in intergenerational mobility is found to correlate with residential segregation, income inequality, school quality, social capital, and family structure (Chetty et al. 2014). Areas with less residential segregation, less income inequality, but better and greater quality in school education, social capital and family structure facilitate upward mobility.

In most cases, economic inclusion efforts are ineffective, uncoordinated and often just a small add-on to a full economic development strategy. While it is important to address economic exclusion, different cities will have different starting points for addressing the issue (level of growth, quality of local jobs and access, demographic profile, geography of opportunity). These different starting points would demand different type of strategies. For example, the economic challenges faced by a city with majority of its population under the age of 25 will be very different than the challenges faced by a city with majority of retiree population.

Annex 2: Past Approaches and Experience

| Approach | Name and Description of Example | Issues Addressed | Major Concerns/Lessons Learned |
|---------------------------|---|---|--|
| Spatial | | | |
| <i>Public housing</i> | 1. Reconstruction and Development Program (RDP) Housing Policy, South Africa (1994) ¹⁰ : RDP – an integrated socio-economic policy framework – declared housing as a human right, giving way to policies and housing codes that aim to build 300,000 houses per year before housing deficit is eliminated. | Housing for low income population: Through the program, the government aimed to provide housing for all, aimed at mobilizing resources and efforts of communities, the private sector, and the State. Over two million small free standing houses have been built by private contractors. | Spatial and racial segregation: The houses were built within sterile and unimproved public space at the edge of the urbanized areas. The program contributed little to racial integration and overcoming the legacy of apartheid since the location of these houses is in peripheries which contribute to spatial segregation. Focus on quantity compromising quality: Having a quantitative goal of has led to implementation with poor quality. |
| <i>Sites and Services</i> | 2. Operación Sitio Housing Program, Chile (1964-1970) ¹¹ : “self-build” solution to quickly address increasing housing demand by providing serviced land plot rather than a completed house. The program was an effort to formalize access to land by providing access to loans for purchasing single family urban lots that are equipped with basic urban services and community facilities. | Serviced plots for low income population: These initiatives provide access to serviced land, rather than completed housing, to low income people who are supported to build their own housing. Providing serviced land was a quicker method to address housing deficit and a way to mobilize community, encouraging close collaboration between the people and the administrators. | Spatial isolation: In most cases serviced land was provided in unfavorable locations, inconvenient for access to urban services and work opportunities, and sometimes without infrastructure nor public services. Reduced affordability: The serviced land increased in price, making it difficult for the urban poor to pay their rent and hence became unaffordable for the low-income population. Quality of housing: The minimum housing standards were not always met when people constructed their own housing. |
| | 3. Million Houses Programme of Sri Lanka ¹² (1984-1989): The Sri Lankan government was rethinking itself as an <i>enabler</i> to help the poor to provide their own housing (through aid to self-help construction and affordable loans) rather than being a direct <i>provider</i> . The program focused on providing solutions that were applicable to a wide range of needs and allowing flexibility in housing. | | |
| <i>Affordable Housing</i> | 4. Brazil Minha Casa Minha Vida program (2009): The program aims to build 1 million new homes before 2016 via federally-funded subsidies and tax incentives to encourage private contractors’ production or renovation of housing units to be sold to eligible buyers. Program also facilitates | Housing for all income brackets: The program attempts to fill the housing deficit, by facilitating housing credit to the poor at low fixed interest rate well below open market rate. | High cost of land and infrastructure: Delivering truly affordable property is rendered challenging due to the high cost of land and infrastructure. And because the project does not set guidelines about the location, affordable housing is built in the peripheries. |

¹⁰ <http://www.nelsonmandela.org/omalley/index.php/site/q/03lv02039/04lv02103/05lv02120/06lv02126.htm>

¹¹ <https://isaconf.confex.com/isaconf/forum2012/webprogram/Paper21171.html>

¹² Cities Alliance (2011). The Case for Incremental Housing. Washington, DC USA.

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| | housing credit to the poor at low fixed interest rate below market rate. Eligibility to purchase is determined according to income levels, with priorities given to more vulnerable groups. | | |
| | 5. Chile affordable housing program: Chile's program provided subsidies to lower income families and engaged the private sector in the production of affordable housing. Recognizing the problems of spatial segregation and remoteness, Chile redirected its housing policies in 2010 to increase the proportion of housing subsidies available to vulnerable groups in areas closer to the city center and within the city center. New public housing projects are developed to accommodate mixed income groups while zoning changes allow higher densities along major transportation corridors to attract mixed use developments. | Housing for low income population: Initially flawed policies were corrected to allow mixed income housing and zoning changes for denser development along transport corridors. | Spatial isolation and segregation: Seeking to expand affordability by containing costs required walk up typologies, smaller units and large parcels at low land prices. The earlier projects produced physically and socially homogenous suburban neighborhoods at two to three hours commuting distance from employment areas. In the meantime, Chile's economic growth lifted many residents to middle and upper middle class status. They left the project areas for more accessible neighborhoods with better housing and public services. |
| <i>Slum Upgrading</i> | 6. Chile neighborhood "recovery" program: In 2006, under the administration of the Ministry of Housing and Urbanism (MINVU) and implemented by state and local authorities, neighborhood recovery program was launched. As part of its comprehensive set of urban and housing policies, the program intervenes in vulnerable areas to prevent their further deterioration and social segregation. Having managed to overcome initial resistance by residents, the program received an increase in funding and has expanded. In 2013, it is active in 168 districts and affects 324,000 residents. | Social integration of vulnerable areas and connectivity: In addition to funding upgraded infrastructure and public services, the program provides for the improvement of connections to the city to overcome the isolation of barrios. Community- Municipality Partnership: Residents prioritize improvements, which is formalized through contracts with the municipality. | Lack of neighborhood consolidation: Despite being socio-economically homogenous housing complexes and located in the same urban context, the apartment buildings are consistently poorly evaluated by the residents expressing dissatisfaction in the community. The population's favoring towards private space at the expense of public space also has devalued public spaces, contributing to lack of social cohesion and hindering revitalized neighborhood social life. |
| | 7. Tunisia slum upgrading through ARRU (1981): The Urban Upgrading and Rehabilitation Agency (ARRU- Agence de Réhabilitation et de Rénovation Urbaine) has coordinated slum upgrading initiatives through collaboration with Housing Bank, the Solidarity Bank, the Municipal Finance Authority, the National Solidarity Fund, various municipalities, and NGOs and CBOs. | Improved living conditions: Slums have been virtually eliminated down to 1%, and the private sector primarily leads housing production. | Increase in property values: The cost of private land has gone up and this has made conventional home ownership in housing produced by the formal private sector for low income households largely unaffordable. Furthermore, publicly owned land that is suitable for housing development around larger cities has been depleted. |
| | 8. The Brazilian slum upgrading program – PAC: From the legal recognition of the right to the city | Slum upgrading as an investment NOT expenditure: | Integrated Approach: Physical interventions are necessary but not sufficient condition for improving |

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| | <p>by the City Statute and the validation on the National Housing Policy and based on the knowledge accumulated through small scale interventions in progressive cities during the 80's and 90's, slum upgrading officially became a high priority investment area in Brazil in 2007. A program was announced in 2007, with an average investment of US\$ 4.3 billion/year (total 30 billion US\$ investment) that aimed to reach 1.8 million families. Slum upgrading was considered as part of an economic growth package that included a series of investments for leveraging the overall infrastructure of the country.</p> | <p>This was a major breakthrough since slum upgrading was now seen as a fundamental axis for economic and social development in the country. Slum upgrading was recognized an investment and not social expenditure.</p> <p>Live where you are: Under the program, one of the key ideas was to allow the slum dwellers to live where they are and occupy land they already occupy, near facilities and workplaces.</p> <p>Social work integrated with physical upgrading: Social work component is institutionalized in the national policy under PAC. The component focuses on social, economic, environmental sustainability. It aims at regionally focused development and functional integration to the city fabric. It aims to integrate rather than substitute local social policies.</p> | <p>living conditions of urban poor. In addition to housing and infrastructure, they need support in terms of health, education, social assistance, transport, productive inclusion, etc. The physical works under PAC generated 9,800 jobs and 60% of them went to workers from the local community. In addition, improvement in infrastructure benefits small scale businesses. Positive synergies emerge when two axes of social work component – social capital strengthening and income/work generation – are integrated.</p> |
| Slum Prevention | <p>9. Hanoi, Vietnam: Hanoi allowed the densification of former village areas by modernizing road networks just outside the city. This approach opened new land for formal developers while improving connections among peri-urban areas.</p> | <p>Forward looking slum prevention policy: New areas for development were opened up, allowing greater connection to the city. Construction of homes abided by the regulations of the more formal housing.</p> | <p>Houses are still built without official permission: homes and other developments are still carried out by quasi-legal construction industry. And with such stability triggering greater migration into the city, the growth pressure further encourages construction meeting on the care minimum standards.</p> |
| | <p>10. PMIB Bogotá, Colombia¹³: The program succeeded by coordinating land use with infrastructure development through the Programa de Mejoramiento Integral de Barrios (PMIB). PMIB aimed at legalizing homes and neighborhoods, and improving living conditions in the poorest areas in the city that lacked secure tenure.</p> | <p>Integrated land use and infrastructure development: PMIB expanded infrastructure with roads, rainwater traps, and sanitary networks and added communal facilities. Delivering access to services allowed formalization of the settlements and thus prevented growth of slums.</p> | |
| | <p>11. Novostroiki, Kyrgyzstan: Semi-informal settlements were built in the periphery of the two largest cities, as solutions by the government to accommodate the waves of rural migrants. Citizens were allocated land plots free-of-charge to construct housing.</p> | <p>Preserved order in the in housing the influx of migrants. Land was allocated along street rights of way, which were kept free of settlers by strong enforcement</p> | <p>Deficiency of basic infrastructure, especially those related to social services: Many do not have access to water, electricity, or public services such as waste collection. Furthermore, randomly organized settlement patterns in the outskirts complicate providing basic infrastructure and integrating with the rest of the city. Government intervention of providing housing loses the indigenous know-how in building traditional homes.</p> |

