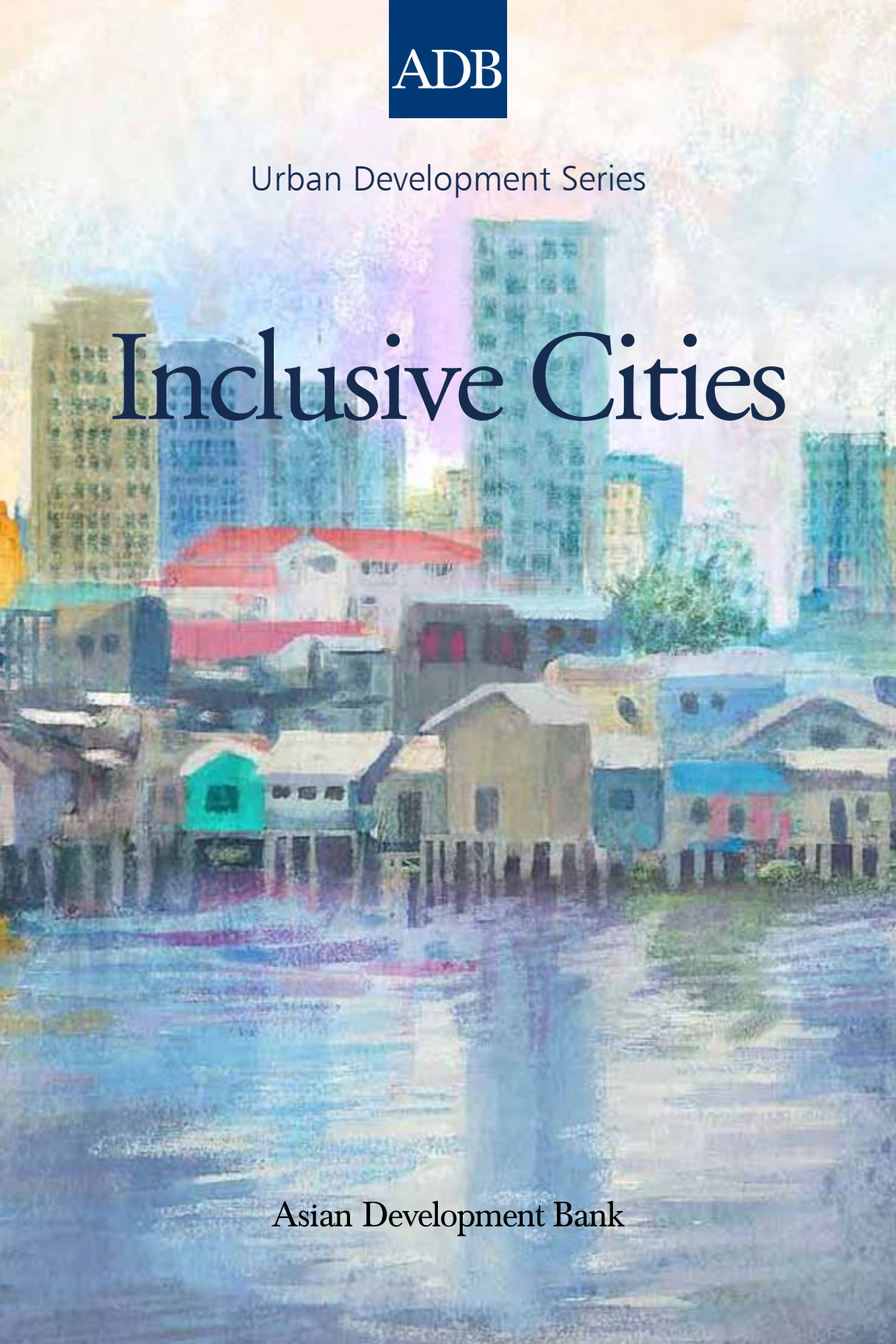




ADB

Urban Development Series

Inclusive Cities

Asian Development Bank



Urban Development Series

Inclusive Cities

Edited by Florian Steinberg and Michael Lindfield

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Contents

Tables, Figure, and Boxes	iv
Foreword	v
Acknowledgments	vi
Abbreviations	vii
About the Authors	ix
 Toward Livable Cities through Inclusive Urban Redevelopment: An Introduction by Michael Lindfield and Florian Steinberg	 1
 I. ADB's Experiences	
 India: ADB's Involvement in Slum Rehabilitation by Alex Jorgensen and Saugata Dasgupta	 22
 Indonesia: Neighborhood Upgrading and Shelter Sector Project—Toward Cities without Slums by Dewi Chomistriana	 47
 Philippines: Strategic Private Sector Partnerships for Urban Poverty Reduction in Metro Manila by Florian Steinberg	 64
 II. Inclusive Urban Redevelopment: Toward Livable Cities by Earl Kessler and Florian Steinberg	 83

Tables, Figure, and Boxes

Tables

1	Infrastructure Financed under the Neighborhood Upgrading and Shelter Sector Project (September 2005 to December 2009)	52
2	Source of Funds for Infrastructure Upgrading under the Neighborhood Upgrading and Shelter Sector Project	53
3	Planned vs. Actual Allocations for Project Inputs	77

Figure

1	The Housing Policy Map	99
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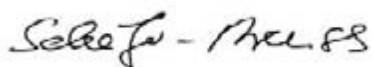
Boxes

1	Activities Supported by Corporate Partners	71
2	The Cities Development Initiative for Asia	131

Foreword

Strategy 2020, the long-term strategic framework of the Asian Development Bank (ADB) for 2008–2020, commits ADB to a focus on inclusive development and livable cities, besides its commitment to the Millennium Development Goals, and environmental improvements. Concerns for inclusive urban development are also voiced in ADB's more recent flagship study *Asia 2050: Realizing the Asian Century*, which calls for a more visionary leadership in dealing with urbanization and the risks of inequality. This publication represents the work of ADB's urban community of practice focused on making cities more "inclusive"—that is, ensuring the poor and vulnerable have access to the services they need to better their quality of life. Key elements of the approach are the following:

- **Urban environmental infrastructure development.** To increase the competitiveness of cities, it is necessary to continuously invest in both trunk and local infrastructure (for example, public transport, water supply, wastewater treatment, drainage and flood control, solid waste management, etc.). The inclusive infrastructure approach aims to ensure that infrastructure and services effectively serve the poor and vulnerable.
- **Climate change adaptation and mitigation.** Cities have become the biggest contributors to greenhouse gas emissions and, thus, global warming. As many large urban areas are coastal cities, they are also under immediate threat from climate change. The poor, residents of marginalized areas, are physically the most vulnerable. With more inclusive development, poor communities will be made more resilient, reducing the impact of climate change.
- **Poverty reduction measures.** Slum rehabilitation should involve a multipronged strategic approach combining livelihood development; water management (drinking water, sanitation, and drainage and/or flood control); solid waste management; and urban transport, and will hinge on the full and active participation of women. Slum rehabilitation will contribute to economic empowerment through better income and health. Its social and economic benefits will contribute tangibly to making cities more livable and economically progressive.



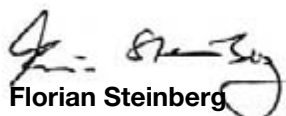
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Abbreviations

ADB	– Asian Development Bank
CBO	– community-based organization
CDIA	– Cities Development Initiative for Asia
CIB	– city information base
CODI	– Community Organizations Development Institute
CSR	– corporate social responsibility
DMC	– developing member country
DRM	– disaster risk management
HOA	– homeowners' association
IUR	– inclusive urban redevelopment
JNNURM	– Jawaharlal Nehru National Urban Renewal Mission
KEIP	– Kolkata Environmental Improvement Project
KUIDFC	– Karnataka Urban Infrastructure Development and Finance Corporation
LGU	– local government unit
MDG	– Millennium Development Goal
MSG	– multisector group
NGO	– nongovernment organization
NUP	– neighborhood upgrading plan
NUSSP	– Neighborhood Upgrading and Shelter Sector Project
PBSP	– Philippine Business for Social Progress
PRC	– People's Republic of China
Rp	– rupiah
Rs	– rupees
SHG	– self-help group
SNP	– slum networking project

STEP-UP	– Strategic Private Sector Partnerships for Urban Poverty Reduction
TDR	– transfer of development rights
UCDO	– Urban Community Development Office
ULB	– urban local body
UN-HABITAT	– United Nations Human Settlements Programme

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Toward Livable Cities through Inclusive Urban Redevelopment: An Introduction

by Michael Lindfield and Florian Steinberg

Background

The urban community of practice of the Asian Development Bank (ADB) has undertaken a diagnostic study of urban redevelopment (often referred to as “urban renewal”)¹ and slum rehabilitation. The aim of the study was to adopt an urban redevelopment perspective to ongoing urban development initiatives and argue for inclusion of slum rehabilitation in ADB operations. The study assessed ADB’s previous work in this area and made recommendations relevant to both ADB and its clients. This urban redevelopment perspective views slum rehabilitation as an integral part of ADB’s urban development agenda, regardless of whether it comprises on-site upgrading or redevelopment. Further, it argues that (i) slum rehabilitation is required for urban renewal in Asia and the Pacific, and that (ii) a multisector approach to slum rehabilitation combining water management (provision of drinking water, sanitation, drainage, and flood control facilities); solid waste management; urban transport; and urban redevelopment is necessary if the goal of livable cities is to be achieved.

The diagnosis of urban renewal and slum rehabilitation undertaken by ADB’s urban community of practice focused on three countries: India, Indonesia, and the Philippines, all of which have relevant experience in inclusive urban redevelopment (IUR). Further, it built on the recent review

¹ ADB. 2008. *Managing Asian Cities – Sustainable and Inclusive Urban Solutions*. Manila.

of ADB's urban strategy,² as well as ADB's *Strategy 2020*,³ which commits ADB to a major focus on cities, urban development, the Millennium Development Goals (MDGs), and environmental improvement. IUR overlaps with revitalization of historic inner-city areas,⁴ but only insofar as historic inner-city areas have become slums.⁵

Poverty Reduction and Inclusive Development

Poverty reduction has been ADB's overarching goal since 1999. This concern for poverty reduction is articulated in *Strategy 2020*, ADB's corporate-wide planning document, as a vision of "an Asia and Pacific free of poverty." The mission of ADB under *Strategy 2020* is to help its developing member countries (DMCs) reduce poverty and improve living conditions and quality of life.⁶ Asia's changing socioeconomic and demographic landscape presents new challenges and opportunities for addressing this agenda of poverty reduction, as well as for facilitating DMCs to move toward the MDGs. In particular, both the rapid rate of urbanization in the region and the urbanization of poverty call for an increasing focus on cities. By 2015, an estimated 48% of the region's population, or 1.94 billion persons, will be urban dwellers.⁷

The Asian "economic miracle" is driven by cities, and in turn, drives city growth and transformation. Fuelled by global capital flows, the nature of current development is quite different from that which occurred in the past. The current form of urban development manifests itself in outward signs of productivity and affluence: special economic zones, office towers, rapid transport corridors, transport terminals, shopping malls, and luxury housing. The poor have also benefited from the economic opportunities that have accompanied such growth. While the incidence of income poverty has fallen across the region, empirical evidence shows that the wealth production of cities has not necessarily contributed to improved living conditions for the vast majority of Asia's urban population. In fact, living and working

² ADB. 2006. *Special Evaluation Study on Urban Sector Strategy and Operations* (SST:REG 2006-03). Manila. This review refers to ADB. 1999. *Urban Sector Strategy*. Manila.

³ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

⁴ F. Steinberg. 2008. *Revitalization of Historic Inner-City Areas in Asia – The Potential for Urban Renewal in Ha Noi, Jakarta and Manila*. Manila.

⁵ ADB. 2008. *Urban Development Experience and Vision – India and the People's Republic of China*. Manila.

⁶ Footnote 3, p. 1.

⁷ ADB. 2006. *Special Evaluation Study on Urban Sector Strategy and Operations*. Manila.



Harborside squatter settlements in Manila
Source: F. Steinberg.



Informal settlers along Manggahan flood control canal in Pasig City, Manila
Source: F. Steinberg.



Rooms with a view along the Pasig River, Manila
Source: F. Steinberg.

conditions have actually deteriorated for a large number of urban dwellers in some countries.

Cities in the Asia and Pacific region face major, interconnected challenges. They must provide infrastructure and services for rapidly growing populations and address multiple issues relating to slums and squatter settlements, the adverse impacts of climate change, and worsening environmental conditions. This publication supports engagement by ADB in the urban sector in Asia and the Pacific, as well as inclusion of slum rehabilitation as a key component of ADB's strategy for improving the living conditions of the millions of poor people who inhabit Asia's cities.

Developing countries in particular are struggling to provide adequate housing, physical infrastructure, and economic, social, and environmental services to their urban populations. Conventional approaches to planning have failed to address the challenges of rapid urbanization, as well as the poverty, exclusion, informality, and vulnerability it produces in its wake. In addition, the rules and regulations adopted for improving the quality of life of urban dwellers have actually led to poor living and working environments



Kathmandu, Nepal: Spontaneous and unplanned urban sprawl leading to infrastructure backlog and upgrading needs
Source: F. Steinberg.

for the substantial segment of Asia's population that remains outside formal city development processes.

Slums are the most visible evidence of this exclusion, yet for millions of people, there is no choice but to live in them. In 2005, the region-wide average proportion of urban dwellers living in slums was approximately one-third. In East and Northeast Asia the corresponding proportion was 33.2%, in Southeast Asia, 34.1%, and in South and Southwest Asia, 37.3%. However, in some countries this figure is much higher. For Bangladesh, Cambodia, the Lao People's Democratic Republic, Mongolia, and Nepal, this proportion exceeds 50%.⁸ Analysis of current trends suggests that urban poverty and the incidence of urban slums in poorer DMCs is increasing.⁹

According to UN-HABITAT estimates, between the years 2000 and 2010, "a total of 227 million people in the developing world will have moved out of slum conditions. In other words, governments have collectively exceeded the MDG 7 slum population target by at least 2.2 times, and 10 years

⁸ United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). 2008. *Statistical Year Book for Asia and the Pacific*.

⁹ Footnote 7.



Baseco, Manila: A harborside land reclamation site that has become home to many victims of fires in Manila's informal settlements. New development, including massive informal settlements, has taken place despite the low load-bearing capacity of the site.

Source: F. Steinberg.

ahead of the agreed 2020 deadline.” Asia showed the greatest gains in this regard, with the People’s Republic of China and India together lifting no fewer than 125 million people out of slum conditions. Following the People’s Republic of China and India, the greatest improvements were recorded in Indonesia, Turkey, and Viet Nam.¹⁰ However, the absolute number of slum dwellers has actually increased from about 777 to 827 million in 2010 due to rapid urbanization. As a result, in Asia alone there were 505 million slum dwellers in 2010. According to UN-HABITAT a “do-nothing” approach would further increase slum populations, causing them to reach nearly 900 million worldwide by 2020.

Even as urban slums proliferated during the past few decades, public authorities have made increasing efforts to eradicate them. This effort has primarily taken two forms: (i) demolition of slums and resettlement of inhabitants at another location, usually in outlying areas; and (ii) upgrading of existing slums by providing basic services, and in some cases, shelter

¹⁰ UN-HABITAT. 2010. *State of the World’s Cities: Bridging the Urban Divide 2010/11*. UK–USA: Earthscan. p. x.