¹³ <http://siteresources.worldbank.org/EXTSDNET/Resources/Urbanization-Planning-Connecting-Financing-2013.pdf> (page 35-36)

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| <p><i>Infrastructure and Basic Services</i></p> | <p>12. India Mumbai Sewage Disposal Project¹⁴ (1996-2005): The project primarily targeted large specialized sewerage works, while the Slum Sanitation Program (SSP) component under the project targeted about 1 million slum dwellers (approximately 20 percent of Mumbai’s slum population) living on municipal land, by constructing community toilet blocks, which were handed over to community groups to use and maintain.</p> | <p>Improved health and environmental conditions: The SSP component alleviated the living conditions by improving sanitation facilities, as the population living near the city’s open sewers benefited from removal of domestic sewage and industrial waste in the water courses.</p> | <p>Service needs to be provided in complementary manner: Providing sanitation services to slums is not effective without providing water and electricity. In order to ensure sustained maintenance, there is a need to think of potable water supply, sanitary excreta disposal, and hygiene education as a package, on which the health improvements depend.</p> |
| | <p>13. South Africa Municipal Infrastructure Grant (MIG) Project (1994): The MIG project aims to ensure that all communities have access to at least the basic level of services. The fund covers the capital cost of basic infrastructure for the poor. It was designed for wide geographic coverage and speedy delivery of upgrading and bulk infrastructure. The allocation is first split into each type of infrastructure, which is then each divided among municipalities according to their deficiency level.</p> | <p>Social and economic objectives to complement infrastructure improvement: Integrating divided urban areas, promoting social equity, enhancing economic opportunity, generating employment and training local entrepreneurs and workers including women and youth. Community-Government Partnership: The program is structured to require close coordination among community, municipal/provincial/national level authorities.</p> | <p>Lack of capacity at municipal level: The project demanded a significant level of work and capacity from the municipal government to manage the grant. Without this capacity, the program remained hugely underspent. Curtailment of the monitoring role of provincial and national governments in 2005 brought to light the limited managerial capacity of municipalities and prompted the adoption of the Local Government Turnaround Strategy in 2009 and the creation of the Municipal Infrastructure Support Agency (MISA).</p> |
| | <p>14. Venezuela Mission Barrio Adentro (2003): In 2003, Venezuela launched social programs referred to as “missions” to improve the living conditions of poor Venezuelans in domains of health, education, food security, housing, and job training. The program provided free health services to the most marginalized communities inside their own neighborhoods. The Mission aimed to provide access to free and high-quality health care, including preventive care and services for those with disabilities.</p> | <p>Spillover impact to provide various social services: Today there are 26 social mission programs working to increase the availability of services to the vulnerable segments of the population. From the successes of providing access to health services - these mission programs include education, basic food security, legal identification, land titles, human rights to indigenous and vulnerable communities, job training, etc.</p> | |
| <p><i>Land use regulations</i></p> | <p>15. ZEIS, Brazil (1983): Special Zones of Social Interest (ZEIS) are employed to determine land use, land parceling and building rules in areas already occupied by informal settlements. Residents in a ZEIS are organized into CBOs and approve the land planning and management regulations to be integrated into municipal laws.</p> | <p>Low-income population benefiting from land value appreciation with protection from gentrification: The strategy aims to allow poor families to reap the benefits of land value appreciation and to build up their assets through regulations that prevent gentrification.</p> | <p>Close supervision and active community engagement necessary: without close supervision by the residents’ association and/or the public agency, informal transfer of rights are promoted and the sense of permanent is diminished. It is seen that local residents less involved with activities of the residents’</p> |

¹⁴ World Bank, June 2004. Mumbai Sewerage Disposal Project, Implementation Completion Report.

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| | | | association have less appreciation for the unique legal status and security of tenure. Challenges of integrating into the rest of municipal system: the bureaucracy of creating a specially mandated council to oversee the policy and implementation has been a struggle. |
| <i>Land based financing</i> | 16. Improve Your Neighborhood Program, Cuenca, Ecuador (2000): The program aims to capture remittances and generate benefits for the city and property owners, by servicing consolidated neighborhoods of high density. It relies on the development potential of the land to finance infrastructure improvement. Upon the residents request to implement certain improvements, the city provides public works package funds and private firms are hired to construct the work. The cost is allocated among property owners based on lot frontage. The municipality supervises implementation and gets a management fee of 12%. Property owners pay 40% of their share of the cost charged up front with the remainder payable over five years. | Inclusion of the low-income households to participate and benefit: The municipality provides subsidies to poor families, retirees and women-headed households to enable them to participate in the program. Revenue for the municipality: The municipality does not incur outlays as the management fee and the additional receipts raised through the property tax not only cover its costs but actually contribute to generating revenues. | Ability of the property owners to contribute their portion of the cost: The success has been possible with the municipality allowing reschedule of repayment by the property owners for their share of the cost, in the case of hardship and economic distress. |
| Social | | | |
| <i>Community driven approaches</i> | 17. Orangi Pilot Project, Pakistan (1980): The Orangi Pilot Project (OPP) was rethinking urban development through community driven approach to identify and select infrastructure investments. OPP mobilized contributions (time and cash) from low-income settlement on the periphery of Karachi to implement various programs ranging from low-cost sanitation, low-cost housing (launched 1986), basic health and family-planning programs, fostering small family enterprises, etc. | The low-cost house building program continuous research and redesign program: the program conducts research to best design loans and improvements. The implementation phase carries out personnel training to utilize newer technologies. Community-based project generates social development: OPP programs mitigated increasing social conflict by mobilizing community residents and democratizing local representation through voicing more clearly people’s demands on what used to be self-appointed and exploitative leaders. | Collaborating with existing leadership: In order to avoid provoking hostility of the existing leadership at project sites, they were also given assigned roles – mainly to function at the larger neighborhood level. |
| | 18. Baan Mankong, Thailand (2002): Community Organization Development Institute (CODI) was established to continue and extend the work of the Urban Community Development Office (UCDO), who provided loans to organized low-income urban communities. Under the name of ‘Baan Mankong’ or ‘secure housing’ program, | Empowered slum communities and networks: Playing a key role at the center of the process of developing a long-term and comprehensive solution to land and housing problems, the poor communities are naturally increase their capacity to interact with municipalities, professionals, and NGOs. | Identification and selection of the investment needs by the community is crucial: Even with the largely community-driven process, the outside assistance can still heavily influence key decisions to be made by the community. Hence balancing the engagement of outside professional help needs careful management. |

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| | problems of poor-quality housing and threat of eviction are being addressed. Once the plans are finalized by the community, CODI channels government-financed infrastructure subsidies and housing loans directly to the communities who plan, implement, and manage the budget themselves. | Systemic solution to low-income housing: Institutionalizing the welfare process from an ad-hoc process has integrate the poor community housing needs into the larger city's development. | Risk of elite capture: Within the communities, there are gradations of relatively rich and very poor. In order to ensure that everyone in the community is able to voice their concerns fairly, the community engagement process also needs supervision. |
| | 19. Asian Coalition for Community Action (ACCA), 19 Asian countries (2008): The Coalition is launched by the Asian Coalition for Housing Rights (ACHR), with the goal of integrate community groups as the primary doers in slum upgrading. ACCA relies on large-scale change process led by people. | Local groups are the primary doers: The community groups of residents carry out and contribute significantly to citywide surveying, saving, partnership-building, as well as developing and implementing small upgrading projects. Playing the central role leads to 'unlocking' the power of people: Even with modest amount of resources, communities planning and using the funds, and negotiating with other actors lead to strengthening of their capacity. | |
| | 20. National Community Empowerment Program (PNPM) in Urban Areas, Indonesia¹⁵ (1999): The largest CDD program in the world covers all urban wards and rural villages in Indonesia. Targeting the urban poor, participatory planning elements are enhanced as part of the objectives to provide basic services and socio-economic development programs. Urban wards are provided grants to co-finance the community development plans that they identified. The grant can support infrastructure but also income generating activities and social programs to benefit the poorest. | In order to sustain social funds, some communities have created economic activities: As the funds can be used in numerous types of activities, the communities slowly build up the knowledge and capacity to utilize the fund for different purposes. In the cases that economic activities are created, the profits from the activity go to the poorest. | Participatory development in urban areas is more challenging but offers more opportunities than in rural areas: The PNPM offers a chance to evaluation CDD impact in urban versus rural context. Findings reveal that participatory development is more difficult in cities due to the less time that is available for the urban population to participate. However, the urban community tends to have more capacity to contribute as they are more forthcoming, open, and diverse. |
| <i>Participation of the marginalized</i> | 21. Participative Budget in Porto Alegre, Brazil (1989): The system was introduced in Porto Alegre with initiatives led by the federation of local neighborhood associations, against the financial and administrative unbalance of municipal spending. Residential neighborhoods either directly express their choices on local priorities for municipal investment or elect delegates to make these choices. Formal | Participative democracy is exercised: City was divided into sections based on various criteria including geographical and social descriptions. This organization enabled citizens and entities linked to specific issues to voice their concerns on the issues identified, which included city organization and urban development, transport and circulation, health and social care, education, culture, leisure and financial development and tax planning. | Different priorities among citizens: Priorities from the citizens of poor regions versus those from more affluent areas differed significantly. These discrepancies are not easy to resolve. Passivity in the citizens: The political culture and citizen participation affects much of the turnout and true level of citizen engagement. In the case of Porto Alegre, passivity was a barrier as were the lack of |

¹⁵ World Bank. Forthcoming 2015b. Participatory and Community Driven Development in Urban Areas: Lessons from World Bank Case Studies. Washington, DC: World Bank

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| | budgetary responsibility remains with elected representatives who respond to the identified priorities. | | previous experience in the citizens in debating important and technical issues. |
| | <p>22. Mumbai Railway Upgrading Resettlement, India (1999): Nearly 32,000 households lived in shacks next to the tracks at high risk and without water and sanitation, and the railway upgrading project required removal of informal settlements that were within touching distance of the trains. Discussions within the Railway Slum Dwellers' Federation (RSDF) – to which most households along the railway tracks belonged – had actually shown that most families wanted to move if they could get a home with secure tenure in an appropriate location. The National Slum Dwellers Federation of India provided organizational resource (to support the railway slum dwellers federation) to match the state contribution of land and finance. A relocation program was developed as part of a scheme to improve the rail network.</p> | <p>Promoting particular group's leadership: Women were particularly encouraged to take the lead in various functions, including managing savings and credits, developing skills to interact with local authorities, and getting involved in house and settlement design.</p> <p>Employing citizens for upgrading: The construction work of upgrading presented opportunities to hire both unskilled and skilled community members.</p> <p>Generation of systematic data: The participatory process allowed collection of data and creation of detailed cadastral maps showing encroachments at each location along the rail system. Having developed this information was a source of power and credibility to work with State entities as well as external aid and development organizations.</p> | |
| <i>Rights based approach</i> | <p>23. Brazil City Statute (2001): The City Statute of Brazil provides the conceptual and regulatory framework where legal order to regulate the process of urban land use and development declares rights to urban planning, social right to housing, right to capture surplus value and the right to regularization of informal settlements.</p> | <p>Not only rights to land and housing but also to broader list of rights: the legal order for collective rights on land use and development has put forward the principle of wide participation, decentralization of decision-making, strengthening relation between actors to overcome social and environmental problems.</p> | <p>Objectives hard to implement: spatial organization and social inclusion have been difficult to implement due to the still lacking support in the legal-institutional and legal-administrative order in force. Nominally recognized rights have not been properly enforced as the process, instruments, and mechanisms to govern the order are lacking.</p> |
| | <p>24. Right to housing and sanitation, Kenya¹⁶ (2010): Constitution of Kenya 2010 states that all people have the right to accessible and adequate housing and to reasonable standards of sanitation; and describes forced eviction as frequently resulting in violation of other human rights.</p> | <p>Rights based approach to stem proliferation of slums: The 2010 National Policy on Human Rights called for measures to upgrade slums and also provide measures to stem their growth.</p> <p>Legal framework for internally displaced persons (IDPs): The Policy also adopts the stance that protection and assistance of IDPs need to be developed into a legal framework.</p> | <p>Appropriate and complementary legislations need to be in place: while the new constitution allows claims on the violation of the right to adequate housing, accessible and affordable legal advice and efficient administration of justice is essential. Moreover, in the case of Kenya, the State did not always make information available to individuals. Without obligation to provide information on the justification for an adverse decision on an individual's right to housing, the people who were being affected did not have ways to challenge the decisions.</p> |

¹⁶ Weru, Jane (2014). 'Too Pressed To Wait: A Retouch on Women and Sanitation', unpublished.

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| | 25. Cebu ensuring livelihood security, the Philippines (1992): Threatened with expulsion from the city center, vendors' associations in Cebu City formed a common platform to ensure livelihood security. The city authorities legalized trading in some areas of the city upon the vendors' compliance with certain guidelines regarding vending hours, number, size and type of structures or stalls, and sanitation. The authorities shifted to an agreed policy that demolitions of vendor stalls would only be considered following complaints from other users. | Participatory governance mechanism championed: Through the advocacy work, the vendors association together with the NGOs engaged in a constructive negotiation with the city government. | Change in the city government poses a threat to continuity: Strong and consistent advocacy work has been required by the NGOs in order to withstand the whims of changes in the political administration. |
| <i>Crime and Violence Prevention</i> | 26. Barrio Ciudad, Honduras (2005-2013)¹⁷, Inner City Basic Services for the Poor, Jamaica (2006-2013): These World Bank projects utilized simple physical solutions such as better lighting in public spaces around slums to reduce crime and violence. The projects identified factors enabling criminal activities and violence: certain physical characteristics of the communities as well as the limited human and social capital development. In order to tackle these factors, Crime Prevention through Environmental Design (CPTED) approach was utilized by engaging the community through the process. | Communities are re-invigorated and re-integrated into the broader society: As part of the effort to foster security, community capacity enhancement to prevent crime and violence was also implemented. Education and employment programs and other vocational training helped the residents' activity in the economy. Small-scale infrastructure adjustments enhanced sense of security: New construction to address the physical characteristics such as barricading fences and narrow unpaved roads not only provided better access and connection of networks, but also increased sense of safety. | Political cycle disrupts continuity of efforts by the municipalities and neighborhoods: Because it is important to maintain social cohesion and trust in the participating communities to prevent crime and violence, significant importance is given to the continuity of financial resources as well as strategic partnership. When election cycles interrupt resource management and community organizations, risks of disrupting social cohesion and trust building increase. Lack of previous experience can hamper effectively participation: Most communities as well as local agencies do not have enough prior experience. |
| Economic | | | |
| <i>Access to credit and finance</i> | 27. Internally Displaced Persons Project, Albania (1995-1999): The World Bank project aimed at promoting microenterprises, with a component on Small-Scale Credit and Microenterprise Support that tested sustainable methods of providing small credit to potential micro-entrepreneurs. | Financial credits were accompanied by skill training and technology: Urban credit clientele consisted of entrepreneurs, unemployed, employed (salaried), and pensioners. Loans were used for small trade, services, and production. The activities financed ranged from kiosks and street vendors to beauty shops, car washes, and furniture makers. Technical and business advice, know-how, and new methods of supply and marketing were provided as well. | Lacking specialized economic activity that is embedded in the community: The microcredit is effective in building generic entrepreneurship skills and foundations; however, the microcredits were not effective in building a local economic program that can be nurtured by the community for the longer term. |
| <i>Cash Transfer</i> | 28. Oportunidades, Mexico (1997): Reaching 5 million households, this cash transfer program aims to improve child nutrition, health, and | Not only improvements in individuals households, but collective benefits for the society: At the household level, the monitoring of the | In urban areas, cash transfer programs need to ensure that there is enough supply for the demand: Oportunidades shoed relatively small impact in urban |

¹⁷ World Bank, Bairro Ciudad, Honduras and Inner City Basic Services for the Poor, Project Documents

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| | education to reduce poverty and develop human capital. As a conditional cash transfer program, it requires health checkups for all in the household with conditions regarding completion of certain levels of education. | Oportunidades impact finds Increased food consumption and long-term consumption. | areas compared to the rural areas. One of the reasons behind this was the boosted demand that could not be met with the lagging supply of schools and clinics. One general risk in cash transfer is the short term consumption of the cash and the lack of investment for large and longer term returns: A general risk in cash transfer programs is that the poorer recipients are typically expected to consumer more of the cash relative to wealthier individuals. This leads to ending of the poverty cycle more difficult. |
| <i>Connecting to jobs</i> | 29. Job Access Reverse Commute Program, United States (2000): The program aims to help communities design locally tailored public transit-human services transportation plans to meet the needs of low-income population who must travel long distance with odd hours and complicated work trip routs. | Locally tailored trips to serve the low income population traveling to jobs | Scale is necessary: Still, massive transit expansion and land use policies are needed to concentrate job growth near existing transit corridors. |
| | 30. Medellin Metrocables, Colombia (2004): The municipal government introduced measures to reduce spatial segregation, including a cable-propelled transit system (gondola) that was integrated into conventional public transport system of the city. | Integrating the poor to other parts of the city for jobs: The economic implications of connecting low income areas to other parts of the city are multiple. The cable cars contribute to connecting the poor in isolated areas to other parts of the city for jobs by reducing travel time. Economic activities transpiring around the cable cars: Small economic activities are spurred with increased restaurants, bars, etc., while the cable cars also attract tourists to enjoy the city's best views. | Poor connection to city-wide institutions and markets: without anchoring effect s of connecting institutionally, the physical connection has limits the impact restricted to small businesses that has low sustainability or prospects for expansion. |
| <i>Building skills</i> | 31. Bel Group on building skills, Vietnam¹⁸ (2013): Commitment to research into understanding the informal networks, institutions, routines and stakeholders led the private company Bel Group to devise an approach to build and reinforce community while also disseminating its product. The company recognized informal sector and street vendors as a route for inclusive business. With more street vendors than formal shops in many emerging countries, the company went | Street vendors build capacity and access credit: The partnership focused strongly on building skills of the street vendors; capacity building offered tailored training for street vendors, accessing credit and market, and integrating into formal sector. In its first year, 60 street vendors graduated with results of increasing their revenue by 15% or more 3 months after the completion of the training. | |

¹⁸ <http://sunbusinessnetwork.org/casestudy/bel-group-developing-innovating-models-in-vietnam/>

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| | about creating a community and building a sustainable inclusive business. | | |
| <i>Local economic development strategies</i> | 32. Sustainable Communities Initiative on Economic Resilience, United States (2014~): Communities funded under Sustainable Communities Initiative (which began first in 2009) are incorporating “economic resilience” after the first five years of Initiative. The new focus on integration economic resilience now encompasses more equitable access to jobs, reducing consumer costs on housing, transport, and energy. | Economic and workforce development places priority on investing in partnerships, long-term development and reinvestment: Communities receiving funds are creating master plans to identify and capitalize on regional assets. | Earlier Initiative focusing on housing, transportation, and environment was not enough: Evaluation of the efforts to increase economic resilience through the Initiative is too early to assess. In the meantime, it was learned from the first five years of the Sustainable Communities Initiative that physical intervention alone needed to be accompanied by economic development, schools, public safety and other issues. |

Note: The main source of these past experience is four background notes commissioned as part of Inclusive Cities Programmatic Approach. Most of these past approaches and experiences have been discussed in detail in background notes. The sources/references for past experiences that are not mentioned in background notes, have been mentioned.