Informal settlements along Manila's Tondo River with social housing in the background

Source: F. Steinberg.

improvement and rehabilitation. The factors that usually determine the type and composition of these initiatives are those relating to land (its tenure status, demand for other uses, and market value) and the sociopolitical concerns of the country concerned.

Past efforts by development agencies have shown that slum upgrading and rehabilitation can bring about immediate improvement in the living conditions of the poor without disrupting their social and livelihood linkages or adversely affecting their mobility. In the absence of relocation, slum rehabilitation can comprise either on-site upgrading or redevelopment. That said, programs such as the *kampung* improvement project in Indonesia suggest that the scale of a particular intervention is often related to the scale of the problem being addressed.

Another relevant issue is availability of services in the city in question, and the capacity of existing networks to provide services to slums, which are factors usually ignored in project feasibility calculations. Services provided to slum communities such as water supply, sewerage, drainage, and electricity can only work to the extent that these can be connected to the city networks that provide these services to the overall urban population. ADB-supported integrated urban infrastructure projects in Indonesia and India that have to some extent incorporated slum upgrading have demonstrated this. Such initiatives have similarly demonstrated the possibilities of inclusive urban infrastructure provision that benefits the poor. The experience gained from



Kolaba, Mumbai: Temporary housing at the water's edge near the city center
Source: F. Steinberg.



Mumbai, New Bombay: Informal settlements on the urban periphery
Source: F. Steinberg.

these efforts can serve as a stepping stone for allowing slum rehabilitation to become an integral part of ADB's urban development agenda. This is especially so because slum rehabilitation clearly falls into two of the five core specializations in which ADB proposes to focus its operations: infrastructure and environment.¹¹

¹¹ Footnote 10.

Whether by supporting retrofitting or upgrading of services in existing housing units or building new infrastructure, ADB can contribute significantly to urban redevelopment and the revitalization of Asia's cities. In fact, its technical and financial assistance to urban areas is primarily geared to helping urban populations improve access to infrastructure, and to improving urban environments overall.

ADB recognizes that addressing urban issues requires an integrated approach that specifically targets the poor, promotes economic development, treats cities as living ecosystems, and fosters the participation of the private sector and civil society. It is therefore embracing new approaches to addressing urban poverty and improving the social and environmental living conditions of the poor and vulnerable. ADB has thus formulated specific initiatives in the water and sanitation sectors that address MDG 7. Other sectors in which ADB assistance is expanding include urban mass transport and energy efficiency,¹² though slum upgrading and housing have yet to emerge from the shadow of their current neglect.

The overall goal of urban revitalization is to make cities more livable. In this regard, infrastructure may be correctly viewed as both the driver of city transformation and inclusive and equitable development. However, inclusive and equitable development require that slum rehabilitation be (i) viewed as an essential requirement for urban renewal in Asia and the Pacific, and (ii) pursued as part of a multisector urban development approach to poverty reduction. This publication explores the possibilities and benefits of putting this approach into operation, which is something that DMCs such as the People's Republic of China (PRC) and India are already doing, and intend to pursue further.

Several practical considerations must be addressed in pursuing slum rehabilitation in the manner proposed above. Due to vast differences across Asian cities and DMCs and varying perceptions of slums, a variety of solutions is called for. The UN-HABITAT definition of a slum household applies in general to Asian cities: a slum household is a group of individuals living under the same roof who lack one or more (in some cities, two or more) of the following conditions: security of tenure, structural quality and durability of dwellings, access to safe water, access to sanitation facilities, or sufficient living area.¹³ For purposes of this publication, slums are broadly considered to be areas with a significant incidence of poverty and poor housing conditions. Poor housing conditions can result from a combination of a number of causes such as poor structural conditions, overcrowding, lack

¹² ADB. *Urban Poverty: New opportunities for Asia and ADB*. Available: www.adb.org/poverty/urban-poverty.asp

¹³ Footnote 8.

of light and ventilation, deficient infrastructure, presence of environmental risks, and pollution of any type. The presence of such conditions can be verified locally by applying appropriate indicators and standards to relevant data.

A number of approaches to slum rehabilitation have been adopted over the past 4 decades. Reviewing these is a valuable exercise in that it creates a context for ADB's slum rehabilitation agenda. One of the important lessons resulting from a review of these initiatives is that the resident community must play a key role in planning, implementing, and maintaining urban improvements if they are to be sustained over time. The relevance of community-driven development—itsself an ADB priority—to slum improvement initiatives thus cannot be overstated.

Progress has been achieved thus far, notwithstanding 4 decades of project implementation experience, and policies have only touched the fringes of Asia's slum and urban poverty problem. The growing severity of environmental and social problems and the continued marginalization of the poor in city planning and development call for an inclusive development framework. This framework must be rooted in the changing context of urbanization in Asia, and be sensitive to new opportunities for and challenges to slum rehabilitation. These include finding opportunities for pro-poor development as part of the ongoing rapid reshaping of DMC cities, and linked to that, the following:

- (i) defining a greater role for the corporate sector, nongovernment organizations (NGOs), community-based organizations (CBOs), and citizens, as public authorities and local governments move away from a prescriptive role to becoming facilitators of the urbanization process;¹⁴
- (ii) identifying opportunities for new partnerships between public and private sector organizations;
- (iii) addressing the challenge of on-site upgrading and rehabilitation in the face of competing demands for land and the location of slums in environmental risk areas;
- (iv) addressing the adverse impacts of climate change and episodic events such as global economic crises, disasters, and terrorist threats; and

¹⁴ M.N.A. Ganju. 2004. Policy and process for urban renewal. International workshop on Urban Renewal, under the Mission for Application of Technology to Urban Renewal and Engineering (MATURE) programme of UNDP, Manesar, India. 17–19 February 2004.

- (v) meeting the challenge of strategically managing slum rehabilitation, given existing urban planning processes and urban institutional capacities.

Cities such as Bangkok, Manila, and Mumbai are already moving toward a new approach to slum rehabilitation and urban renewal, thus taking advantage of new opportunities and overcoming some challenges. These shifts in perspective provide information valuable to the design of urban redevelopment initiatives. To place the recent slum rehabilitation experiences of these three cities into context, the function and characteristics of slums in DMC cities are discussed below.



New Delhi: Juggi-Jompri colony for which the temporary has become permanent, with middle-class housing area in the background
Source: F. Steinberg.



Mahi, Mumbai: An amalgamation of ethnic groups, classes, and standards of living
Source: F. Steinberg.



Mahi, Mumbai: Urban infrastructure networks are not yet "inclusive"; not all settlements are connected
Source: F. Steinberg.

The Function of Slums in Urban Economic Development

Why do slums exist? Slums have been a part of the urban context since the industrial revolution. They existed not only in early industrial revolution countries such as England as depicted by novelist Charles Dickens, but also in the then newly developing countries such as Australia and Argentina.

While slums provide low-cost housing for rural–urban migrants who possess few skills or connections, they are deemed substandard by established city dwellers. City dwellers, who have already begun to climb the “property speculation ladder” have an interest in rising housing and land costs, even though this is economically inefficient. Slums fulfill an important economic function in that they reduce the cost of rural–urban migration, thus increasing the supply of labor to higher productivity jobs in urban centers. In short, slums are a means of providing low-income housing when the formal market fails to do so—or fails to do so at a rate rapid enough to meet the requirements of a rapidly developing economy.

What sets Asian slums apart?

The sheer number of Asian slums far exceeds the resources of local, and often, national governments to address the challenges they present. Further, Asian slums are less likely to be purpose-built than slums of past decades and centuries, and more likely to sit on land lacking security of tenure. Due to land price pressure, they are also more likely to be located in vulnerable areas such as rights-of-way, or on vacant, inadequately policed private land. Another distinguishing characteristic of Asian slums is that in general, their populations comprise far more squatters than occupiers of substandard formal buildings, though this varies across countries. For example, there are very few squatters in the PRC.

Obtaining financing to upgrade housing on-site or to move to a higher-quality housing unit is often not an option for Asian slum dwellers. This is because formal housing finance systems effectively exclude the poor who lack credit histories that prove their ability to service loans. Providing credit to the excluded was in fact the driving force behind the formation of mutual or building societies in the west. However, borrowers using such facilities usually had some type of credit history to which potential lenders could refer.

As a consequence of land pressure, squatters occupy land that is—or is potentially—quite valuable, which makes them the object of envy (an outcome that would be amusing given their conditions, if it were not so

enragingly unjust). While this situation threatens any plans for change, it is ironically the key to opportunities for better outcomes.

Under an ideal scenario, the government would intervene actively as it has done in Singapore, the result being redevelopment of low-income areas as part of a program of overall urban renewal. Such programs are facilitated by land value capture by the government and a relatively robust rate of economic growth. In situations where such a comprehensive approach is not possible, the two best approaches are slum upgrading and land sharing. Slum upgrading only works if tenure can be granted and the slum community can afford to pay for a significant proportion of the land's market value. If these two conditions are not fulfilled, then slum upgrading allows beneficiaries to realize windfall gains, whereupon they often move back to squatter areas. While overall, this process does improve the housing market in the long run, established communities often consider it inequitable because it rewards squatters for undertaking squatting, which is an illegal activity.

Land sharing works when sufficient pressure can be placed on public or private landowners to give up some of their property to the occupying squatters. To be successful, it generally requires creation of a "win-win" scenario for both owners and squatters. Successful examples of land sharing exist in Bangkok, Thailand and Hyderabad, India. Owners participate to realize large gains from the development of portions of their land cleared of squatters. However, giving up a portion of their land is something that owners are quite reluctant to do, even if it means inability to develop their property over the short term. Such reluctance can only be overcome by determined government advocacy and financial incentives and disincentives on a significant scale. Examples of such disincentives are enforcing market-based valuations for property tax purposes and levying surcharges on vacant land, whereas examples of incentives are providing financing for redevelopment and granting floor-space-ratio bonuses to owners. As the administration of property taxes is deficient in many, if not most, Asian cities, the effective cost to landowners of keeping land underutilized is nearly zero. Further, since urban renewal institutions are for the most part unheard of in most DMCs, there is little incentive for landowners to participate in landsharing.



The "urbanism of hope," sites-and-services project, Chennai, Arumbhakam
Source: F. Steinberg.



Consolidated homes in a sites-and-services project, Chennai, Arumbhakam
Source: F. Steinberg.



Manila: More exclusive than inclusive development

Source: F. Steinberg.

Inclusive Urban Redevelopment Systems

Investments in inclusive urban redevelopment (IUR), like those in housing, provide linkages to many other economic activities. As a result, they can account for 2% to 8% or more of a country's gross domestic product.¹⁵ Because they stimulate demand in ancillary economic sectors, IUR investments embody significant forward and backward linkages. Examples of backward linkages of IUR investments include increased demand for the services of cement suppliers and bricklayers, while increased employment in the construction, property, and real estate industries provide examples of forward linkages. In most Asian countries, the construction sector is a significant source of employment for unskilled workers, though in emerging economies, it also provides a significant amount of employment to semiskilled workers. Shelter and IUR are thus important because they improve the lot of the urban poor, and significantly contribute to national income and economic growth. Shelter may thus be appropriately considered an economic sector in its own right.

¹⁵ R. Buckley and S. Mayo. 1989. Housing Policy in Developing Economies: Evaluating the Macro-economic Impacts. *Review of Urban and Regional Studies* No. 2: pp. 27–46.

While the discussion thus far has set out the overall economic context in which IUR initiatives operate, successful urban redevelopment is unlikely to occur in the absence of efficient, local-level financing and planning and approval systems that are appropriately structured at the national, state or provincial, city, and community levels. In general:

- (i) At the community level, IUR projects will fail if (a) livelihoods are curtailed, or (b) finance for house purchase (land sharing) or upgrading is not accessible.
- (ii) At the city level, plans must make space for, recognize, and provide incentives for housing development across the entire income spectrum, and for upgrading and land sharing based on a rational assessment of the economic potential of each area within the city in question. Mechanisms for financing local infrastructure, and for the efficient channeling of national, and state or provincial subsidies must likewise be established if IUR initiatives are to generate maximum positive impact.
- (iii) At the national level, efficient finance systems as well as transparent transfer mechanisms for subsidies are required. For example, housing microfinance systems must be operational and well capitalized. Technical support to project development at the city level is likewise often necessary.

The following sections set out a framework for action by ADB and its clients, and draws on existing knowledge, past experience, and the trends emerging in DMC cities. In particular, these sections (i) take stock of urban renewal and slum rehabilitation initiatives in selected countries (India, Indonesia, and the Philippines), especially as these relate to ADB-financed initiatives; (ii) review the recent conceptual work of international development agencies relating to urban redevelopment; (iii) examine how slum rehabilitation is supported by ADB strategy and policy, and how this support contributes to operationalizing both; and (iv) examine new opportunities and challenges.

Inclusive Development—Making Cities Sustainable

In 1975, World Bank President Robert McNamara stated that: “If cities do not begin to deal more constructively with poverty, poverty may begin to deal more destructively with cities.”¹⁶ The unprecedented growth of urban Asia

¹⁶ World Bank. 1975. Housing. *Housing Policy Paper*. Washington, DC.

will require greatly improved policies and approaches for land management and shelter if the condition of cities is not to deteriorate.

In *Managing Asian Cities*, 2008,¹⁷ ADB claimed that “Cities should be places where people want to live and where they can have safe and secure, affordable houses and neighborhoods that are appropriately serviced and have adequate access to services and supporting equity in asset distribution, maximizing the use of national programs like social funds. This means designing and implementing systems that allow local communities to make decisions on key facilities they will use, especially for health and education. Cities must prepare and implement housing and urban renewal strategies to provide affordable shelter and basic needs. This includes the upgrading of slums. With the help of concerned communities, cities should more rigorously enforce laws against land occupation and illegal construction to prevent the reappearance of illegal settlements in the future.” (p. VII)

ADB’s 2005 special evaluation study of urban operations shows that ADB-financed urban multisector projects have generally performed well, with 81% of those implemented between 1995 and 2005 being rated successful or highly successful.¹⁸ However, the study also notes that the portfolio of housing interventions and slum improvement initiatives undertaken during the same period remained at 15% of the urban portfolio. While housing assumed greater importance in ADB’s private-sector operations, public-sector lending since 1995 has gradually moved away from pro-poor urban development projects. In this respect, ADB’s urban development operations over the past 2 decades have been similar to those of the World Bank.¹⁹

ADB’s *Agenda 2010* and the United Nations’ MDGs are aligned in many respects. ADB’s water and sanitation work has been quite successful across Asia and the Pacific. However, if it is to make a significant contribution to MDG 7, ADB must increasingly place its pro-poor interventions into the context of inclusive urban redevelopment. As a result of the trends toward urbanization referred to in the opening pages of this chapter, ADB’s urban agenda will inevitably grow in the coming years. Further, meeting the challenges of rapid urbanization will require an inclusive approach to ADB’s urban development initiatives.

¹⁷ Footnote 1.

¹⁸ Footnote 7.

¹⁹ R. Buckley and J. Kalarickal. 2006. *Thirty Years of World Bank Shelter Lending. What Have We Learned?* Washington, DC: The World Bank; Inter-American Development Bank. Ministry of Cities; Cities Alliance. 2011. *Lessons from Experience in Slum Upgrading*. Washington, DC: Inter-American Development Bank. (forthcoming).