Annex 3: Fifty Years of Lessons: An Abridged History*

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

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

Lessons:

What did not work and should be avoided:

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

What did work:

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

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

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

Lessons:

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

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

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

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

Lessons:

- Upgrading is a process. Everything need not be done at once: start with the basic infrastructure and services – little will happen as long as water is unsafe, open sewers threaten public health, or children have no safe places to play;
- Slum communities have more at stake and should have decision-making roles because they:
 - Know their community and issues;
 - Have to live with the results;
 - Can, want, and have a right to participate; and
 - Can and will pay for affordable improvements of their choosing.
- Upgrading is worthwhile, producing:
 - Equity, which benefits both poor and other citizens alike by improving health, security, productivity, and so forth;
 - Legal rights: right of the poor to basic services and citizenship; and
 - Political gains: social stability and responsiveness from politicians.

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

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

Conclusion: the stakes are getting higher

In the last 50 years the estimated global population living in slums rose from 35 million to almost 924 million. At the same time many countries saw dramatic improvements in governance. Local governments became more powerful and responsive in providing services and better able to hear their citizens, and NGOs organised to work more effectively with governments. Slum communities developed

politically and became willing and able to pay for services. And in an increasing number of countries politicians are responding to the increasing voting power of poor communities.

Yet . . .

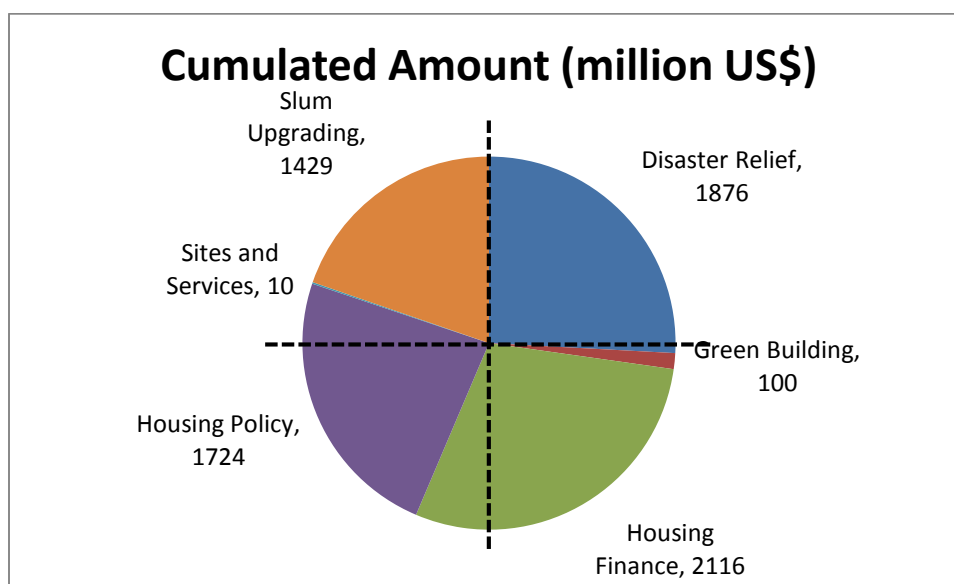
Slums are growing faster than the response, particularly in Sub-Saharan Africa and South and Southeast Asia. Urban poverty is increasing, while urban environmental degradation is creating severe public health hazards. Security and safety have emerged as high priorities for slum dwellers and cities, as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

Source: Cities Alliance Annual Report 2003

Annex 4: Review of World Bank Projects

A series of portfolio reviews were used to finally arrive at a set of projects that were then closely analyzed to qualitatively examine typical components of slum upgrading projects. The first set of portfolio review that was used include “Thirty Years of World Bank Shelter Lending” by R. Buckley and J. Kalarickal, which itself spans from 1972 to 2005. Another portfolio review was done in 2014 by extending the portfolio review done from 1972-2005 to include the period up to 2013. The extended portfolio review up to 2013 highlights a resurgence of slum upgrading operations in the last decade after a decline in the 1980s and 1990s. The total lending for slum upgrading activities from 1972-2013 totaled US\$2.5 billion, which is accounting for about 13% of the overall housing lending portfolio. This also reflects very low investment in slum upgrading projects with average annual investment of around \$100 million.

Chart Showing Amounts Invested in Housing Project Components from 2000-2013

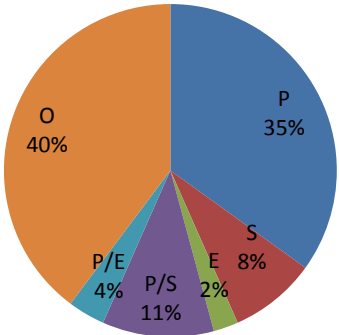


As part of the inclusive cities paper, a further review of project was undertaken. The review takes a closer look at the set of closed projects from 2000 to 2014 that include slum upgrading components. These closed projects were reviewed by examining the breakdown of the subcomponents under slum upgrading according to their type of impact (physical, social, or economic). The subset comprises 19 projects, which are analyzed by subcomponents under their slum upgrading component. Across the 19 projects there are 85 subcomponents; each subcomponent was categorized as one of the below six types of intervention:

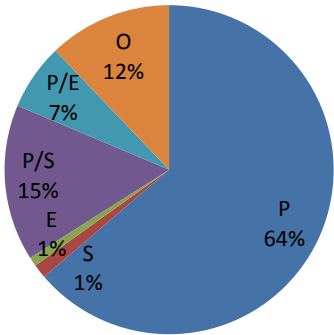
- [P] Physical: delivering or improving basic services, namely water sources, sanitation, roads, waste collection, and electricity.
- [S] Social: promoting social inclusion such as improving cohesion, empowering community, raising awareness about health, involving education and communication campaigns, etc.

- [E] Economic: promoting economic opportunities– for example providing microcredit for economic activities, training in microfinance management, creating professional microfinance organizations, etc.
- [P/S] Physical/Social: delivering physical infrastructure with social functions – for example construction of schools, cultural and religious centers, public parks, etc.
- [P/E] Physical/Economic: delivering infrastructure in support of economic development, microfinance for housing improvement, etc.
- [O] Other: promoting institutional capacities, preparing plans, project management, policy reform, project administration, etc.

Distribution of Sub-component Categories, by Count



Distribution of Sub-component Categories, by Investment



The pie charts above, representing the distribution of subcomponents under slum upgrading, show that with the exception of project subcomponent that supports project management (Other), those focusing on physical improvement or delivery of essential services dominated the count and the investment proportions. This hints that slum upgrading agenda have been thus far dominated by physical infrastructure improvement, often without investing in social or economic aspects of the development. Summary table provide description of each subcomponent and the investment amount allocated in the 19 projects.

Most projects include subcomponents of physical upgrading and project management (Other). The projects of interest for this review are the projects including subcomponents on social and economic. On the social front, subcomponents were mainly allocation of investment for launching public awareness campaigns. On economic subcomponents, the two instances are providing support to local SMEs, which was dropped during the course of project implementation, providing microcredit for economic activities, and providing small grants to create marketplace facility.

| ID | Project Name | Year | ICR | IEG | Components | | | | | | | | | | | | |
|---------|--|--------------|-----|-----------|------------------|---|----|---|----|---|----|-------------|---|-------------|---|---|----|
| | | | | | Total Cost (m\$) | P | | P/S | | P/E | | S | | E | | O | |
| | | | | | | Description | % | Description | % | Description | % | Description | % | Description | % | Description | % |
| P066955 | Zhejiang Urban Environment Project (China) | 2004 2011 | S | MS | 528.3 | Districts sewerage, landfill, wastewater services, roads and bridges infrastructure, clean-up of a lake, housing in historic center | 80 | Cultural heritage sites : museum, leisure space, temple | 14 | | | | | | | Institutional development (tourism development, community participation, heritage conservation) | 6 |
| P070191 | Shanghai Urban Environment Project (China) | 2003 2010 | S | MS | 485.5 | Wastewater, solid waste, infrastructure, resettlements, water resources protection | 99 | | | | | | | | | Institutional strengthening, staff training (plan, policy, procedure) | 1 |
| P086508 | DA NANG Priority Infrastructure Investment (Vietnam) | 2008 2013 | MS | IEG NF | 204.2 | Drainage, wastewater, urban roads and bridges | 81 | | | Tertiary Infrastructure, Resettlement, Housing; Micro-finance for housing improvement | 18 | | | | | Capacity Building Project, Implementation Support | 1 |
| P083919 | Kabul Urban Reconstruction Project (Afghanistan) | 2005 2011 | MS | MS | 33.8 | Neighborhood: water supply, sanitation, solid waste, access roads, hill-side steps, drainage, street lighting , roads, traffic management | 71 | | | | | | | | | Land-tenure: methodologies, procedures; Engineering, Management Support for the Borrower's Urban Agencies; Capacity Building for Kabul Municipality; Preparation of plans, future urban project | 29 |