As ADB's *Managing Asian Cities – Sustainable and Inclusive Urban Solutions* (2008)²⁰ points out, markets must be enabled to finance housing for low-income households.²¹ This will require that governments adopt policies that enable land and housing markets to operate efficiently. If the principal goal of the Cities Alliance (“cities without slums”) is to be met, several conditions will have to be fulfilled.²² These are as follows:

- (i) secure tenure that can be used as collateral for mortgage financing will have to be provided to the urban poor;
- (ii) mortgage finance systems will have to be accessible by the urban poor, including those who work in the informal sector;
- (iii) targeted subsidies that allow poor households to afford land, shelter, and housing will have to be created and funded;
- (iv) infrastructure systems that deliver basic urban services to low-income households will have to be put into place;
- (v) progressive development that encourages self-help and cost reduction will have to be encouraged;
- (vi) competition within the construction sector that reduces cost and encourages nonconventional construction technologies to be adopted will have to be introduced; and
- (vii) institutions able to provide both oversight and assistance to low-income communities, the private sector, and civil society will have to be created or empowered.

The overall aim of the above is to regenerate communities through the upgrading of the physical environment. This will require solutions to slums that are sustainable, participatory, and affordable.

Operationalizing Inclusive Urban Redevelopment

Many ADB DMCs have expressed interest in assistance that focuses on slums and urban renewal or redevelopment issues. This is appropriate, since

²⁰ Footnote 16, pp. 254–262.

²¹ World Bank. 1993. *Housing. Enabling Markets to Work. A World Bank Policy Paper*. Washington, DC.

²² ADB. 2004. *Cities Development Strategies to Reduce Poverty*. Manila.



Makati, Metro Manila: Temporary shelter for fire victims from an informal settlement
Source: F. Steinberg.

over the coming years, urban redevelopment will be necessary if cities are to be modernized, and made more healthy, functional, and competitive.

The appetite of DMCs for loans for urban redevelopment purposes is considerable, as the demand for such loans by the governments of India and Indonesia illustrate. This is especially true of loans that finance citywide water supply, sanitation, and solid waste management infrastructure. Thus, by acting as an advocate for inclusive urban redevelopment, ADB can encourage growth in demand on the part of national governments for loans that finance slum upgrading and climate change adaptation or mitigation initiatives. ADB's challenge in this regard is that of responding to the demand for assistance of this type, and formulating financing products tailored to this purpose. Both of the latter are appropriate topics to be addressed in the forthcoming Urban Operations Plan to be issued in 2011, the purpose of which is to define the operational vehicles for incorporating IUR into ADB's overall urban development agenda. From an inclusive development perspective it will become necessary to demonstrate during project preparation (design and monitoring framework, project data, or initial poverty and social analysis) how urban development interventions are inclusive, and indicators for measurement will need to be provided. To increase its implementation capacity, ADB may consider using innovative forms of partnerships with other specialized and experienced official development assistance partners like GTZ, UN-HABITAT and various specialized nongovernment

organizations (NGOs), as has been done with success in implementing ADB emergency assistance initiatives of late.²³

The Structure of the Book

This book consists of two parts. Part I presents ADB's experience in inclusive urban redevelopment in India, Indonesia, and the Philippines. The case studies drawn from India's experience include initiatives in Karnataka, West Bengal and Gujarat State. For Indonesia, the settlement improvements being implemented in 32 local governments across the country are summarized. While the Philippines' experience in slum upgrading is limited to eight of Metropolitan Manila's municipalities, it features innovative mechanisms for mobilizing financial and in-kind support from the corporate sector, which may be able to be replicated elsewhere. Ultimately, the purpose of presenting summaries of these wide-ranging IUR experiences is to encourage incorporation of lessons learned from them into ADB's urban development operations across the entire spectrum of its DMCs.

Part II summarizes a wide variety of IUR initiatives in Asia. Similarly, it argues for an inclusive approach to urban redevelopment, highlights the need to think programmatically in operationalizing such an approach, and suggests numerous vehicles for financing the significant cost of pursuing the inclusive urban redevelopment agenda. Kessler and Steinberg's article on inclusive urban redevelopment (page 83) argues that in implementing ADB-financed inclusive urban redevelopment initiatives, both the private sector and beneficiary communities must be successfully engaged in addition to government bodies. The examples referred to above are presented to suggest how the lessons to be learned from them might facilitate operationalizing future ADB-sponsored pro-poor, IUR initiatives.

²³ Grant 0003-INO: Earthquake and Tsunami Emergency Assistance Project (ETESP) provides numerous examples of such partnerships. See also F. Steinberg and P. Smidt. 2010. *Rebuilding Lives and Homes in Aceh and Nias, Indonesia*. *Urban Development Series*. Manila: ADB.

India: ADB's Involvement in Slum Rehabilitation

by Alex Jorgensen and Saugata Dasgupta

Context

ADB-Financed Urban Development Projects in India

In 1997, Asian Development Bank (ADB) initiated urban sector operations in India with the Karnataka Urban Infrastructure Development Project. By 2010, ten additional urban sector projects were in varying stages of implementation, with further loans to the sector under preparation. To date, total ADB lending to India's urban sector exceeds \$2 billion. This figure includes support to India following the 2001 Gujarat earthquake disaster, and reconstruction of infrastructure damaged by the tsunami of December 2004. Most of these projects also include substantial slum rehabilitation and livelihood components.²⁴

All of the projects referred to above addressed a range of municipal infrastructure deficiencies, with major project investments targeting water supply, sewerage, and sanitation facilities, as well as roads, drainage systems, and slum rehabilitation. Capacity-building components were likewise included for strengthening the administrative capacity of local government agencies through introduction of modern accounting procedures, audits, and computerization of numerous functions.

²⁴ The following ADB-financed projects contained slum improvement components: (i) Loan 1415-IND: Karnataka Urban Infrastructure Development Project: of \$88 million lent, \$4.54 million was spent on slum improvement; (ii) Loan 1704-IND: Karnataka Urban Development and Coastal Environmental Management Project: of \$210 million lent, \$8.5 million was spent on slum improvement; (iii) Loan 1813/2293-IND: Kolkata Environmental Improvement Project: of \$400 million lent, \$15.58 million was spent on slum improvement; and (iv) Loan 2046/2456-IND: Urban Water Supply and Environmental Improvement in Madhya Pradesh: of \$315 million lent, \$5.7 million was spent on slum improvement.

While these projects included slum rehabilitation components, funding to the latter activity was modest, ranging from 2% to 5% of the total project budget. Typically, ADB encouraged borrowers and city governments to incorporate funding for slum rehabilitation into infrastructure loans. The reason for this was that in India, slum rehabilitation is a contentious issue, as it sometimes requires legitimizing slum areas prior to upgrading of physical infrastructure, and therefore easier to do under an externally financed project. The loan funds for slum rehabilitation included under such projects were administered by the project management unit of the city or local government agency responsible for project implementation, with financing for slum rehabilitation usually comprising a grant component, local input, as well as a low-interest loan component. Local nongovernment organizations (NGOs) were typically contracted to assist in implementing these grant and soft-loan funds used for slum upgrading. Procurement of works, materials, and equipment for slum rehabilitation programs complied with national procedures, or other transparent, competitive procedures approved by ADB and the implementing agencies.

How Slums in India Developed

Many of India's slums began as informal settlements on empty government land located in less-desirable urban areas. As rural-urban migration accelerated during the latter half of the 20th century, these slums grew rapidly, in part because they were excluded from city master plans for land use, zoning, and provision of municipal services, thus bypassing local requirements and procedures. However, despite their obvious requirements for basic urban services such as water supply, sanitation, electricity, education, and health facilities, urban government authorities were reluctant—or in some cases simply refused—to recognize these settlements as legitimate components of the urban mosaic. The rationale for such a tactic was that a lack of basic urban services would cause in-migration to cease, slum dwellers to return to their home villages, and India's informal settlement problem to be resolved without government intervention. However, with the changes in legislation brought about by the Constitution (74th Amendment) Act of 1992, the role of city governments became much more defined, and significant changes occurred in the life of urban dwellers.

Meanwhile, in the years preceding 1992, dramatic changes had been taking place in India's informal urban settlements. In fact, by that year the country's slum-dweller populations had swelled to such a size that they were able to sway the outcome of municipal and state elections. As a result, some slum improvements were implemented, often during the period directly preceding elections. However, these works were typically carried out on an ad hoc basis without the benefit of proper planning, design,

oversight, or funding. Further, work on these initiatives often ceased prior to completion, particularly if the incumbent government lost the election at hand. The outcome was infrastructure of poor quality, with substantial repairs often being required, though funds were rarely allocated for this purpose. As a consequence, many such slum improvement programs failed. This understandably led to a stance of mistrust and cynicism regarding slum upgrading initiatives, by the slum local populations and municipal governments. As a result, intended beneficiaries often met even well-intentioned slum improvement programs with skepticism.

The outcome of the scenario described above was that slum dwellers relied on informal slum leaders to provide basic services such as distribution of water and electricity. These services were often administered by local organizations whose access to water and electricity was through illegal connections and theft of water and electricity. Even in cases in which the city did supply water, it was usually through widely dispersed standpipes that provided only intermittent service. Thus, women and female children ended up queuing to fill their water containers, often for hours, waiting for the intermittent water supply to come on.²⁵ These queues often led to squabbles, with those from the lowest social strata often being pushed out of line, since even within slums intricate social hierarchies exist. Even the minimum water supplied in this fashion, resulted in wastewater that in most cases ended up in the local roadway or gutter, thereby creating unhygienic conditions, since drainage facilities were rarely provided. Absence of toilets exacerbated these unsanitary conditions, and typically forced women to use local drains and fields as toilets, many doing their ablutions only under cover of darkness. This lack of sanitation and privacy led to loss of human dignity, especially for women. This was the issue most commonly cited, to be provided in slums, in surveys undertaken by implementing agencies of ADB-sponsored slum upgrading interventions. These surveys were done in advance of finalizing the design and scope of work of all slum initiatives.

Most slum dwellers were hopeful that one day their settlements would be recognized by local governments as legitimate, and that their homes could be legally registered. In many cases, settlers had lived in their homes for many years—or even decades—but were reluctant to improve their dwellings as slums were often razed to make way for new development projects sanctioned by city governments. Owing to their lack of secure tenure, slum dwellers lived in constant fear of losing their homes. Further, since many slum dwellers are from lower castes or tribal areas, most are uneducated. Thus, they subsist by scavenging or performing manual labor in construction, sweeping, or other low-paid, temporary employment.

²⁵ Even in well-off areas, water supply in most of India's cities is intermittent. Thus, service to slums was even less regular, of poor quality, or completely nonexistent.

Slum dwellers from the same village or tribal region tend to congregate with their relatives or others from their home areas. Thus, slums are typically not homogeneous, but rather consist of many different communities linked by regional, tribal, cultural, religious, or caste-related ties. These diverse slum communities living in close proximity with one another are administered by traditional, informal, or religious leaders, as well as an officially elected member of the town council who often disagree on the way to best improve their neighborhoods. Such disagreement often complicates slum upgrading initiatives, even when local authorities agree on the manner in which basic infrastructure and slum upgrading are to be provided.

ADB-Sponsored Slum Upgrading Interventions

As pointed out above, ADB usually requested end users of ADB urban loans to incorporate slum upgrading into the design of infrastructure-related urban development projects,²⁶ with ADB's India Resident Mission typically working with state and city implementation units to incorporate slum rehabilitation into project works. This approach often required obtaining the support of senior state officials to overcome the long-term resistance to slum improvement that typified many administrations. In ADB's experience, the two most important factors in implementing sustainable slum upgrading initiatives are: (i) a supportive secretary of urban development at the state level, and a progressive mayor and council at the city level, and (ii) supportive (usually younger) informal settlement leaders. ADB also used local community-based organizations (CBOs) and nongovernment organizations (NGOs) in mobilizing beneficiary community participation and in implementing project works and livelihood training programs. This in turn necessitated extensive consultations with local authorities to overcome the inherent distrust that existed between city administrations and these organizations. Participation by local authorities and municipal administrations in meetings at which proposals were finalized and decisions regarding works were concluded was likewise bolstered by intermittent ADB visits prior to such events, as well as throughout the project cycle.

Whenever possible, ADB also encouraged state and city authorities to legitimize slums as part of the upgrading initiative being undertaken. In many cases, this was a precondition to implementing upgrading works, since municipal by-laws often prevented public funds from being used to provide services to informal settlements. During policy dialogue for this purpose with the city administrations concerned, ADB representatives underscored the benefits of legitimization, which beyond improving the quality of life and health of residents, would likewise expand the municipal tax revenue base

²⁶ See footnote 24.

through collection of property taxes, as well as water and electricity user service fees. Such dialogue often led to recognition by city officials that slums were indeed not going to spontaneously disappear, that slum dwellers provided services desired by city residents, and that slums were ultimately integral to the economic dynamism of large cities, which is a major factor in growing India's prosperity.

Dialogue such as that described above was facilitated by the fact that ADB-financed initiatives were widely recognized as being of better quality than others, and were considered to be consistent with the city government's own development plans. Thus, involvement in an ADB-financed project was considered desirable by participating state and city governments. ADB involvement also brought with it scrutiny from state-level agencies, the latter in turn helping to create an enabling environment for project implementation. Further, one of the conditions of providing sufficient funding for such projects was often that city governments were required to rationalize and update their administrations. When possible, city governments were encouraged to legalize their slums, in particular those settlements selected as project beneficiary communities.

Because it was viewed as an impartial and beneficial facilitator in the dialogue between representatives of state and city governments and beneficiary communities, ADB helped keep communication between these parties open, and brought a sense of legitimacy to project-related discussions. Long neglected by local authorities, local NGOs appreciated ADB's engaging them as community facilitators. Often, the NGOs requested regular project-site visits both by ADB and the India Resident Mission as a means of achieving recognition of their work by local political and administrative authorities, as NGOs were regularly contracted as project implementation agencies on a fee-for-service basis. While advocacy NGOs refused project funds, they provided important support to slum upgrading initiatives by closely monitoring not only project works, but the city and state agencies that implemented these initiatives as well.

Approach to Implementing Slum Rehabilitation Initiatives

While slum areas are part of the larger city environment as well as the local government, the most important factor in facilitating beneficiary participation in slum upgrading initiatives is knowledge of the internal workings of slum communities. Typically, the size of the beneficiary community population targeted by ADB-financed slum upgrading initiatives varied from a few thousand to more than 100,000. As a result, extensive consultations with

local leaders were necessary before plans for slum upgrading could be formulated. Understandably, the initial reaction of slum community leaders when approached by the state or city project implementation office was one of suspicion, this often being driven by concern that the slum was to be razed and its residents relocated. As a consequence, months of careful discussion were often required first to establish a working relationship with the leaders concerned, and then later, to reach agreement as to the type and scope of work to be undertaken.

Project management units often recruited community development officers to work with leaders of beneficiary communities. Through both extensive interaction and public awareness campaigns that typically lasted months, trust was established with beneficiary community leaders and residents, which in turn permitted discussions to be carried out concerning the specific improvements that would best fulfill the beneficiaries' requirements. During this process, community development officers identified the CBOs and NGOs most widely recognized by the beneficiary communities, and therefore best able to assist project implementation. Project management units then prepared plans and cost estimates for the work agreed. Likewise agreed were funding arrangements that identified whether a grant, loan, or a combination of both, along with local input, would best facilitate project implementation.

During the period in which project physical works were being formulated, women beneficiaries were encouraged to form self-help groups (SHGs). These generally consisted of 15–30 women who lived in the same compound within the overall slum area. Typically, these women shared similar religious beliefs or cultural backgrounds, and had often migrated from the same region or village. While establishing SHGs was a complex process often opposed by community or religious leaders, many SHGs were formed with project-provided seed money, these being ultimately successful in improving the lives of thousands of women and their families. However, such improvements were seldom slum-wide, as some individual communities within the larger slum area would decline to participate in project-sponsored programs for cultural, religious, or other reasons. The fact that participants typically comprised only 30%–40% of a slum area's total population made major works such as provision of water supply, roads, and drainage facilities both difficult and contentious, since to provide these services to participants, rights-of-way through nonparticipating areas were required.

Slum Rehabilitation

Overview

Community development officers often worked with local government representatives (i.e., ward councillors) and traditional leaders within the various diverse communities comprising the larger slum area. The object of this was to obtain their support and permission, this being a necessary step in initiating a dialogue with the residents themselves. Once trust between the community development officers and leaders was established, informal surveys were conducted by which the residents themselves determined the works to be assigned highest priority. In descending order of importance, the physical improvements typically requested were: electricity, improved access, water supply, drainage, and sanitation facilities, and streetlights. In some cases, electricity and water were provided not by local governments, but by “private” sources with access to these services, often through illegal connections and sold at rates substantially higher than those provided by the municipality and/or city, through slum rehabilitation initiatives.

Typically, the nonphysical improvements requested by beneficiaries included schools for children and health clinics. Since many cities had ordinances preventing provision of such services to nonrecognized areas, illegal or unregistered slums lacked such facilities. While the initial project surveys were silent on issues regarding work security or job creation, later inquiries by community development officers revealed that the more progressive slum leaders and residents had strong motivations for improving their livelihoods. This led to programs for vocational and entrepreneurial training, as well as SHG-provided microcredit facilities for starting or expanding small businesses.

By making legal registration of slum dwellers’ individual lots and homes a condition of participation in ADB-financed slum upgrading projects, senior government bodies were often able to convince city governments to regularize the slums targeted by ADB-sponsored initiatives. However, this did not occur instantaneously or without effort. Because most city government officials were initially reluctant to regularize illegal slums, extensive policy dialogue was required to convince them that regularization would add thousands of “new” properties to official tax rolls, thus increasing city revenue through property tax levies and utility service charges. This dialogue with city administration officials was complemented by project-financed modernization of municipal administration processes that included a review of property tax by-laws.

Because state- and city-level implementing agencies lacked both the human resources and the trust of beneficiaries necessary for undertaking day-to-day project implementation activities, the state-level implementing agencies initially recruited NGOs and CBOs to work with community development officers. NGOs and CBOs were thus used to conduct public awareness campaigns for bolstering beneficiary support for the slum upgrading works proposed. Subsequently, these NGOs and CBOs were hired to help implement both the physical works and income-generating programs financed by the project. In the end, all slum rehabilitation works were implemented through local NGOs and CBOs. This resulted in substantial strengthening of these organizations over the project's multi-year implementation period, and ultimately allowed many of them to continue some of these programs following completion of the ADB-financed subprojects.

Physical Infrastructure

The physical works financed by ADB-sponsored slum upgrading initiatives were tailored to local conditions, and thus varied considerably across beneficiary communities with respect to type and composition. The narrative that follows provides an overview of the context in which these works were implemented, rather than a specific formula for provision of such infrastructure. This notwithstanding, the content of the following section may be of value in formulating specific slum upgrading initiatives.

Access and Drainage

Pre-project access to the slum areas in which upgrading was undertaken was often limited or difficult. Thus, all slum rehabilitation works funded by state or city governments under ADB-financed urban loan projects included all-weather access to the project areas, as well as internal pedestrian paths, lanes, and roads. These works facilitated commerce in that they improved access to both services and markets. Footpaths were generally constructed in a manner that ensured access during monsoons. Similarly, an important feature of the new roads provided was adequate drainage. One of the main complaints of slum residents, especially women, was lack of drainage, which caused wastewater and storm runoff alike to form an unsanitary, muddy stream that flowed through the existing lanes, forming a breeding ground for mosquitoes, flies, and vectors that frequently caused illness among children. Such primitive drainage facilities tended to be clogged with garbage that emitted noxious odors. Installation of proper drainage facilities dramatically improved conditions in the slum areas, and prevented flooding of dwellings and properties during the monsoon season. The manual labor required for constructing these drains was usually provided by work crews of residents organized by local leaders. Similarly, local residents became responsible for

cleaning and maintaining the new roads and drains following cessation of project implementation activities.

Water Supply

Typically, the only pre-project source of water available to slum residents was standpipes located at the edge of illegal settlements, thus necessitating a walk of more than a kilometer in most cases. As mentioned above, the long queues at these public hydrants as well as intermittent water supply often led to fights, verbal disagreements, or other unpleasanties. Hours were thus typically required to bring home only a few liters of water. This resulted in a major loss of productive time for women who were typically assigned this menial task. Given sufficient time and opportunity, most female slum dwellers would gladly trade this time-consuming chore for income-earning work or other activities in support of the household budget. Often, less-educated slum dwellers used contaminated shallow wells, ponds, or streams as water sources, instead of expending the effort required to fetch safe water from public standpipes. This in turn resulted in poor health or illness, particularly among young children. The water supply components of ADB-financed slum upgrading projects thus had a major positive impact on beneficiary health, productivity, and quality of life. In cases in which residents indicated willingness to pay for it, water supply was brought to each block, either by providing public hydrants or individual house connections.

Low-Cost Sanitation

One of the more successful components of ADB-financed urban redevelopment projects in India was the low-cost sanitation program offered to low-income and slum areas. Collectively, these initiatives financed construction of tens of thousands of private toilets and hundreds of public latrines with attached laundry facilities. Private pit latrines were partially funded from project loan funds. Grant funds financed under the overall project loan funded purchases of construction materials, the owners themselves providing the labor necessary for constructing the latrines. These were typically two-pit, squatter-plate facilities that enabled switching from one pit to the other, which allowed one side to dry for several months and to subsequently be cleaned for reuse. In population-dense areas where individual pit latrines were technically infeasible, public facilities with running water and drainage were constructed. As with other slum rehabilitation works, implementation of these low-cost sanitation programs required extensive public awareness campaigns and consultation with beneficiaries to inform slum dwellers of the benefits of participation, which in turn stimulated additional demand for these facilities. In the absence of such campaigns, less-educated residents would not participate, thereby negating the many hygienic and aesthetic benefits of the toilets to be constructed.

These campaigns were organized by project community development officers through local NGOs, both being paid for the services they rendered.

The influence of women was the major reason for the success of these low-cost sanitation programs. Traditionally, rural residents defecate in the open in the fields and forests surrounding their communities. However, in population-dense informal urban settlements, access to seclusion is scarce. Thus, to simply go to the toilet, female residents were forced to traverse long distances and to sacrifice their dignity. Modest though they were, private pit latrines successfully addressed these issues. Thus, owning one became a desirable and hygienic solution to a major problem.²⁷ Similarly, the public toilets with laundry facilities built within reasonable distance of dwellings greatly improved the hygiene, environmental conditions, and aesthetics of informal settlement neighborhoods. Ongoing information campaigns organized by NGO partners stressed the benefits of improved hygiene, often through street plays that used humor embedded in simple skits to reduce public sensitivity to this delicate, though important issue.

Housing

Some of the ADB-financed urban development programs also provided housing to slum residents. This required progressive local governments and experienced, knowledgeable local leaders. For example, in Kolkata, the project director was able to link a slum relocation program with the national government's ongoing housing program for low-income beneficiaries (*Valmiki Ambedkar Awas Yojana*).²⁸ Under the program, several thousand families became owners of flats in housing developments within a reasonable distance of their former residences, which allowed them to pursue their pre-existing livelihood opportunities. Earlier programs in Mysore, Karnataka and other cities demonstrated that when low-income housing is built too distant from livelihood opportunities, many relocated households return to their original locations. These housing programs were quite popular with beneficiaries, who received ownership of their flats in exchange for a modest monthly mortgage payment that most found manageable. However, there were conditions placed on ownership: (i) the names of both husband and wife were required to appear in the ownership registry; (ii) the unit could not be sold for 10–25 years,²⁹ depending on the particular program; and (iii) recipients were required to relinquish their claims to existing dwellings or plots.

²⁷ Elderly residents would often refuse to use such facilities, believing them to be unsanitary. Thus in some cases, the new pit latrines were used for storage purposes.

²⁸ ADB. 2010. *Kolkata Environmental Improvement Project*. Manila (Loan 1813-IND).

²⁹ In cases in which ownership was registered solely in the husband's name, some recipients sold their units to pay off debts, or to obtain cash that was often wasted. This left these beneficiaries with little choice but to return to their previous slum communities.

Community Centers

Another popular improvement requested by slum dwellers was community centers. These were multipurpose facilities that provided a focal point for the community, their uses including functioning as a women's center, an informal school, a health clinic, a vocational training center, an office for local NGOs and CBOs, and as a public toilet and laundry facility.

Education and Health

As mentioned above, initial surveys were undertaken to allow beneficiaries themselves to determine the facilities to be assigned highest priority. The results of these surveys usually indicated strong demand for schools and improved health facilities. Because slums were unregistered settlements and therefore illegal, they lacked public schools. School-aged children thus had to either travel to public schools outside the slum area, or forego their education. In most cases, the latter was true, particularly of girls. As most slum-dweller families could only afford to send one child to school, this honor was frequently bestowed on the eldest male child, regardless of whether or not he was a determined scholar. Similarly, in most cases these slum settlements lacked public health clinics. In the few cases in which private clinics did exist, these were poorly equipped, and operational only during restricted hours, since the doctors and nurses in attendance donated their time. Finally, most patients could only afford minimal fees.

Under ADB-financed urban development projects, some informal schools were established. However, these required local government authorities to provide grants for textbooks and uniforms, and to pay a teacher, who was often an older girl with a high school education drawn from the slum community itself. Such schools were usually located in the community centers provided under the project. Attendance at these schools often became a source of pride for parents, as this allowed their children to receive some education, which in turn facilitated employment at wages above the average of most slum dwellers, thus eventually providing them a way out of the slum community altogether.

Often, project funds financed the construction of health clinics, located either within the community center or a separate building. Equipment, furniture, and materials were either provided by NGOs who requested these from local private hospitals, or through supplementary support from other donors at ADB's request. As medicine for treating poverty-related illnesses could potentially account for a significant share of slum-dweller disposable income, the beneficial impact of these health clinics was significant. Further, the clinics taught beneficiaries the importance of cleanliness, personal hygiene, and infant and childcare. This, together with improved water

supply and sanitation facilities, greatly reduced the incidence of illness, and as a result, the cost of medications distributed. This reduction in incidence of disease was particularly true of diarrhea and stomach ailments, which often result from lack of clean water, proper sanitation facilities, and a basic understanding of the importance of personal hygiene.

Vocational Training

One of the most common requests from slum dwellers was for assistance in finding better-paying employment, as most slum residents worked as low-salary laborers. Slum leaders correctly recognized that vocational training, especially for the youth, would help them find jobs and enable them to contribute to their family's support. The community development officers worked closely with slum leaders, as well as local schools and businesses to determine which vocations were in demand in the local area. Teachers were paid a small stipend, and often volunteered their time to teach in slum areas following completion of their regular school day. Similarly, local businesses were asked to hire the new trainees upon completion of their basic 3-month training.

The most common vocations for young men were in construction, these including carpentry, bricklaying, electrical wiring, and plumbing, though training as motor mechanics and television and radio repairmen were also popular choices. The local communities themselves supervised student selection to ensure that at least one son from each family received vocational training. Upon graduation, students received a basic set of tools, and local businesses were encouraged to hire them. Many began their careers by working on project-financed slum upgrading works, and improving their own homes.

For young women, the most popular courses included training in hairdressing and cosmetology, as well as home care and practical nursing. Of these, the home care training program was the most successful. Due to India's impressive rate of economic advance, its middle class has grown rapidly of late. There are thus now numerous families in which both the husband and wife work, a context that in turn increases the demand for nannies and caregivers for elderly members of the extended family. This has allowed hundreds of young women from slums to find employment as caregivers or nannies. The local NGOs that conducted the training courses in these professions helped place graduates and monitor their progress, thus ensuring that graduates were both properly treated and paid market wages for their services.

Without doubt, the project-supported training courses that led to the most lucrative employment for residents were in the information technology sector, in part because of its rapid rate of employment growth in India. Graduates of these programs were often immediately hired by local firms at competitive rates, thus dramatically increasing their household incomes.³⁰

In addition to vocational training, entrepreneurial training was likewise popular. This was especially true of women, who used the basic entrepreneurial skills they learned to start or expand small home-based or street-corner businesses. The range of income-earning activities this training led to was wide, and included production and sale of specialized foods, textiles, or arts and crafts; operating food stalls, beauty parlors, or flower-vending concessions, as well as numerous other types of ventures.

Women's Savings Groups

The most successful intervention under ADB-financed urban projects in India was the formation of women's self-help groups (SHGs). Poor people lacking collateral are unable to obtain a bank loan and thus must resort to borrowing from money lenders who charge interest at monthly rates ranging from 20% to 30%. As a result, families facing unusual expenses typically end up so indebted that paying off the principal they owe is a near impossibility.

Typically, ADB-financed urban development projects in India provided start-up grants to SHGs of Rs10,000 (approximately \$240). Following receipt of these funds, the group's first purchases were a cash box and a lined notebook for keeping records. Each month, the SHG members would contribute savings that ranged from as little as five to as much as several hundred rupees, these funds being placed into their cash boxes. After a number of months, the amount of cash in the box would be sufficient for one member of the group to borrow funds, either for starting a small enterprise, or for financing extraordinary household expenses. Typically, the groups charged 1% interest per month, which compared to that charged by money lenders was decidedly affordable. After 1 or 2 years, some SHGs collected enough funds to open a bank account, and to eventually become valued bank customers. This in turn enabled some of the more enterprising SHGs to later obtain business loans.

Modest though these amounts may seem, these informal microcredit programs literally transformed the lives of participants. Many SHG members used the skills acquired under project-provided training programs to leverage funds they borrowed from SHGs into small-scale businesses, which resulted

³⁰ ADB. 2009. *Karnataka Urban Development and Coastal Environmental Management Project*. Manila (Loan 1704-IND).

in earnings of hundreds to thousands of rupees (\$5–\$50) per month, these being amounts often equaling or surpassing their husbands' salaries. That said, as with other programs that benefited women, such initiatives were viewed with deep suspicion by husbands, religious authorities, and some traditional community leaders. In many cases, getting permission to form an SHG required a combination of a powerful woman and a progressive community leader.

Two Examples of Successful Slum Rehabilitation Initiatives in India

Mysore: Slum Rehabilitation through Empowerment of Women³¹

For thousands of women living in India's slums, accessing basic services such as proper water, health, and sanitation facilities is simply not possible. They also face other deprivations such as poor housing, widespread unhygienic sanitation practices, poor health and malnutrition, low levels of saving, and lack of skills. Further, the negative impacts of alcoholism and excessive borrowing—common traits among the urban poor—fall disproportionately on women.