| ID | Project Name | Year | ICR | IEG | Components | | | | | | | | | | | | |
|---------|--|--------------|-----|-----------|------------------|--|----|--|----|-------------|---|--|-----|-------------|---|-------------|---|
| | | | | | Total Cost (m\$) | P | | P/S | | P/E | | S | | E | | O | |
| | | | | | | Description | % | Description | % | Description | % | Description | % | Description | % | Description | % |
| P073433 | Urban Upgrading and Housing Reform (Iran) | 2004 2009 | U | U | 39.5 | Design, implementation upgrading program in 5 cities | 96 | | | | | | | | Technical assistance and implementation for housing sector reforms | 4 | |
| P095949 | Local Urban Infrastructure Development SIL (Niger) | 2008 2013 | MS | IEG NF | 21.6 | | | 3 cities: access to basic services, finance social infrastructure for local eco. development (central warehouses, markets, classrooms, health center, area for prayer) | 87 | | | | | | Capacity building for governmental institutions and private sector, support to implementation, monitoring and evaluation | 13 | |
| P069901 | Community Based Urban Development (Nigeria) | 2002 2011 | MS | MS | 137.5 | Basic municipal infrastructure in 8 cities | 58 | Basic municipal infrastructure in 7 cities: water supply, roads, footpaths, drainage, power, sanitation, solid waste, street lighting, slaughterhouses, markets, recreational facilities, schools, and clinics | 28 | | | HIV/AIDS awareness campaign on project sites | 0.2 | | Capacity building, training, one city development strategy, knowledge sharing networks, implementation support, project preparation | 14 | |

| ID | Project Name | Year | ICR | IEG | Components | | | | | | | | | | | | | |
|---------|---|-----------|-----|--------|------------------|--|----|--|----|-------------|---|---|--|--|---|--|--|---|
| | | | | | Total Cost (m\$) | P | | P/S | | P/E | | S | | E | | O | | |
| | | | | | | Description | % | Description | % | Description | % | Description | % | Description | % | Description | % | |
| P071340 | Lagos Metropolitan Development & Governance (Nigeria) | 2007-2013 | MU | IEG-NF | 136.9 | | | Infrastructure, drainage with highest priority civil works investments, Solid waste, roads; HIV/AIDS campaign, schools, health centers, street lighting | 89 | | | | Consultations around specific infrastructure, communication to stake-holders on conflict resolution, mediation centers, office of public defender, leader's training | 9 | | | Public governance, capacity building, training | 2 |
| P082812 | Local Infrastructure Development SIL (Gabon) | 2006-2011 | MS | MS | 26.3 | Community-based infrastructures upgrading in low income settlements, preparation of neighborhood development plans | 91 | | | | | Support to HIV/AIDS prevention programs | 3 | Support to of local SMEs (<i>Dropped during the project</i>) | 1 | Capacity building focus on infrastructure and maintenance (municipalities, ministry, communities); support to the reform of public infrastructure management | 5 | |
| P060005 | Urban Infrastructure & City Management APL (Rwanda) | 2006-2009 | HS | IEG-NF | 19.4 | Neighborhood upgrading; Pilot the establishment of a development zone (33ha) for low income dwellers (define and test new practices) | 10 | Infrastructure in 3 cities: roads, bus station, youth center, erosion protection, administration buildings, schools, water source in a rural area, health center, multi-purpose hall | 71 | | | | | | | Institutional capacity building, project management, training (city, district, and sector staff), socio-economic impact assessment, pilot "street addressing" operation in one neighborhood. | 19 | |

| ID | Project Name | Year | ICR | IEG | Components | | | | | | | | | | | | |
|---------|--|--------------|-----|-----------|------------------|--|----|---|----|---|----|-------------|---|--|----|---|----|
| | | | | | Total Cost (m\$) | P | | P/S | | P/E | | S | | E | | O | |
| | | | | | | Description | % | Description | % | Description | % | Description | % | Description | % | Description | % |
| P070736 | Local Government Support SIL (Tanzania) | 2005 2012 | MS | MS | 139 | | | Dar es Salaam, unplanned areas: community-driven infrastructure upgrading program, Local Revenue Enhancement, O&M Enhancement Program | 12 | | | | | | | capacity Strengthening of Prime Minister Office, Support for Local Government Capital Development Grant System, Local needs determined through a participatory planning & budgetary processes | 88 |
| P082373 | Urban Environmental Sanitation 2 (Ghana) | 2004 2012 | MS | IEG NF | 67.6 | Drainage, solid waste, roads, water supply, sanitation, street lightning | 73 | Sanitation with hygiene education | 13 | | | | | | | Institutional Strengthening, (central agencies, Ministry, Local Governments), Malaria vector control and HIV/AIDS prevention, House numbering, Communications strategy | 14 |
| P069095 | Urban Development Project (Mauritania) | 2002 2012 | S | IEG NF | 147 | | | | | Provision of basic urban infrastructure in main cities, construction in support of economic dev., resettlement grants | 66 | | | Microcredit for mainly economic activities | 14 | Institutional and capacity building, auditing, monitoring, operating costs of implementing agencies | 20 |

| ID | Project Name | Year | ICR | IEG | Components | | | | | | | | | | | | |
|---------|---|--------------|-----|-----|------------------|---|----|--|----|-------------|---|---|---|-------------|---|---|----|
| | | | | | Total Cost (m\$) | P | | P/S | | P/E | | S | | E | | O | |
| | | | | | | Description | % | Description | % | Description | % | Description | % | Description | % | Description | % |
| P089440 | Brasilia Environmental-ly Sustainable Project (Brazil) | 2006 2011 | U | U | 115.9 | Water Resources Protection | 28 | Solid waste pickers, community participation, civil works and participatory activities | 61 | | | | | | | Policy and Institutional Development, Project management, monitoring, evaluation | 11 |
| P082328 | Integrated Municipal Project-Betim Municipality (Brazil)* | 2005 2009 | S | MS | 95.6 | Municipal Infrastructure, Urban Environmental Rehabilitation | 90 | | | | | | | | | Municipal policies (planning, env), Capacity Strengthening, information system for institutional and public control, basic infra cadastre, water resources quality monitoring, environmental Education Program, creation of a project mgmt unit | 10 |
| P049265 | Recife Urban Upgrading Project (Brazil)* | 2003 2011 | MS | MS | 116.4 | Beberibe River Basin: parks, roads and accesses, drainage, sewage; water and sanitation, household connections, secondary roads, drainage, public lightning | 83 | | | | | Development of social outreach and community participation activities, environmental education to the communities | 4 | | | Project management, implementation and coordination | 13 |

| ID | Project Name | Year | ICR | IEG | Components | | | | | | | | | | | | |
|---------|--|--------------|--------|-----------|------------------|---|----|--|----|---|----|--|---|--------------------|---|-------------|---|
| | | | | | Total Cost (m\$) | P | | P/S | | P/E | | S | | E | | O | |
| | | | | | | Description | % | Description | % | Description | % | Description | % | Description | % | Description | % |
| P088319 | (CRL) Barrio-Ciudad Project (Honduras) | 2006 2013 | MS | IEG NF | 16.6 | Neighborhood Upgrading: land titling, water & sanitation connections, drainage, access roads, recreation centers, parks, community facilities, street lighting, and risk mitigation | 65 | | | | | Urban Crime and Violence Prevention | 31 | | Capacity building (municipalities and neighborhood organizations) for participatory planning and execution of urban upgrading, for commercial borrowing and debt management | 4 | |
| P082625 | Vilcanota Valley Rehabilitation & Management Project (Peru)* | 2005 2011 | M U | U | 8.86 | Solid waste, engineering, environmental impact assessments, urban infrastructure | 21 | Tourism Capacity Building, Infrastructure Development: road, rail bypass, bridges, visitor services in the touristic valley, historic preservation, cultural education | 28 | | | | Demand-driven development marketplace facility (i.e., small grants) | 10 | Strategic Planning, Municipal Capacity Building, municipal and regional GIS; Project Management support supervision, monitoring and project auditing | 41 | |
| P091299 | Inner City Basic Services for the Poor Project (Jamaica) | 2006 2013 | S | IEG NF | 34.11 | | | | | Micro-Financial services: small and medium-sized businesses, incremental housing improvements, training of financial institutions; Land tenure regularization | 63 | Public safety enhancement, capacity building assistance in areas related to crime and violence prevention: youth education and recreation programs, social marketing, public awareness campaigns | 16 | Project management | 21 | | |

Note:

P=Physical Components; P/S=Physical/Social Components; P/E=Physical/Economic Components; S=Social Component; E=Economic Component; O=Overall Component (Capacity Building, Project Management, etc)

ID = Project ID; ICR = Performance rating ICR Outcomes; IEG = Performance rating IEG Outcomes, IEGNF= IEG not found;

HS = Highly Satisfactory, S = Satisfactory, MS = Moderately Satisfactory, MU = Moderately Unsatisfactory, U = Unsatisfactory

* RECIFE URBAN UPGRADING PROJECT (Brazil): (E) Removed from the project: feasibility study on micro-credit program for housing improvement and small business development

* Integrated Municipal Project-Betim Municipality (Brazil): (S) Not financed by the Project: Resettlement (meetings for project's presentation, prioritization of unemployed adult members of families to be resettled for hiring in works financed by the project, follow-up of families after resettlement), Support for physical improvements in poor communities, Strengthen municipal social policies and programs

* Vilcanota Valley Rehabilitation & Management Project (Peru): (E) Eliminated from the project: training of local tourism service provide