As part of its slum redevelopment efforts, the Karnataka state government helped female slum dwellers establish self-help groups that provided an avenue for addressing mutual problems, providing access to credit, and learning employable skills. As executing agency for this initiative, the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) recognized that improving the living conditions of the urban poor required participation by women in micro-level decision-making. With the help of NGO workers, adult classes and street plays were conducted to sensitize residents to important social issues such as the hazards of excessive liquor consumption and the threat of HIV and AIDS.

As a result of ongoing motivation and nonformal education, female slum dwellers began forming self-help groups. "Through these groups, we are able to increase awareness on social issues such as personal hygiene, communicable diseases, nutrition and sanitation," explained Ms. Sudha Krishnan, Ex-Finance Director for KUIDFC. "More importantly, we have been able to uplift the women's confidence and get them out of the crutches [*sic*] of unscrupulous moneylenders," she noted.

³¹ The section is based on data and information provided by the Karnataka Urban infrastructure Development and Finance Corporation.

“They now feel empowered and are not afraid to meet with social leaders to discuss the various issues faced by their community,” Ms. Krishnan said. She added that initial resistance from men did not deter the women from participating in self-help group activities.

“I have been arrested and jailed for advocating the removal of the liquor shop from our area,” says Laksmiamma, secretary of a self-help group in Ghandhinagar slum in Mysore, a settlement mainly comprising laborers and municipal workers. “Although we have not been successful, our group is still lobbying for the removal of liquor shops and is creating awareness to kick the bad habit in households through women,” added Lakshiamma.

Similarly, in Ghousinagar, a large slum in eastern Mysore, women began coming together to discuss mutually-shared problems and issues. “For women, especially from poorer households, the struggle for this new status in society implies the freedom to participate and voice their concerns pertaining to social issues,” said Dr. Aneeta Amanna, KUIDFC’s Social Development Officer in Mysore.

At Ghousinagar, the Organization for the Development of the People (ODP), a local NGO, formed 34 self-help groups comprising 668 members. For example, Ghousinagar’s *Tipu Sanga* is a self-help group made up predominantly of Muslim women who work from home as “*bidi* (local cigarette) rollers.” As a result of the formation of their group, these women began interacting with one another, achieved access to credit facilities, and are now able to address issues common to their members. “With the collective savings, we were able to provide a loan to one of our members to conduct her daughter’s marriage,” said Mobin Taj.

Another member, Sharmin Munizar said that through a “collective voice” the women in her group were able to get the local municipality to improve their water supply by installing community taps and clean the roads and drainage facilities in their area. Her group began meeting monthly to address common issues, and then began collectively saving as a means of becoming economically empowered. “Initially the men were not supportive of our activities, but we took that as a challenge,” Sharmin added.

“With collective thinking and decision making, the women also began addressing other justice- and equity-related issues such as preventing early marriages, female infanticide, creating awareness of gambling and alcohol-dependence problems, and supporting victims of exploitation,” said ODP’s coordinator Mathew Joseph.

Mysore, as well as three other towns in Karnataka (Channapatna, Ramanagram, and Tumkur) received government aid for improving slum

areas and upgrading the living conditions of the urban poor. This project comprised two components: infrastructure development, and community participation and development.

A component of the 5-year Karnataka Urban Development Project financed by ADB, the project has substantially improved the health and living conditions of more than 30,000 slum residents, with women and children comprising nearly 65% of all beneficiaries. The ADB loan provided 8,000 low-cost sanitation (LCS) toilets to Mysore's slum areas, as well as other beneficiary towns. "The LCS toilets have come as a boon to the slum dwellers, especially to women and children. It has brought a sense of ownership, privacy, and dignity," explained Dr. Aneeta.

In the majority of slums, more than 80% of the population lives below the poverty line. Further, the female residents of these slums typically work in low-salary occupations. Skills training programs targeting women are conducted by local NGOs at facilities made available by the KUIDFC. In Mysore, Jan Shikshan Sansthan conducted nine of these courses with great success in that women are now setting up small businesses and income-generating activities of their own. Several of the women who participated in the program now contribute significantly to household income.

One participant, S. Kalavethy, who attended a 2-month screen-painting course now earns Rs1,000 a month. "My husband who works as a laborer has been very supportive. In addition, my brother is assisting me in getting clients," said Kalavethy as she demonstrates her skills. She said that she was inspired to participate in the training program when her small sundry shop had to be closed due to a communal dispute that undermined her entrepreneurial efforts.

Another participant who opted for incense-making training now employs five workers. Earning Rs3,000 per month, Suseela is determined to create her own brand and to sell incense all over India. "Incense is something that is required by the rich and poor for their daily prayers," says Suseela who packs about 10,000 sticks per day. Her immediate goal is to compete with a well-known local producer in Mysore.

Training, savings, and access to credit have helped increase the confidence of poor women in some of Karnataka's slum areas. Most importantly, the project has increased awareness of issues such as health, sanitation, and community participation. Apart from an increase in income-generating activities, there has reportedly been a significant drop in the incidence of diseases such as diarrhea, respiratory problems, and scabies.

Kolkata: Resettlement, Rehabilitation, and Environmental Improvement³²

Kolkata's location as a gateway on the Hooghly River helped it become a commercial and industrial hub, as well as one of India's richest cities. That said, the city has been the target of several mass rural–urban migrations over the past 2 decades. Although the influx of rural poor to Kolkata has lessened as a result of tightening border controls, migrants still arrive from neighboring states. As a result, half of metropolitan Kolkata's residents live in slums located on the banks of the city's major canals. This severely stresses the infrastructure that delivers Kolkata's basic services.

In response to a request from the Government of India for assistance in reversing environmental degradation in Kolkata, ADB helped design the Kolkata Environmental Improvement Project (KEIP). This initiative enabled Kolkata's poorest residents to successfully address a wide range of social and environmental issues. The project's central goal was to reduce pollution by revamping and upgrading dilapidated sewerage and drainage systems. Works financed under the project include dredging 77 kilometers of clogged canals, which in turn required relocating the numerous squatters who lived on the canal embankments. KEIP planned to resettle beneficiary families into flats provided with basic urban services located 2–3 kilometers from their original dwellings. This was to be accomplished by working together with *Valmiki Ambedkar Abaas Yojona* (VAMBAY), an urban renewal scheme heavily subsidized by the central government that would offer flats to relocated families at a purchase price of Rs5,000 (approximately \$150).

Identification of families to be affected by the canal improvement work was carried out by an NGO appointed by KEIP and an engineering consultant. Together with KEIP, the NGO conducted a socioeconomic survey and an engineering survey that, in 2000, identified 3,365 families as potential project beneficiaries, all of whom were issued photo-identity cards.

While moving squatters into flats sounds like a dream, the reality can be a nightmare. Since beneficiary families lived on Kolkata's canal embankments for 25 years or more, many feared losing their shelter, community resources, assets, livelihoods, and social networks. To mitigate negative impacts from their relocation, KEIP formulated resettlement plans in close consultation with beneficiary families, using ADB's Policy on Involuntary Resettlement as a guide. Beneficiary families were consulted regarding relocation and entitlements, as well as the income restoration program designed for them.

³² This section is based on data and information provided by the Kolkata Environmental Improvement Project.



Kolkata's Keorapukur Canal prior to rehabilitation with makeshift toilets
Source: Kolkata Municipal Corporation.

Four of Kolkata's main canals benefited from upgrading: Tollygunge-Panchannagram Basin, Monikhali, Keorapukur and Churial. To ensure relocation of beneficiary families within 2–3 kilometers of their original plots, five relocation sites within Kolkata and adjacent areas were developed (Kalagachia, Kasba, Nonadanga, Purba Putiary, and Sampa Mirza Nagar). Under the VAMBAY scheme, KEIP purchased 581 flats from Kolkata Metropolitan Development Authority to form the Nonadanga resettlement site, with the remainder of flats in Nonadanga and other resettlement areas being constructed by KEIP.

Each housing complex comprised 6–26 blocks with 24–32 flats per block. Facilities provided under the project included internal pathways and lighting, pump houses for supplying drinking water, electrical connections, and drainage facilities. Similarly, all flats were provided with in-house drinking water systems and electrical connections, separate toilets, and modern sanitation and sewerage systems.

The resettlement plan agreed by KEIP and the beneficiaries required the latter to be relocated prior to undertaking canal rehabilitation works. The results of a validation survey were used to decide the distribution of special entitlements such as ground-floor flats for the elderly, the handicapped, and households headed by females, as well as front-facing ground-floor flats for shopkeepers with preexisting businesses.

Prior to relocation, beneficiaries deposited their payments of Rs5,000 per flat into a designated bank account. The distribution of flats was then decided in the presence of beneficiaries by a two-phase lottery conducted by representatives of local self-government agencies and the project authority. The first phase of the lottery distributed ground-floor flats to special-entitlement beneficiaries, while the second phase distributed flats to all remaining beneficiaries. Only photo-identity cardholders were eligible

to participate in the lottery and to receive block and flat assignments. Allotment letters distributed to beneficiaries served as documents of possession. Titles to the flats were issued solely in the name of the female head of household, and were nontransferable. Of 3,365 families affected by the canal improvement works, 2,574 were relocated into the five resettlement complexes provided.

Prior to relocation, beneficiaries lived in shanties with few services. Despite this, they were considered encroachers that had illegally settled on land owned by the Irrigation and Waterways Department. The male members of these low-income families were primarily daily-wage laborers, while female members worked as domestic helpers. The average monthly income of these households ranged from Rs1,200 to Rs3,200. As a result of the environment in which they lived, they suffered from multiple health hazards.

Since all beneficiaries were relocated to areas no more than 2–3 kilometers from their former plots, resettlement did not adversely impact their opportunities for earning a livelihood. In fact, many members of the resettled families expected to take better jobs than those previously available to them as a result of rapid growth in the adjacent industrial area. Further, many have set up shops in the nearby market which grew rapidly once relocation of beneficiaries was completed. Virtually all relocated families enjoyed basic urban services, since once they received legal title to their flats, they applied for electrical connections, purchased gas for cooking, and opened savings accounts at local banks. Finally, their children now attend primary schools nearby, and they are able to receive low-cost medical treatment at government hospitals and charitable dispensaries located at a reasonable distance. In those few cases in which relocation was not required, existing slum areas were upgraded through provision of environmental infrastructure.



Kolkata: Purba Putiary housing complex – a medium rise alternative to slum housing
Source: Kolkata Municipal Corporation.



Kolkata: Purba Putiary housing complex which offers decent housing to beneficiaries
Source: Kolkata Municipal Corporation.

A unique feature of the project was that of combining resettlement with a rehabilitation program that provided social security coverage under various government schemes and raised household incomes. Further, KEIP helped form self-help groups (SHGs), and provided vocational training programs that developed marketable skills consistent with local job opportunities. In all, 45 SHGs comprising approximately 550 members were formed at project relocation sites, with 116 SHG members receiving training under KEIP's skills development programs. These members received training in the fabrication of jute and jeans bags and paper bags, as well as in tailoring and plumbing skills. At KEIP's request, Rotary Club International donated 12 sewing machines to the SHGs to assist KEIP's fabrication skills development programs.

Some SHG members have begun marketing sarees and other ready-made garments, while others have begun producing jute and jeans bags. Male members who have received training as plumbers now earn a living by providing services to residents in their own housing complexes, as well as those from neighboring areas. Female members who previously earned Rs1,200 monthly as a maid or cook now earn Rs2,000 to Rs2,500 from individual or group businesses. As a result of the increased contribution of these women to household income, the cost of educating their children can now be financed. Before formation of the SHGs, residents had no choice but to borrow from professional money lenders at exorbitant interest rates,



Kolkata: Pyrabagan slum before upgrading
Source: Kolkata Municipal Corporation.



Kolkata: Vocational training in tailoring
Source: Kolkata Municipal Corporation.



Kolkata: Members of *Astha* self-help group
Source: Kolkata Municipal Corporation.

whereas credit is now available from SHG accounts. This has also helped them develop the habit of saving regularly out of monthly income.

Impact of ADB-Financed Slum Rehabilitation Initiatives

Physical Improvements

The slum upgrading components of ADB-financed urban development projects in India collectively improved the lives of tens of thousands of families through provision of housing and physical infrastructure, as well as through vocational training courses that broadened the range of income-generating opportunities available to beneficiaries. Overall, project interventions resulted in immediate improvements in health, income levels, and the overall quality of life.

Improved water supply facilities greatly reduced the amount of time and effort required in obtaining safe, potable water. The pit latrines, public toilets, and drainage facilities that were provided improved sanitation, and as a result, the overall level of beneficiary health, particularly among children. Improved roads and internal pathways facilitated access to, and transport within and out of slum communities. The solid waste collection and disposal facilities provided likewise reduced flooding and improved sanitation. These improvements inspired many residents to improve their dwellings and immediate surroundings.

Unfortunately, in some towns, political interference prevented most residents from participating in project-financed slum upgrading programs, these initiatives being viewed as intrusive by local leaders. That said, these programs produced a noticeable demonstration effect. Once nonparticipating enclaves noticed the improvements in adjacent participating neighborhoods, many requested assistance in undertaking similar improvements in their communities. Given availability of project funds, such requests were honored, although in some cases this led to loss of influence on the part of some local leaders, who ultimately blamed ADB and local government bodies for “interfering in community affairs.”

Income-Generating Activities

The vocational training programs provided under these ADB-financed urban development projects particularly assisted younger men, many of whom were able to find better-paying employment locally. The entrepreneurial training programs were particularly popular, especially among women, in part because it allowed them to increase their incomes. Such empowerment was particularly evident among senior, progressive women, who ultimately formed the core membership of the SHGs that project-funded community development officers had established.

The caregiver training programs for young women were likewise particularly successful, especially in Mysore. Hundreds of graduates of these programs were successfully placed in long-term employment in Bangalore and adjacent areas. The other training programs met with mixed success, mainly because of the number of beneficiaries trained. The training of caregivers continued after project completion, though the NGO providing the training often requested further assistance.

The above success notwithstanding, additional benefits would have resulted from these initiatives if slum dwellers would have been able to be convinced to free themselves of cultural restrictions requiring sons to pursue the same profession as their fathers, even if this required them to work as a sweeper or scavenger. An additional reason for the reduced level of impact relative to what could have been achieved was lack of motivation to continue the programs offered upon project completion. Because India's educational system has few apprenticeship or vocational training programs, it was difficult to place program graduates in suitable employment locally. These programs thus become project-specific, in that they did not survive project completion.

Overall, the SHGs were highly successful in that thousands of such groups were formed, ultimately benefiting hundreds of thousands of women

and their families. Moreover, these groups proved to be sustainable over the long term in that they have remained in operation long after project completion. The informal SHG microcredit schemes produced major beneficial impacts on member-family finances, as well as overall quality of life. Some of the larger SHGs saved sufficient funds to eventually open a bank account and obtain access to larger credit schemes that they used to expand member-owned business enterprises. Some SHGs even built schools and hired teachers, financed health clinics, and paid doctors and nurses to work in their communities on a regular basis. While many husbands and local leaders were unsupportive of the SHGs, these attitudes changed once members were able to supplement household incomes. In fact, many SHG members reported that the sense of pride and accomplishment that their empowered status provided exceeded the importance of the purely financial benefits of SHG membership.

Sustainability

The slum rehabilitation programs implemented under ADB-financed urban development projects required the consensus and support of local slum leaders, city government and ward councillors, city administrators, and senior state officials, as these agencies implemented the projects on behalf of the beneficiary cities. This consensus was difficult to obtain. As a result, numerous slum redevelopment programs failed to be integrated into ongoing urban development initiatives. Further, a number of city administrators only accepted slum rehabilitation programs in exchange for receiving grants or low-interest loans necessary for improving water supply facilities or other infrastructure. Thus, once the ADB-financed subprojects were completed and visits from ADB representatives and state project officers ended, these efforts ceased. However, long after subproject completion, ADB received numerous calls from NGOs requesting visits to their respective areas in an effort to rekindle city administration interest in local slum upgrading.

The SHGs proved to be sustainable even 5–7 years after physical completion of the subprojects that assisted their formation. Similarly, many of the slums that were regularized and made official parts of their respective cities are still prospering. Much of this is due to the fact that providing slum dwellers with title to their land and dwellings was the ultimate goal, as well as the outcome of these slum redevelopment programs.

In some cases, ADB was able to leverage significant support for larger-scale slum redevelopment initiatives, as was the case with the Madhya Pradesh Water Supply and Environmental Management Project. ADB contributed to this project by funding major municipal infrastructure investments, while the Department for International Development of the

United Kingdom provided multi-year grant assistance for slum rehabilitation in the four cities participating in the project. Collectively, this provided tens of millions of dollars in environmental improvement assistance. ADB's involvement not only formed the impetus for local authorities to support slum rehabilitation, but likewise helped NGOs initiate programs that they themselves wanted to implement. As one NGO representative stated to an ADB staff member, "we don't need cash, just recognition and approval to carry out our programs."

Analysis of Cost vs. Benefits of ADB-Financed Slum Rehabilitation Initiatives

The funds approved by the various state governments for slum redevelopment under most ADB-financed urban projects amounted to only a few million dollars, or 2%–5% of the total project budget.³³ Nevertheless, these small infusions of funds significantly benefited the tens of thousands of slum dwellers that made up the beneficiary communities. The majority of these infusions funded physical infrastructure improvements, while those allocated to seed-money capital for SHG programs were very small indeed. Nevertheless, these latter infusions produced significant beneficial impacts, as the SHGs quickly became self-sustaining, even in cases in which the state governments required the SHGs to repay the seed money provided to them. In many cases, local slum leaders, NGOs, and CBOs required only tiny infusions of funds to initiate the programs they implemented.

Conclusion

Many ADB and government representatives are of the opinion that ADB funds should not have been used for slum rehabilitation. In this view, ADB is a lender that finances major infrastructure improvement, and as such, should never participate in slum rehabilitation initiatives. Others are of the opinion that the integrated approach to urban development is so complicated as to risk unsuccessful project outcomes, and that it would therefore be more efficient for ADB to focus solely on financing major infrastructure works. Regardless of whether or not one agrees with these views, what *is* true is that in the context of the urban development projects in India described in this chapter, the slum rehabilitation work was not implemented by ADB, but rather by state government project management offices, their community development officers, and the city governments concerned, with much of the day-to-day time and effort required for successful project implementation

³³ See footnote 24.

being invested by local NGOs and CBOs. The amount of ADB staff time expended on the slum rehabilitation initiatives described in this chapter was miniscule, while the work completed under these components of much larger projects enabled hundreds of thousands of slum dwellers to benefit from improved access to water supply and sanitation facilities, thereby improving public health, the range of economic opportunities available to them, and as a result, their overall quality of life. Since ADB is a development bank, inclusive redevelopment initiatives that improve the lot of slum dwellers are surely an important component of ADB's pro-poor interventions that are central to fulfilling its overall mission.

Indonesia: Neighborhood Upgrading and Shelter Sector Project—Toward Cities without Slums

by Dewi Chomistrina

Rapid Population Growth and Urbanization

In the year 2000, Indonesia's population exceeded 200 million. While the country's population growth rate has fallen considerably over past decades, the urban population continues to grow at about 4.6% per year. Indonesia's rate of urbanization is thus relatively rapid, a fact reflected in the United Nations Human Settlements Programme (UN-HABITAT) estimates that forecast a total urban population of 163 million by 2020. While in 2000, an estimated 42.5% of the country's population lived in urban areas, UN-HABITAT projections put this proportion at more than 50% in 2010 and approximately 60% by 2025.

Such rapid urbanization has profound implications for the rate of growth of slums and informal settlements. While in 2000, the country's urban poor numbered at least 17.2 million, with urban slums and informal settlements covering 47,393 hectares, UN-HABITAT estimates that by 2007, this figure had grown to approximately 23 million.³⁴ In addressing such rapid growth of slums and informal settlements, it is important to remember that while urbanization itself is driven by economic advance, growth of the urban slum-dweller population is driven by urbanization of rural poverty. Thus as urban growth accelerates, so does the rate of degradation of city environments and the size of the total slum-dweller population. This is reflected in the fact

³⁴ UN-HABITAT. 2010. *State of the World's Cities: Bridging the Urban Divide 2010/11*. UK-USA: Earthscan. p. x.

that urban slum populations in metropolitan, large, and even medium-sized cities are growing as rapidly as the urban population overall.

In urban slums, the most common issues impacting quality of life include poor-quality housing, lack of secure tenure, and lack of access to water, sanitation, drainage, and flood-control facilities, as well as limited electric power supply. For example, in urban slums only about 45% of the total demand for water can be fulfilled.

As a result of the trends described above, both housing quality and access to basic urban services by the poor continue to deteriorate, despite significant investments in urban infrastructure. For example, only an estimated 36% of Indonesia's total urban population currently has access to piped water, and only seven cities have sewerage systems. Further, less than 10% of the overall population of these seven cities is connected to sewerage facilities. Thus, while access to toilet facilities is increasing overall, most sanitation amenities are not connected to facilities that can safely treat human waste. As for solid waste, only about 50%–60% of the total amount produced is collected by municipal waste collection services.

Improved access to financing has received considerable attention in recent years, as it is thought to be the most efficient vehicle for improving access to housing. Nevertheless, housing policy has often neglected the urban poor. For example, the requirements for accessing housing finance normally include a land title in good order, a downpayment of at least 30% of the total purchase price, and proof of income. Such criteria virtually exclude the urban poor, and in particular, the self-employed and those working in the informal sector. As a result of such requirements, subsidies disbursed through formal financial channels typically fail to reach the poor. In response to this, the government's National Agenda to Eliminate Slums (*Gerakan Nasional Penangan Lingkungan Kumuh*) has set an overall goal of achieving "cities without slums" by the year 2020, which in turn sets the stage for donor assistance in this challenging area.³⁵

The Neighborhood Upgrading and Shelter Sector Project

Financed by the Asian Development Bank (ADB) through a loan of \$68.6 million from ADB's ordinary capital resources, and a concessionary loan of SDR13.89 million (\$21.5 million) of ADF, the Neighborhood Upgrading

³⁵ D. Chomistrian, ed. 2009. *Towards the Cities Without Slum*. Neighborhood Upgrading and Shelter Sector Project. Jakarta: Ministry of Public Works. pp. 10–11.

and Shelter Sector Project (NUSSP) was approved on 19 December 2003, declared effective on 31 March 2005, and closed on 31 December 2010. The purpose of the project was to upgrade slum tenements and provide new housing for beneficiaries. The project's overall goal was to help improve living conditions among the urban poor by having the beneficiaries both participate in, and benefit from development of infrastructure and housing facilities. Beneficiaries were also to participate in managing and financing the initiative in a way that both expanded their asset base and improved their overall level of well-being. As the project was implemented in 32 cities in 17 provinces, it was also expected to make planning for, and provision of housing for the poor more responsive to the needs of beneficiaries.

Project components included the following: (i) improving site planning and management systems for establishing new sites for the urban poor, as well as upgrading existing sites; (ii) improving access to shelter finance for the poor through both a central financial institution and local financial institutions; (iii) upgrading of low-income neighborhoods and new site development; and (iv) strengthening of institutions responsible for program delivery. The project's approach was to integrate the above functions into existing agencies within participating local governments.

Two criteria were used to select the local governments that would participate: (i) their willingness to contribute resources to the project, and (ii) the proportion of the total population under their jurisdiction currently living in informal settlements. A natural result of the latter criterion was that most participating local governments were located in provincial capitals, metropolitan cities, or large or medium-sized urban areas with slum areas or informal settlements of significant size that were suitable for upgrading.

The project addressed key constraints relating to provision of affordable shelter to low-income groups: (i) inadequate planning and finance, (ii) a mismatch between the demand for slum upgrading services and the allocation of resources to this activity, and (iii) ill-defined new site development requirements. Further, the project addressed the issue of weak beneficiary ownership of works by utilizing a participatory, community-driven process under which beneficiary communities themselves developed their own neighborhood upgrading plans (NUPs) that were used to formulate specific project investments. With their NUPs in place, the beneficiary communities were to receive funds in "block grants" (tranches) that partially financed implementation of their NUPs, with the remainder of the funds required being provided by the beneficiaries themselves through cash or in-kind contributions. Cost-sharing by the national and local governments was likewise an integral feature of the project, the ultimate goal of which was to institutionalize pro-poor and participatory planning, development, and management systems relating to housing and settlements at the local level.

Improved Planning and Management for Upgrading

The NUSSP required all participating local governments to (i) develop a pro-poor spatial planning and shelter strategy (SPSS), (ii) encourage political commitment to it, (iii) provide planning assistance to low-income communities, and (iv) strengthen coordination with the National Land Bureau and other agencies responsible for provision of land and housing.

Technical assistance was provided to each participating local government in developing its respective SPSS, thereby improving its capacity to prepare land management plans and city shelter strategies, and to integrate these into city or municipal development plans. Participating local governments were likewise assisted in optimizing land use, development, and shelter plans, in identifying development opportunities, and in preparing investment proposals consistent with current urban growth trends. The assistance provided allowed each of the 32 participating local governments to complete a pro-poor SPSS that was both integrated into its medium-term development plan, and that functioned as a tool for managing land use overall, and in particular, the housing requirements of the poor.

Accomplishments of the Neighborhood Upgrading Component

The three aims of the NUSSP were to: (i) upgrade slums and informal settlements, (ii) improve access to shelter finance, and (iii) provide new housing for the urban poor in a manner that involves beneficiaries in all facets of implementation including preparation, construction of works, and monitoring and supervision.

Initially, beneficiary communities were engaged through awareness campaigns focusing on NUSSP objectives. Next, community meetings were arranged at which proposed project interventions were discussed. During this phase, project facilitators assisted beneficiaries in selecting a minimum of three community cadres who would be trained by NUSSP consultants to eventually become community facilitators. Larger community meetings were then held on a regular basis at which institutional development and leadership issues were discussed, these meetings ultimately resulting in an overall neighborhood upgrading agenda based on the priorities of the beneficiaries themselves. Community Self-help Organizations (*Badan Keswadayaan Masyarakat*) were established as part of this process.

Following further training, the beneficiaries conducted neighborhood surveys. The output of these surveys was a set of community maps and profiles that identified specific upgrading interventions for both infrastructure and housing, and assessed the capacity of the beneficiaries in implementing these interventions. Ultimately, this process resulted in a detailed NUP that functioned as a road map for community-led implementation of the works proposed. In formulating their NUPs, the Community Self-help Organizations sought advice from their local governments to ensure that the improvements proposed were integrated into both the urban development plan and the SPSS in question, since such integration was considered to be key in sustaining the improvements undertaken. Beneficiary ownership of the works proposed was strengthened by awarding civil works contracts directly to beneficiary community groups in cases in which this was deemed appropriate.

By the end of 2009, 803 NUPs were completed and more than 3,000 civil works contracts were awarded and implemented by the beneficiary groups. The overall number of beneficiaries totaled approximately 3.9 million people living in 783,123 households. Of these, 350,000 families (40%) were officially categorized as poor.

Approximately 6,832 hectares of slum settlements spread over 32 urban areas were improved under the project through provision of water supply and sanitation facilities, drainage and road networks, solid waste collection facilities, and streetlighting. Improved access to safe water and sanitation facilities reduced the amount of time required in obtaining safe water, thus freeing additional time for income-generating activities. In turn, better-quality water and improved hygiene reduced the incidence and severity of waterborne diseases, which increased the number of days of healthy life enjoyed by beneficiaries and decreased health-related expenditures. Improved streetlighting reduced petty crime and violence, and improved drainage reduced flooding, destruction of property, and the incidence of waterborne diseases.

Through the microcredit facilities provided under the project, more than 1,000 low-income families obtained loans for improving their dwellings. The project also created 300,000 jobs and improved the functioning of CBOs through workshops aimed at improving community management and intervention skills. Table 1 shows the infrastructure developed by beneficiaries as of December 2009.

Table 2, which depicts the source of funds for project-related infrastructure upgrading, shows that the contribution of the beneficiaries was significant. Further, more than 1.5% of total beneficiary contributions were received in cash.

Table 1: Infrastructure Financed under the Neighborhood Upgrading and Shelter Sector Project
(September 2005 to December 2009)

No.	Component	Unit	2005	2006	2007	2008	2009	2010	Total
1	Road Networks								
	Footpath/paving blocks	meters	45,834.36	300,751.15	322,316.60	232,716.72	101,632.54	80,543.68	1,083,795.05
	Concrete pathways	meters	1,056.00	19,856.85	5,397.58	1,925.10	35.62	344.50	28,615.65
	Neighborhood roads	meters	23,492.60	172,486.00	220,376.02	126,491.64	32,736.43	40,489.74	616,072.43
2	Drainage Networks								
	Open channels	meters	37,328.00	191,351.35	198,282.87	172,019.00	48,370.31	54,324.24	701,675.77
	Covering of channels	sq. meters	36.00	1,644.04	13,579.63	10,767.73	2,120.30	640.26	28,787.96
	Closed channels	meters	3,541.40	4,908.12	2,174.92	1,319.47	32,326.96	10,647.98	54,918.85
	Support to drainage facilities	units	75.00	7,620.00	4,158.00	3,259.00	4,977.00	102.00	20,191.00
3	Solid Waste Management								
	Household bins	units	245.00	3,755.00	2,560.00	485.00	342.00	141.00	7,508.00
	Communal bins	units	61.00	874.00	1,506.00	1,903.00	373.00	655.00	5,372.00
	Garbage disposal facilities	units	25.00	341.00	411.00	310.00	306.00	75.00	1,468.00
	Temporary disposal sites	units	64.00	188.00	51.00	23.00	37.00	26.00	389.00
4	Sanitation								
	Public toilets/communal septic tanks	units	118.00	881.00	984.00	369.00	150.00	427.00	2,929.00
5	Water Supply								
	Spring captured	units	-	18.00	6.00	15.00	2.00	0.00	41.00
	Shallow/deep wells	units	60.00	181.00	296.00	170.00	167.00	36.00	910.00
	Public hydrants	units	-	313.00	102.00	92.00	25.00	117.00	649.00
6	Streetlighting								
	Streetlighting installed	units	494.00	2,848.00	4,074.00	4,173.00	3,932.00	994.00	16,515.00

- = nil.

Source: Ministry of Public Works.

Table 2: Source of Funds for Infrastructure Upgrading under the Neighborhood Upgrading and Shelter Sector Project (Rp'000)

No.	Source of Funds	2005	2006	2007	2008	2009	2010	Total
1	ADB Loan 2072-INO	17,421,500	109,590,898	103,990,252	87,552,821	21,509,906	103,138,713	443,194,090
2	Local counterpart funds	10,905,167	41,279,047	51,618,885	54,875,028	22,408,759	16,664,103	197,750,989
3	Funds provided by beneficiaries	–	3,782,487	2,045,691	2,252,746	145,277	3,037,500	11,263,700
GRAND TOTAL		28,326,667	154,642,432	157,654,828	144,680,595	44,063,942	122,840,316	652,208,779

– = nil.