Annex 5: Brazil's Experience in Making Cities Inclusive

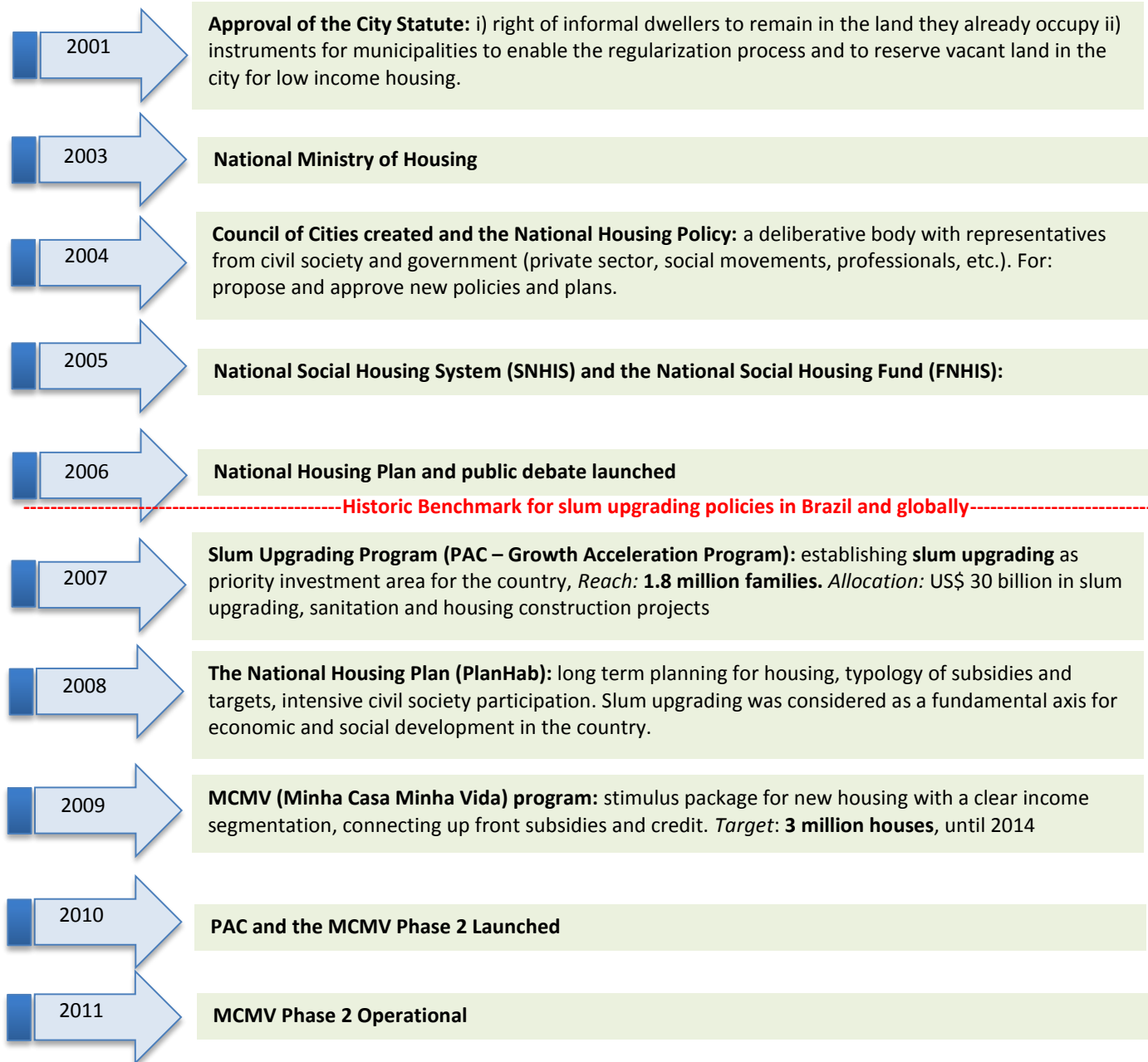
While there have been a few examples of tackling the issue of inclusion in urban areas, Brazil's urban development policies and programs have been exemplary in many ways. With majority of its population living in urban areas, Brazilian cities gained significant autonomy after 1988. The country is experiencing a stable economic growth since 1990s. With an active civil society, social justice and poverty dominated the political discourse in the country.

Over past two decades, the government policies targeted all the three axes of inclusion – social, economic and spatial. The Government announced its flagship cash transfer program Bolsa-familia. The right to the city was recognized in the City Statute. The economic policies towards inclusion included business microcredit from banks (Law 11.110/2005), support and incentives for micro entrepreneurs (Law 123/2006), policy for real increase on minimum wages – 70% in 10 years (Law 12.382/2011 – link to GDP growth) and apprenticeship law (Decree 5.598/2005). The government also announced a slum upgrading program (PAC – Growth Acceleration Program) and an ambitious housing subsidy program (Minha Casa Minha Vida – MCMV). These policies and programs aim to achieve inclusion.

In the last decade, Brazil's housing policy experienced a major re-organization (figure). The innovations were not limited to introduction of new programs, but have also introduced institutional reforms to strengthen management and planning as well as important changes in the legal framework of the sector: from the City Statute of 2001 and the reforms of the Housing Finance System (legal recognition of possible new schemes of collateral and guarantees for banks and home buyers), the introduction of a national system of social housing, a new model of direct government subsidies and transfers, and finally advances on land regularization issues.

Approval of City Statute: The Constitution of Brazil (1988) introduced housing as a social right among education, health, work, social protection and safety, and on its urban policy chapter specifies the municipal governments as responsible for implementing urban development policies in order to fulfill the social functions of the city and guarantee its citizens' welfare. This urban chapter is a result of a major mobilization in the country led by social movements campaigning for an 'urban reform'. It brings important innovations, paving the way for the debate on the right to the city and the subsequent approval of the City Statute (2001). The Law 10,257 of 2001, known as the City Statute, is meant to promote socio-economic inclusion by maximizing the 'social function' of urban property and an equal distribution of the benefits and burden from urbanization. The City Statute has been greeted internationally as a milestone in the struggle towards an equitable and inclusive urban development.

At a more general level, the City Statute: (i) enumerates several rights (to urban land, housing, sanitation, infrastructure, public services, employment and leisure); (ii) indicates the guidelines for guaranteeing them (e.g. through democratic administration and participation in councils consultations, conferences and popular initiatives; cooperation between governments, the private sector and other segments of society; etc.); (iii) defines the attributions of the federal government level (producing general legal frameworks, as urban policy is the responsibility of municipalities); (iv) defines planning tools and procedures (e.g. master plans – regulating also their application – environmental zoning, parceling land use and occupation, budgeting, sectoral plans etc.). At a more specific level, the City Statute regulates the fiscal, legal and policy tools aiming at guaranteeing the social function of urban property and the universal right to the city. Three major advances must be highlighted: (i) the requirement of a Master Plan for cities with more than 20,000 inhabitants, as the major instrument for urban development policies; (ii) the recognition of the social function of the property; and (iii) the right of property conceived for urban dwellers, living in unclaimed urban areas (limited to the size of 250 sm) longer than 5 years.



From the fundamental rights that the City Statute establishes – the right to the city and to land – other rights were derived and operationalized in these programs, such as the right to decent housing, to restoration of livelihoods in involuntary resettlement, to socio-economic sustainable development through a social work component, etc. Another notable tool developed under the aegis of the City Statute is ZEIS (Special Zone of Social Interest). ZEIS enables designation of certain areas within a city for social housing purposes. The ZEIS is also employed to determine land use, land parceling and building rules in areas already occupied by informal settlements. ZEIS must be defined in the Municipal Master Plan or in other related specific municipal laws. ZEIS and other instruments offered by the City Statute have been widely incorporated in Master Plans in Brazil, although with mixed results and a generally low degree of effectiveness. While there are implementation challenges, the City Statute clearly paved the way for more inclusive urban policies and programs. As a matter of fact, it provides the conceptual and regulatory framework where slum upgrading programs (PAC) and social housing programs (MCMV) were developed successively.

Slum Upgrading Program (PAC – Growth Acceleration Program): The government of Brazil announced the world’s largest slum upgrading program in 2007, with an average investment of US\$ 4.3 billion/year (total 30 billion US\$ investment) that aimed to reach 1.8 million families. In a very innovative approach, slum upgrading was considered as part of an economic growth package that included a series of investments for leveraging the overall infrastructure of the country. This was a major breakthrough since with the introduction of the program, slum upgrading was seen as a fundamental axis for economic and social development in the country. Slum upgrading was now recognized an investment and not social expenditure. Under the program, one of the key ideas was to keep population on the land they already occupy, near facilities and workplaces. The guidelines for PAC are: (i) promote integration to the urban fabric by means of investment in infrastructure (ii) achieving ‘decent’ housing through house improvements, or resettlement/purchase of existing houses when relocation is necessary due to construction needs or risks (iii) integrating land titling regularization to housing interventions (iv) raising the environmental awareness of the target population through sanitary and environmental education plus interventions for environmental recovery when needed, and (v) fostering social inclusion by means of the social work program component.

The Brazilian experience in slums upgrading shows a clear evolutionary trajectory, from a uni-dimensional approach focused on individual urban components to a multidimensional approach where different urban components are integrated, and where socio-economic and institutional dimensions also gradually gain more centrality.