Source: Ministry of Public Works.

Project Experience at Palembang. The capital city of South Sumatera Province and home to 1.5 million inhabitants, Palembang is located on the Musi River. Thus, most of the city's slum areas are located on the riverbanks, with many slum dwellings being floating houses. Prior to the project, residents used the river for washing and garbage disposal, as well as a communal toilet. By project completion, 152 ha of Palembang's slum areas had been upgraded. This directly benefited 6,811 families, of which 5,038 were officially categorized as poor. As a result of the project, existing neighborhood roads, concrete pathways, and drainage channels were upgraded, and new water supply, sanitation, and solid waste management facilities were constructed.

In Palembang's Village 3–4 Ulu, one of the Musi River's worst slums, project beneficiaries constructed a water treatment plant that sources water directly from the river. Clean, safe water from this facility costs each household Rp70,000 per month on average, whereas prior to its construction the corresponding figure was Rp300,000 (\$30–\$35). All revenues generated from the sale of water treated by the plant are used for its operation and maintenance. NUSSP subprojects such as this demonstrate that the urban poor are capable not only of producing clean water on a full-cost recovery basis, but also of managing their own water supply facility.

Settlement Upgrading in Pontianak

Sungai Belung is a slum area in Pontianak, one of West Kalimantan Province's largest cities. Measuring only 24.36 ha, its population density is lower than most slum areas in larger urban areas. Prior to upgrading, most dwellings were constructed of wood, and in a dilapidated state. Similarly, few houses enjoyed road access, and most of the settlement's elevated wooden footpaths were damaged. As a result of assistance provided under the NUSSP, the city's spatial planning and shelter strategy included



Palembang: Concrete pathways provide clean access.
Source: Ministry of Public Works.



NUSSP community water supply
Source: Ministry of Public Works.



Foot paths keep neighborhoods flood-free.
Source: Ministry of Public Works.



NUSSP community toilets, showers, and washing facilities
Source: Ministry of Public Works.



Footpaths provide safe access.
Source: Ministry of Public Works.



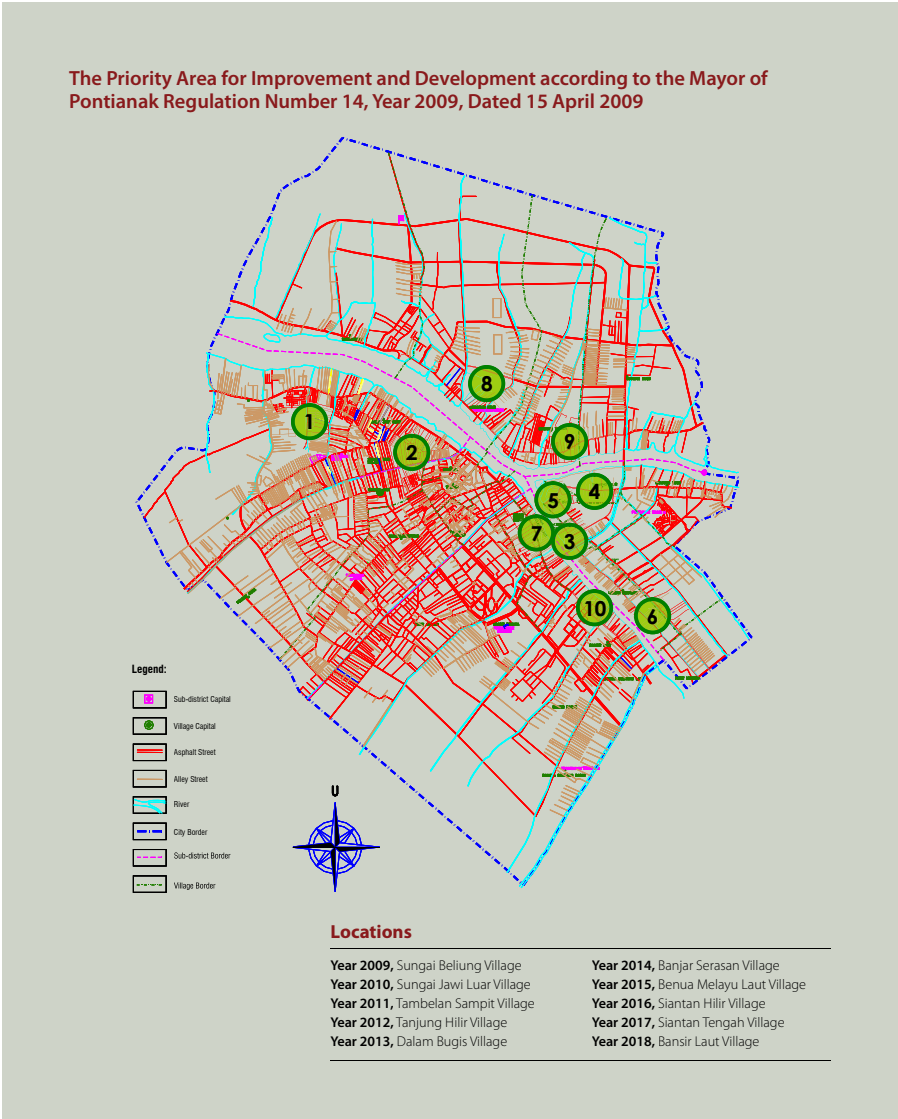
Solid waste collection tools in neighborhoods previously unserved
Source: Ministry of Public Works.

a plan for upgrading ten slum areas: Banjar Serasan, Bansir Laut, Benua Melayu Laut, Dalam Bugis, Siantan Hilir, Siantan Tengah, Sungai Beliong, Sungai Jawi Luar, Tambelan Sampit, and Tanjung Hilir. In 2009, the mayor of Pontianak endorsed the city's Housing and Settlement Development Plan for 2008–2018 which authorized the upgrading. Because implementation of these improvements will involve many agencies and many stakeholders, upgrading these areas will require a number of years.

New Housing Sites

In addition to upgrading existing settlements, the project also constructed new housing for the urban poor, as well as basic urban service delivery systems integrated into citywide infrastructure networks. The local governments of three cities located on Sulawesi Island (Bau-Bau, Polewali Mandar, and Watampone) constructed new housing sites under the NUSSP. While implementation of these three initiatives fell somewhat short of expectations, their experience is important to recount in that it illustrates the range of difficulties confronted in implementing public sector-driven, low-income housing initiatives.

Location is a critical factor in constructing low-income housing, since the income levels of the urban poor cannot accommodate large outlays for



Source: D. Chomistrian, ed. 2009. *Towards the Cities Without Slum*. Neighborhood Upgrading and Shelter Sector Project. Ministry of Public Works.



Footpaths provide safe and flood-free access.
Source: Ministry of Public Works.



Footpaths stimulate local economic activities.
Source: Ministry of Public Works.



Footpaths provide safe access.
Source: Ministry of Public Works.



Footpaths, drainage, and streetlights mean substantial improvement of residential environment.
Source: Ministry of Public Works.



Solid waste collection has reached neighborhoods which were not part of the collection system.
Source: Ministry of Public Works.



Public water supply may not yet reach all households directly, but it ensures clean water supply during most of the day.
Source: Ministry of Public Works.



Drainage and storm water control is an important environmental improvement.
Source: Ministry of Public Works.



In more rural settings, water supply is still reliant on deep wells.
Source: Ministry of Public Works.



Public water and washing place
Source: Ministry of Public Works.



Kalimanatan: Neighborhood upgrading has reached even more difficult environments.
Source: Ministry of Public Works.



Footpaths provide safe access and cleaner environments.
Source: Ministry of Public Works.



Footpaths contribute substantially to an improved image and quality of residential neighborhood.
Source: Ministry of Public Works.

commuting for employment or income-generating purposes. At the center of this location issue is cost, since land adjacent to city centers tends to be the most expensive. Despite this, the three sites these cities ultimately chose for their new housing initiatives were located in urban areas to ensure proximity to beneficiary employment opportunities.

Ultimately, the local governments of Bau-Bau, Polewali Mandar, and Watampone constructed 405 low-cost housing units for families that previously lived in informal settlements. This required close collaboration between local government agencies, private contractors, and local banks, since the beneficiaries lacked access to both land and finance. Ultimately, these three NUSSP subprojects overcame the most important constraints in providing housing for low-income households: security of tenure, the high cost of land in urban centers, and access to credit.

Obtaining land was the responsibility of the local governments. Thus, the local government agencies concerned were required to demonstrate that all development activities proposed were consistent with the city's spatial plan. Similarly, the participating local governments were also responsible for processing land titles for the beneficiaries through National Land Agency channels. Contracts for the construction of housing units were then put out to competitive bidding. Thus, it was private developers that actually completed the works.

For their part, the beneficiaries were expected to obtain housing finance through local banks. However, most banks do not extend mortgage loans to low-income households. As a result, the three local governments concerned proposed that the National Housing Bank (Bank Tabungan Negara) provide finance for house construction under these NUSSP subprojects. This put Bank Tabungan Negara into a somewhat awkward position, since its mandate is to provide housing loans subsidized by the national government to middle- and lower-middle-income households.



Watampone, Sulawesi: New site development
Source: Ministry of Public Works.



Watampone, Sulawesi: New site development
Source: Ministry of Public Works.



Watampone, Sulawesi: New site development during construction
Source: Ministry of Public Works.



Polewali Mandar, Sulawesi: Low-cost housing under new site development
Source: Ministry of Public Works.



Polewali Mandar, Sulawesi: Housing construction
Source: Ministry of Public Works.



Bau-Bau, Sulawesi: Housing construction
Source: Ministry of Public Works.



Ultimately, the three local governments entered into agreements with Bank Tabungan Negara under which the latter arranged financing for beneficiaries. This took some negotiation, since subsidized housing funds provided by the State Ministry of Public Housing are actually meant to support innovative housing projects that remain within a prescribed cost ceiling of Rp40.3 million (approximately \$4,800) for a house of no more than 27 square meters, with the loan being fully repaid within 15 years. Nevertheless, in all three cases, the local governments were ultimately able to provide subsidized housing finance to beneficiaries.

Construction of drainage, water supply, and solid waste management facilities, as well as roads and electricity networks was likewise the responsibility of the local governments. While these works were financed using ADB loan proceeds, construction of social infrastructure facilities including public halls, schools, health centers, and similar facilities remained the responsibility of the local governments.

Watampone. The most densely-populated regency in South Sulawesi Province, 100,000 inhabitants or 14.17% of Watampone's population earns incomes that fall below the official poverty threshold. Nevertheless, only 2.5% of the regency's urban population does not own a home. This NUSSP subproject thus targeted 143 slum-dweller families in Watampone City.

Polewali Mandar. One of five regencies in West Sulawesi Province, Polewali Mandar has a population of 360,493. Under the NUSSP, approximately 278 hectares of slum areas in 11 villages of the capital city of Polewali were upgraded through provision of roads, footpaths, streetlighting, solid waste management, and sanitation facilities. This initiative directly benefited 10,962 households, including 4,678 families with incomes below the official poverty threshold. For this subproject, the local government allocated 2 hectares of land divided into 130 plots.

Bau-Bau City. With a population of 116,901, Bau-Bau is the main city on Buton Island, Southeast Sulawesi Province. Of this number, a significant amount lives in informal settlements. Under the subproject, 132 housing units were built on land owned by local authorities. However, since publicly-owned land in the city is scarce, the local government charged project beneficiaries 50% of its market value.

In all three pioneering housing schemes described above, implementation required a substantial amount of political will, particularly on the part of the Ministry of Public Works which held to the conviction that new housing development for the urban poor can help achieve the goal of "cities without slums."

Conclusion

Ultimately, the NUSSP demonstrated that (i) there exists significant demand for settlement upgrading in Indonesia's urban areas, and that (ii) citywide planning coupled with highly participatory arrangements can allow local governments and resident communities acting together to substantially improve their physical environment. Further, the NUSSP's capacity-building component created a strong sense of community ownership of the plans developed and initiatives undertaken that led to active participation in implementing the subprojects described. Nevertheless, while the beneficiaries succeeded in planning and constructing the facilities themselves, in some cases these were not properly maintained. This suggests that ensuring proper maintenance of facilities requires appropriate behavioral education in addition to assistance in planning and construction.

Because of the cost-efficiency of the initiatives undertaken, the NUSSP was able to benefit 3.9 million people living in approximately 783,123 households. This demonstrates that Indonesia can successfully reduce the number of families living in slum conditions, and that the goal of the national agenda to eliminate slums by the year 2020 can be fulfilled.

Finally, the experience of the initiatives described above suggests that land banking and acquisition must be regarded as important inputs into guided land development and planned urban expansion if the goal of "cities without slums" is to be achieved.

Philippines: Strategic Private Sector Partnerships for Urban Poverty Reduction in Metro Manila

by Florian Steinberg

Introduction

Poverty statistics that track individual or household income levels capture only one dimension of the multifaceted deprivation experienced by the urban poor. In megacities such as Metropolitan Manila (“Metro Manila”), examples of hardships endured by the poor include exposure to public health risks from unsafe water and poor sanitation, insecure land tenure, vulnerability to criminal acts, and increased risk of destruction of property by natural or man-made disasters. Further, few mechanisms short of those that significantly reduce disposable income are available to the poor for improving their physical environment.

In Metro Manila, the official annual income threshold for ranking among the poor is P20,566. This translates into a daily income of P56, which must cover all expenditures including rent, water, electricity, health care, education, and transportation. Thus, the income of casual workers, vendors, tricycle drivers, and most minimum wage workers is so low that commuting from distant, less expensive peri-urban areas to pursue urban employment or other income-earning opportunities is prohibitively expensive. In short, most urban poor live in unhealthy and unsafe environments because they cannot afford to live elsewhere.

Approximately 43% of Metro Manila’s 13 million inhabitants live in informal settlements. Throughout this book, the latter term refers to slums (blighted areas lacking basic infrastructure and services) and squatter areas

(illegal settlements), as well as areas of extralegal land tenure (areas in which formal documentation of inhabitants' legal rights to land is lacking). In 2000, an estimated 726,908 informal settler families lived in Metro Manila. Of this number, 43% occupied government lands, 15% had established residence on private property, and 15% lived in danger-prone areas such as those fronting waterways, riverbanks, or railroad tracks. The fact that services and rents in informal settlements cost more than they do in formal housing areas further exacerbates the plight of the urban poor, most of whom live in such settlements.

For the urban poor, improving the living environment at the household level is difficult. This is mainly because the housing finance system benefits only formal sector employees with incomes that fall above the fifth income decile, and because few government-led urban renewal activities effectively target the poor. The plight of Manila's urban poor is reflected in national statistics, which in 2006 estimated Metro Manila's incidence of poverty as 10.4% against a national average of 32%. While this seemingly low level of urban poverty incidence relative to the national average is a somewhat positive development, the absolute number of poor urban families living in Metro Manila is significant at approximately 1.2 million. Ultimately, pro-poor interventions are urgently required to address Metro Manila's large number of informal urban dwellers, its continuing high levels of income poverty, and ongoing deterioration in the quality of life in many sections of the metropolis.