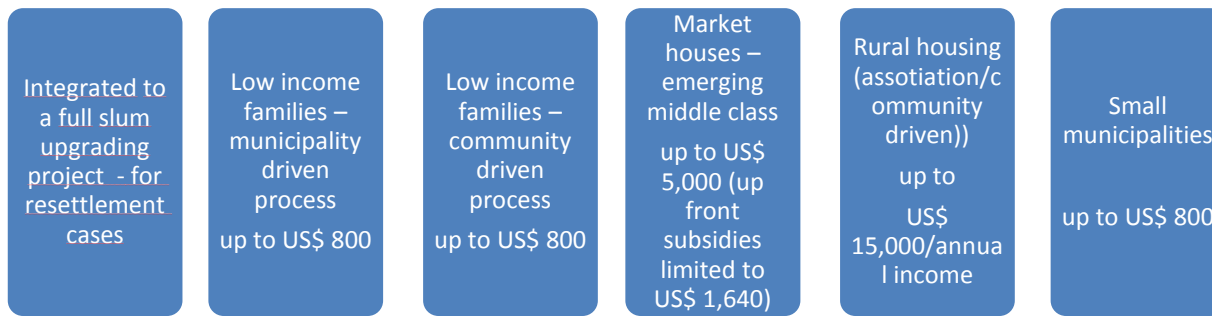
Social Work Component under PAC: Physical interventions are necessary but not sufficient condition for improving living conditions of urban poor. In addition to housing and infrastructure, they need support in terms of health, education, social assistance, transport, productive inclusion, etc. Keeping this in mind, social work component is institutionalized in the national policy under PAC. Specific resources (at least 2.5% of the total investment is mandatory) are allocated to the social work component. The component focuses on social, economic, environmental sustainability. It aims at regionally focused development and functional integration to the city fabric. It aims to integrate rather than substitute local social policies. It has identified three axes: (i) community organization and participation; (ii) sanitary and environmental education; and, (iii) income and work generation.

Instruments for Productive Inclusion: Productive inclusion is one of the axes of the social work component – ‘Income and Work Generation’ aims at generating jobs. The physical works under PAC generated 9,800 jobs and 60% of them went to workers from the local community. In addition, improvement in infrastructure benefits small scale businesses. Positive synergies emerge when two axes of social work component – social capital strengthening and income/work generation – are integrated.

While PAC remains a “curative” intervention aiming to improve the living conditions of existing slum dwellers, the subsidy program of Government of Brazil - MCMV, was designed to provide affordable housing and prevent new slums.

Minha Casa Minha Vida (MCMV): MCMV was launched as a response to the international financial crisis (2008), as a way to quickly create employment and stimulate the economy and at the same time meet the huge housing needs of the country, clearly defined by the National Housing Plan. The program was launched in two phases, *first phase* in 2009 with a final target of 1 million houses, and income brackets set up in minimum wages, and a *second phase* in 2011 with an expanded target of 2.4 million houses and a new income segmentation: families earning monthly up to (i) US\$ 800, (ii) US\$ 1,640 and (iii) US\$ 2,500. Since its creation in 2009 until now, the program evolved to several modalities,

between government, community and market driven, as shown below:



The most predominant modalities in the urban areas as provision for new houses (as mentioned before the modality complementary to slum upgrading is merely “curative”) are (i) local government driven (lowest income bracket), what is also called for “open demand”, since it can be used for resettlement but also must be used for general cadasters of housing demand in the cities; and (ii) the market houses. As for the period 2009 to June 2013, disbursement under the MCMV represented approximately US\$ 49 billion, from what 31% were subsidies – US\$ 15 billion. The program delivered 1.3 million houses.

In terms of impact on the economy, a joint study carried out between Ministry of Cities and the National Confederation of Services estimates an average of US\$ 7 billion new business annually within the building material and services industry, and generation of 921,000 direct and indirect jobs annually in the period 2009 – 13 (BRAZIL, 2013). Another study by Fundação Getúlio Vargas (FGV) demonstrated that formal jobs in the civil construction doubled since 2003, achieving the benchmark of 3 million employees in 2012 (Castelo, 2012).

According to the Ministry of Cities, the urban housing deficit was of 6 million households in 2012. Based on census data and considering demographic projections, there is an annual requirement of 1.5 million new houses to satisfy future housing needs. This means a total of 23.8 million homes needed for the period 2013-23, which will require an investment of about R\$ 218 billion/year, equivalent of 4.8% of the Brazilian GDP in 2012 (BRAZIL, 2013: 12). While the challenge is big, Brazil has already paved the way for inclusive urban development.

SLUM UPGRADING

INVESTMENTS not social expenditures:

+

LARGE SCALE LOW INCOME HOUSING SUBSIDY PROGRAM

+

Inclusive urban planning

+

reduction of poverty = expansion of **CONSUMER MARKET**

+

complementary social and economic development programs and policies

=

A NEW ECONOMIC DYNAMIC EMERGES ON BRAZILIAN SLUMS:

flourishing of formal and informal **BUSINESS** + improved **SOCIAL** indicators

=

INCLUSIVE CITIES

Annex 6: Measuring Inclusion

It is important to measure inclusion/exclusion to achieve inclusion. You can hardly plan for an inclusive city if there are no data on who is excluded from infrastructure and services in that city and where they live. There are other advantages of measuring inclusion, such as cross-comparison, benchmarking and planning/prioritizing interventions in deprived areas. Measuring inclusion could also provide a clear picture about what kind of interventions are needed for a particular area. Inclusion indicators help keeping track of progress. Generally, measuring inclusion involves collecting baseline data on agreed indicators of inclusion, regular updating of data to track progress and its use for planning interventions. At the city level, inclusion is easier to define than to measure. While there is a general agreement on the key factors that contribute to its economic dimension, there are wide variations regarding the relative significance of many aspects of its social, spatial and environmental dimensions, which encompass cultural differences in practices and behavior.

Box 5: São Paulo's experience in measuring inclusion

One of the most ambitious studies to address the multiple dimensions of exclusion was undertaken by the city of São Paulo with a research team at Pontifical Catholic University of São Paulo. The study analyzed the determinants of exclusion in the city's districts at the sub-district level. The team identified seven main thematic dimensions of exclusion for which sets of measurable indicators were defined to provide an objective assessment of the level of exclusion:

- Self-sufficiency
- Quality of life
- Equality
- Human development
- Lack of conditions to participate in civil society
- Living in a situation of social limitations and abandonment
- Living under daily subsistence condition

The range of values obtained for each indicator were indexed on a -1/0/+1 scale to provide a measure of the level of exclusion relative to the city mean or to a recognized reference standard adopted by the city. Some economists and statisticians voiced technical reservations about the methodology of creating composite indicators by summing sets of indexed values. These reservations notwithstanding, the study team's mapping of the different indicators at the district and zone level was impressive and effective at visually demonstrating the degree of deprivation for each indicator of exclusion within the city's boundary. Furthermore, comparative assessments through overlays made a significant contribution to understanding the inter-linkages among the different components of exclusion. The mapping highlighted the spatial dimension of urban exclusion while underscoring the importance of interpreting physical indicators included in the quality of life index and socio-economic indicators included in the Human Development Index with socio-cultural indicators of deprivation, marginalization and discrimination reflecting the particularities of the place. At the city level, it is the interaction among the different factors that determines the level of inclusion in the city

In analyzing the spatial distribution of the different indicators, it is interesting to note that the composite index of exclusion developed by the team did not match the index of quality of life. It was also clear that the two indicators which best reflected the exclusion/inclusion index were income and education, key instruments in enabling upward mobility.

This study inspired other municipalities in Brazil to look into urban exclusion applying simplified versions of the São Paulo methodology. The work undertaken by Santo Andre, considered one of the best managed municipalities in Brazil, led to the creation in 2001 of a new Secretariat for social inclusion within the organizational structure of the municipality separate from the Secretariat for Housing and Urban Development.

Proposed Metrics of Inclusion: What is needed is not only indicators that are realistic for urban contexts but also forms of data collection that could bring out who (the excluded people), what (measured aspects), where (unit of administration), how (data collected in partnership with informal dwellers and/or their organization), and when (with a provision of regular updates). In this section, we discuss the basic principles and guidelines to develop the metrics of inclusion. The set of principles on which the proposed metrics are based is as follows:

1. It should capture both, the process of achieving inclusion and its results
2. Measure quality and quantity of service provision
3. Affordability is a huge concern, in terms of service provision
4. Indicators should be simple, easy to measure
5. Process of data collection should not be time consuming
6. Processes of data collection should not be very expensive
7. Alternative ways of data collection should be explored, for instance, self-reporting by informal dwellers or partnering with urban poor organization

As per the three main axes of inclusion as presented in the newly defined framework for Inclusive Cities, the proposed indicators within each axes are based on the discussion throughout the paper and the background notes on various dimensions of inclusion (access, rights, participation and opportunities).

1. Access to Affordable Land, Housing and Services

- 1.1. Access to basic services (water, sanitation, sewerage, solid waste, transportation, basic healthcare, education, daycare, pre-school, etc.)
- 1.2. Type of Services (source of water, type of sanitation – individual toilet, pay to use, etc.)
- 1.3. Quality of Services (hours of operation and reliability, water quality, etc.)
- 1.4. Time spent to access services
- 1.5. Money spent to access services (affordability: % of monthly income)
- 1.6. Type of housing
- 1.7. Slums/informal settlement (% population)
- 1.8. Residential segregation
- 1.9. Housing/land availability
- 1.10. Ownership status of housing/land
- 1.11. Favorable urban planning laws and regulations
- 1.12. Government support provided for access to housing/land
- 1.13. Arrangements for partnerships with communities (Urban Poor Organizations, CBOs, NGOs) in service provision (planning, design, implementation, maintenance, etc.)
- 1.14. Government budget for programs aimed at services and housing to urban poor

2. Rights and Participation

- 2.1. Composition of the household (age-sex structure, education, etc.)
- 2.2. Duration of Stay
- 2.3. Reason for dislocation from earlier location
- 2.4. Access to public spaces for leisure – parks, recreation centers, theaters, etc.
- 2.5. Democratic Processes
 - 2.5.1. Access to public information

- 2.5.2.Transparent and democratic procedures for the selection and election of leaders; respect for the established term limits and elections, turn-over of leaders, equal participation of members in decision-making
- 2.6. Participation: ability to represent needs, interest and ideas
 - 2.6.1.channels of communication
 - 2.6.2.public visibility
 - 2.6.3.political representation
 - 2.6.4.mechanisms to participate in city governance
- 2.7. Safety and Security
 - 2.7.1.Personal safety
 - 2.7.2.Public safety (public spaces, gangs and crime)
- 2.8. Protection of Rights
 - 2.8.1.Impartial and independent judicial system
 - 2.8.2.Selective application of laws
- 2.9. Government support
 - 2.9.1.Programs to address special needs of the excluded population
 - 2.9.2.Programs to assist migrants and homeless population
- 2.10.Urban Poor Organizations and Community Based Organizations
 - 2.10.1. Number and type of UPOs and CBOs
 - 2.10.2. Representation of various communities within UPO/CBOs
 - 2.10.3. Support UPO/CBO receive from the public and private sector
 - 2.10.4. Existing spaces for dialogue between the public sector and local CBOs/NGOs

3. Opportunities for All

- 3.1. Economic Vitality
 - 3.1.1.Below poverty line population
 - 3.1.2.Rate of Poverty
 - 3.1.3.Gini Coefficient for Income Inequalities
 - 3.1.4.Job Growth
 - 3.1.5.Employment, unemployment and labor market participation (by age and gender)
 - 3.1.6.Income/expenditure (expenditure on food, shelter, services, other non-food items, etc.)
 - 3.1.7.Earning members in the household
 - 3.1.8.Unemployed members in the household
 - 3.1.9.Occupation/Industrial Structure
- 3.2. Economic Readiness
 - 3.2.1.Educational Attainment
 - 3.2.2.Measures of health and well-being
 - 3.2.3.Access to credit
- 3.3. Spatial access to jobs
 - 3.3.1.Access to public transportation
 - 3.3.2.Estimated transportation cost (in proportion of income)
- 3.4. Government Support
 - 3.4.1.Pro-poor programs/targets identified in local economic development strategies
 - 3.4.2.Access to programs (government or private) to build skills

3.4.3. Government programs for jobs targeted at low-income and excluded population

3.4.4. Other government programs to boost economy targeted at the excluded population (promoting small and medium enterprises that are headed by excluded population by providing subsidies to establish SMEs, etc.)

Finally, it is equally important to identify users of the inclusion metrics and the usefulness of the metrics.

Aggregation/disaggregation level, accuracy, relevance, and use of the metrics will determine the specific indicators to be included in the metrics.

Annex 7: Agenda of the Inclusive Cities Workshop

Program

INCLUSIVE CITIES WORKSHOP

Tuesday, January 14, 2014 | 9:00AM – 4:30PM | MC 2-800 | World Bank

| | |
|-------------|--|
| 8:45-9:00 | SIGN-IN COFFEE & TEA |
| 9:00-9:10 | OPENING REMARKS Sameh Wahba, Acting Director, Urban and Disaster Risk Management Department |
| 9:10-10:30 | <p>I. ACCESS TO LAND, HOUSING AND SERVICES</p> <p>Chair: Christine Kessides, Manager, WBI Urban</p> <p>Presenters:</p> <ul style="list-style-type: none"> ▪ Mona Serageldin, Vice President, Institute for International Urban Development <i>Inclusive Cities and Access to Land, Housing and Services in Developing Countries</i> ▪ Luis Bettencourt, Professor, Santa Fe Institute; Celine D’Cruz, Coordinator, Slum Dwellers International <i>A New Global Data Collection Process for Understanding Human Development in Slums</i> ▪ Judy Baker, Lead Economist, EASIN <i>Indonesia: Using CDD to Enhance Participation, and Inclusion? An evaluation of the PNPM Urban Program</i> <p>Discussant: Roland White, Lead Urban Specialist, AFTU1</p> |
| 10:30-10:45 | COFFEE BREAK |
| 10:45-12:05 | <p>II. ECONOMIC OPPORTUNITIES</p> <p>Chair: Stefano Negri, Practice Manager, FCDDR</p> <p>Presenters:</p> <ul style="list-style-type: none"> ▪ Rolf Pendall, Center Director, Metropolitan Housing and Communities Policy Center, Urban Institute; and Victor Rubin, Vice President for Research, PolicyLink <i>Economic Opportunity in Cities</i> ▪ Jean Marc Guesne, Manager, Inclusive Business, Bel Group <i>Bel Inclusive Business Model: Informal sector / street vendors platform</i> ▪ Joanna Peace De Berry, Senior Social Development Specialist, ECSSO <i>Economic Opportunities for the Urban Excluded: Internally displaced persons in Azerbaijan</i> <p>Discussant: Leonardo Iacovone, Senior Economist, FIEEI</p> |

| | |
|------------|--|
| 12:05-1:05 | LUNCH BREAK |
| 1:05-2:25 | <p>III. RIGHT TO THE CITY AND INTEGRATED DEVELOPMENT</p> <p>Chair: Anna Wellenstein, Sector Manager, LCSDU</p> <p>Presenters:</p> <ul style="list-style-type: none"> ▪ Francesco di Villarosa, Urban and Social Development Expert, Salvador, Brazil <i>Social Dimensions in Slum Upgrading: Innovative Approaches from Brazil</i> ▪ Anaclaudia Rossbach, Housing Expert and Advisor to the National Housing Secretary, Ministry of Cities, Brazil <i>Urban Development Programs in Brazil: PAC Urbanizacao and Minha Casa Minha Vida</i> ▪ Yoonhee Kim, Senior Urban Economist, LCSDU <i>Barrio Ciudad Project</i> <p>Discussant: Andre Herzog, Senior Urban Specialist, WBIUR</p> |
| 2:25-2:40 | COFFEE BREAK |
| 2:40-4:00 | <p>IV. PARTICIPATION AND ENGAGEMENT OF EXCLUDED GROUPS</p> <p>Chair: Maninder Gill, Director, Strategy and Operations, WBCMG</p> <p>Presenters:</p> <ul style="list-style-type: none"> ▪ Diana Mitlin, Principal Researcher, Human Settlements Program, International Institute for Environment and Development <i>Engaging Excluded Groups in Urban Areas</i> ▪ Maitreyi Das, Lead Social Development Specialist, SDV <i>Inclusion Matters: The foundation for shared prosperity</i> ▪ Jaafar Sadok Friaa, Lead Urban Specialist, MNSSU <i>Citizen Engagement and Marginalized Groups Inclusion While Modernizing Municipal Solid Waste Systems: An Innovative Approach from Morocco</i> <p>Discussant: Celine D’Cruz, Coordinator, Slum and Shack Dwellers International</p> |
| 4:00-4:30 | <p>V. SYNTHESIS AND CLOSING REMARKS</p> <p>Synthesis:</p> <p>Ellen Hamilton, Lead Urban Specialist, UDRUR</p> <p>Maninder Gill, Director, Strategy and Operations, WBCMG</p> <p>Mona Serageldin, Vice President, Institute for International Urban Development</p> |

Annex 8: Inclusive and Sustainable Cities Event Agenda



Sponsored by the Social, Urban, Rural & Resilience Global Practice

Inclusive and Sustainable Cities

March 4, 2015 | World Bank, Washington, DC

AGENDA

| Plenary Session MC C2-131 | |
|-----------------------------|---|
| 08:15 – 09:00 AM | Breakfast and registration |
| 09:00 – 09:15 AM | Opening Remarks Ede Jorge Ijjász Vásquez, Senior Director, GSURR Marisela Montoliu Muñoz, Director, GSURR |
| 09:15 – 10:00 AM | Q & A Session with World Bank Chief Economists: <ul style="list-style-type: none"> Francisco H. G. Ferreira, Chief Economist, Africa Region Marianne Fay, Chief Economist, Climate Change Martin Rama, Chief Economist, South Asia Region Moderator: Ede Jorge Ijjász Vásquez, Senior Director, GSURR, World Bank |
| 10:00 – 10:15 AM | Coffee Break |
| 10:15 – 10:40 AM | Everyone Counts: Making the Cities of Tomorrow More Inclusive Speaker: Ellen Hamilton, Lead Urban Specialist, Global Urban Social Unit, World Bank |
| 10:40 – 11:05 AM | Displacement, Urbanization and Development Speaker: Niels V. Harild, Manager, Global Program on Forced Displacement; Conflict, Fragility and Violence group, World Bank |
| 11:05 – 11:30 AM | Urban Resettlement: Linking Innovations and Local Benefits Speaker: Vincent Roquet, Senior Social Development Specialist, Global Urban Social Unit, World Bank |
| 11:30 – 11:45 AM | Coffee Break |
| 11:45 AM – 12:10 PM | National Slum Upgrading Policies and Programs Speaker: R. Mukami Kariuki, Global Lead, World Bank Discussant: André Herzog, Senior Urban Specialist, World Bank |
| 12:10 – 12:35 PM | Incremental Housing Toolkit Speaker: Dr. Jan Bredenoord, The Housing Research Group, The Netherlands |
| 12:35 – 1:00 PM | Closing Remarks Marisela Montoliu Muñoz, Director, GSURR |

<http://globalpractices.worldbank.org/sur/Lists/Calendar/DispForm.aspx?ID=74>