In response to the scenario summarized above, Philippine Business for Social Progress (PBSP), a private, nonprofit foundation promoting commitment by private business to social development in the Philippines, proposed an initiative for guiding corporate involvement in integrated urban poverty reduction. Known as the Strategic Private Sector Partnership for Urban Poverty Reduction in Metropolitan Manila (or more commonly, "the STEP-UP project"), this initiative aimed to improve the quality of life of an estimated 35,000 individuals living in 5,823 households in 25 communities located in eight of Metro Manila's municipalities: Caloocan, Malabon, Marikina, Muntinlupa, Navotas, Pasig, Quezon City, and Taguig.

A central assumption of the STEP-UP project was that the scale of Metro Manila's urban poverty problem is such that neither government alone, nor even government working together with nongovernment organizations (NGOs) and the affected communities can effectively address urban poverty in the metropolis. Thus, the program's point of departure is creation of a framework for introducing private sector participation into the urban poverty reduction effort.

Ultimately, the STEP-UP project was funded by a \$3.6 million grant from the Japan Fund for Poverty Reduction (JFPR), these funds being

administered by the Asian Development Bank (ADB). The executing agency for the STEP-UP project was the Housing and Urban Development Coordinating Council, while the implementing agency was PBSP itself. The STEP-UP project became effective on 8 November 2002, and in June 2005, an extension of the implementation period was requested. The implementation period was thereafter extended to 31 October 2006.

The STEP-UP project was a community focused, private sector-led, post-land acquisition development project that was a pilot initiative for encouraging private sector involvement in urban poverty reduction.³⁶ It thus showcased strategies that the government was to consider in the wider context of a planned Metro Manila-wide slum improvement program (Metro Manila Urban Services for the Poor), and also in its 15-year strategy on slum eradication.

The overall goal of the STEP-UP project was to use public-private partnerships to reduce poverty among the urban poor in selected communities in Metro Manila. Further, the program was to define the role of the private sector in the overall urban poverty reduction effort. The approach used was that of creating an interface between the urban poor and the business community through formation of multisector partnerships in collaboration with local government units (LGUs) and NGOs.

The project's components included (i) building strategic partnerships that would facilitate funding by corporate sponsors; (ii) establishing revolving funds for improving housing; (iii) creating funds for financing microenterprise that would expand livelihood opportunities; (iv) constructing community infrastructure and related facilities; and (v) reducing and managing risk in communities vulnerable to both natural and man-made disasters.

Major Features of the STEP-UP Project

Strategic Partnership Building. As referred to above, the project's first major component was strategic partnership building. This component focused on building partnerships between PBSP member organizations, the latter comprising more than 200 of the Philippines' largest enterprises and homeowners' associations (HOAs), these representing communities

³⁶ This draws on the data and assessments presented in the following sources: Asian Development Bank. 2007. JFPR 35480-PHI: *Strategic Private Sector Partnerships for Urban Poverty Reduction in Metro Manila (STEP-UP) – Implementation Completion Memorandum*. Manila; Philippine Business for Social Progress. 2006. *Keeping in Step – Forging Partnerships, Changing Lives*. PBSP. Manila. January; and J. T. Sescon and P. P. Tuaño, 2007. *External Evaluation Report on the Strategic Private Sector Partnerships for Urban Poverty Reduction (STEP-UP) Project*, Philippine Business for Social Progress, Final Report, Manila. 31 October.

in which the urban poor live. The PBSP member organizations and HOAs jointly established business consensus groups, the purpose of which was to prepare community-level development plans that would ultimately become the framework for corporate social responsibility (CSR) activities. Municipality-level multisector groups (MSG) were created to broaden stakeholder participation and coordination with the LGUs. Building relationships with the LGUs proved to be an important part of the initiative, since most of the interventions pursued needed to be coordinated with the relevant local governments. The LGUs provided counterpart support in the form of technical expertise, as well as cash and in-kind contributions through planning, implementation, and monitoring. LGU ownership was considered to be an important feature of the project since LGUs are the permanent entities that were to continue interacting with the beneficiary communities once project implementation activities ceased.

The HOAs, on the other hand, were both project beneficiaries and partners, since they were responsible for community affairs, subproject implementation, and financial and estate management. Most of the HOAs were at an early stage of development when implementation began. This affected the pace of project implementation. Because the HOA officers required training in both leadership and management skills, they were not able to be particularly active at the onset of implementation. As a result, the PBSP program officers had to directly implement and manage the community-level subprojects during the first year of implementation. PBSP responded to this constraint by gradually shifting its focus from project implementation to capability building. This strategy proved to be well worth the effort over the life of the project. Following training in project management, the HOA officers were able to implement multiple projects simultaneously, and to efficiently manage the funds provided as either grants or loans during the final 2 years of implementation.

Revolving Funds for Housing Improvement. The project's second major component was that of establishing revolving funds for housing, as well as microenterprise and livelihood development. Funds for housing improvement and livelihood development loans were provided to the HOAs at 2% annual interest, these being on-lent to beneficiaries at 6% per year. Since formal bank loans are rarely given to informal sector workers, this latter interest rate was attractive indeed. An important secondary goal of this project component was to demonstrate that the poor are creditworthy. For this purpose, a target repayment rate of 95% was arbitrarily determined to be an appropriate criterion for demonstrating creditworthiness on the part of beneficiaries.

Revolving Funds for Microenterprise and Livelihood Development. The purpose of the third project component was that of developing income-

earning capacity and promoting microenterprise among beneficiaries, these objectives recognizing that income poverty must be addressed in addition to habitat and environmental poverty.

Improvement of Community Infrastructure. The project's fourth component financed upgrading of the physical environment in beneficiary communities. This included improving access to both health and sanitation facilities, as well as services that underpin development of livelihood opportunities. This component allowed various types of community infrastructure to be improved, including roads, drainage facilities, multipurpose centers, and facilities for the delivery of safe water. Financial and volunteer contributions from both private sector partners and people's organizations were used in constructing some of the roads, alleys, drainage systems, canal fencing, and water systems. Architects, engineers, contractors, and designers provided technical advice on the design of houses and open spaces to ensure structural soundness and aesthetic value.

Risk Reduction and Management. The STEP-UP project's fifth major component funded risk reduction and management. In response to the vulnerability of the urban poor to both natural and man-made disasters, this component emphasized training in risk prevention and disaster preparedness. Disaster management teams were thus organized in each beneficiary community. PBSP implemented this component through its corporate sector and civil society partners, as well as local government bodies. Seminars, training, and capacity-building in reducing the risk of damage from fire, flooding, and typhoons were provided as a grant.

Review of Project Experiences

Component 1: Strategic Partnerships

Mobilization of Corporate Sponsors. PBSP mobilized assistance from corporate entities through its Luzon Regional Executive Committee, a regular committee within PBSP's Governing Board. This was achieved by identifying a "business champion" for each of the Metro Manila municipalities participating in the STEP-UP project. International Business Machines thus became the business champion for Caloocan, Philippine Long Distance Telephone Company became the business champion for Malabon, Nestle Philippines became that for Marikina, Central Azucarera Don Pedro became that for Muntinlupa, Petron Corporation for Navotas, First Philippine Holdings Corporation for Pasig, Monark Equipment for Quezon City, and Pilipinas Shell for Taguig.

Multisector Groups for Broadening Stakeholder Participation. The STEP-UP project formed MSGs in Muntinlupa (the Socialized Housing Program Committee), in Malabon (the Urban Poor Alliance), and in Pasig and Valenzuela (Local Inter-Agency Committees). In Taguig, an MSG acted without official mandate by the beneficiary communities. In the other cases, LGU bodies prevented formation of separate MSGs, since existing bodies already performed MSG functions. For example, Quezon City had its own local housing board working on issues relating to urban poverty and housing for informal settlers. Similarly, the Marikina Settlements Office was already vigorously pursuing land tenure solutions for squatters living in that municipality. Navotas had priorities and resource constraints that limited opportunities for developing MSGs, and political issues in Caloocan prevented programs for the urban poor from being assigned high priority.

Some success in building partnerships with LGUs was achieved, though only half the municipality governments participating in the STEP-UP project were actively engaged in implementation. This was to some extent disappointing, given the time and effort invested in building alliances with the LGUs, and the municipality chief executives or mayors in particular. Despite formal endorsement by government of the STEP-UP project through the Housing and Urban Development Coordinating Council and the Department of Finance, no formal memorandum of agreement formalizing the commitments and contributions of LGUs was established. As a result, the project's work with the LGUs was rather on an ad hoc basis.

As for the corporate sector, PBSP was able to mobilize resources for the project from more than 70 companies. While impressive, this achievement pales in comparison with the potential pool of large companies operating within Metro Manila that might have contributed. Nevertheless, during the STEP-UP project's 4 years of implementation, some companies unflinchingly provided support and funding to the project. PSBP was likewise able to mobilize funding or other project involvement from corporations on a one-off basis. Even at the end of project implementation, PBSP continued its attempts to mobilize additional corporate support for the project.

Capability of Homeowners' Associations. In all, PBSP established 34 HOAs under the STEP-UP project, far exceeding the original target of 23. All HOAs were able to establish their own organizational structures, as well as their own systems for project implementation and financial management, albeit at varying levels of proficiency. As the main proponents of subprojects, the HOAs implemented community infrastructure projects and supervised livelihood and housing loan assistance despite the challenges entailed in administering microfinance.

While the period required for social preparation of the HOAs and establishment of the business consensus groups and MSGs was considerable, the budgetary allocation to these activities was minimal. Expenses for training, seminars, and workshops, as well as project management costs, accounted for less than 13% of the total project budget, though these activities were key to successful implementation of civil works subprojects. In contrast, more than 80% of project funding was allocated to establishing the revolving funds for housing and livelihood improvement.

In large measure, it was the performance of the HOAs that allowed recovery rates for housing improvement loans to reach 95% in 2006. Further, the HOAs continue to manage these subprojects on their own, albeit with some assistance and coaching from PSBP and volunteer HOA officers. Some of the HOAs are even able to interact with development partners directly, and to negotiate with LGUs for resources. HOA officers were also able to demonstrate their competence by explaining the development programs relevant to particular jurisdictions during donor and member company visits.

Corporate Volunteer Services. The corporate sector provided employee volunteers that assisted in a broad range of construction activities. Educational assistance was provided by a second group of companies, and training in risk reduction and healthy living by a third (Box 1). Though these services were provided on a volunteer basis, they were as invaluable to project beneficiaries as they were considerable. In the end, the resources provided to CSR activities were nearly equal to those provided by the JFPR grant. Implemented with great enthusiasm by PBSP partners, these contributions formed the most visible features of CSR activities.

Component 2: Housing Improvement

Revolving Fund for Housing Improvement. The STEP-UP project created a revolving fund for housing improvement. This facility was used to fund loans for new construction, home improvement, and even services such as electricity connections, with the funding of the latter category of loans totaling \$0.068 million (P3.5 million). Without doubt the largest item in the STEP-UP project's budget, a total of \$1.79 million (P91.62 million) financed this facility.

As implementing agency, PBSP provided loans to the HOAs at an interest rate of 2% per year. The HOAs then on-lent these funds to households at 6% per year, the 4% spread covering HOA administrative costs, with any unspent funds being placed into the revolving fund for housing. By curtailing administrative costs, one of the first HOAs to avail of the housing loan was able to recycle P200,000 in unspent funds back into its lending pool, thus allowing more loans to be made to its members. In all, 1,212 households

received loans for house upgrading and construction, and financial assistance was given to 852 households for legalizing their electrical connections.

Box 1: Activities Supported by Corporate Partners

Employee Volunteering from PBSP member and nonmember companies was valued at \$460,016, or nearly 33% of total corporate contributions. Moreover, Airlift Asia Inc. (AAI), Citibank, and GST Philippines, Inc. institutionalized employee volunteering either through company policy or directives from their chief executive officers. For example, AAI adopted eight STEP-UP cities, and pledged 3,600 person-hours of corporate volunteer time per year by requiring all staff to donate 24 hours annually. This allowed AAI staff to participate in tutorials, house painting, and planting. Similarly, GST volunteers assisted in house construction and painting in Muntinlupa and Taguig. Other PBSP member companies made one-off donations of volunteer time, mainly providing labor for painting, house construction, and planting. For example, De la Salle University national service training program students donated services to selected beneficiary communities.

Educational Assistance was provided by Boysen, Citigroup Foundation, Citibank NA, Deutsche Bank AG, Lepanto, and PLDT in the form of public school buildings in municipalities participating in the STEP-UP project. Similarly, Ayala Corporation and Philip Morris Philippines Manufacturing Inc. donated school desks in Pasig and Caloocan, while Credit Suisse provided scholarships to 20 elementary students in Pinagbuhatan, Pasig, and Monark Foundation offered vocational scholarships to STEP UP out-of-school youths. Australia-New Zealand Bank (ANZ) adopted the Pinagsama Taguig Medium-rise Building and is currently implementing a Scholarship and Livelihood Assistance project with ANZ volunteers teaching bookkeeping and accounting, as well as offering tutorials for children.

Skills Training was provided by HOLCIM, a cement manufacturer, which helped upgrade the masonry skills of 35 individuals. Boysen offered training in painting skills for STEP-UP community members. F. Salon and Spa financed the schooling of 100 beneficiaries in their 3-week training courses, with the goal of ultimately absorbing graduates into their workforce. Splash Foundation provided training in cosmetology to Valenzuela and Marikina beneficiaries, and Letran College's Graduate School Division provided training in bookkeeping and accounting to Caloocan HOAs.

Training in risk reduction and healthy living was provided by Nestle. San Miguel Polo conducted free fire prevention and first aid training in Caloocan, Malabon, Marikina, Navotas, and Pasig, and also benefited STEP-UP cities through their inter-HOA sports fest and learning sessions for mothers. Finally, Kraft Foods, Inc. adopted Muntinlupa City STEP-UP sites through its Healthy and Active Lifestyle Enhancement project at a cost of P1.5 million (\$34,000).

HOA = homeowners' associations, PBSP = Philippine Business for Social Progress, PLDT = Philippine Long Distance Telephone Company, STEP-UP = Strategic Private Sector Partnerships for Urban Poverty Reduction.

Source: PBSP.

Nevertheless, the number of households provided with loans fell below the original target. The original intent of the project was to offer loans in the range of P5,000 to P70,000. However, over the course of implementation the loan ceiling was raised to P100,000 due to increases in the cost of construction materials and the growing requirements of individual borrowers. Thus, 71% of the 5,823 households originally targeted received loans. That said, because the financial assistance offered came in the form of loans for which repayment was required, fewer than 70% of beneficiary households expressed willingness to borrow. This was in part due to borrower fear of inability to repay, despite the 6% interest rate offered.

That said, as pointed out above, in 2007 the repayment rate for all borrowers taken together was 95%, though in 2008 amid the peak of the economic crisis and growing job uncertainty the HOA repayment rate fell to 80%. However, this rose again to 90% in 2009. Despite these fluctuations, these are still impressive repayment rates in that they stand in stark contrast to those of formal sector loans provided by government agencies. For example, the repayment rate for loans extended by the National Housing Authority is below 50%. In response to the net fall to its 2009 repayment rate of 90%, PBSP increased community counseling efforts and used door-to-door collections to prevent further slippage.

Over the implementation period, there was a significant increase in the number of HOAs the STEP-UP project served. PBSP increased project coverage from 23 communities in 9 municipalities, to 34 communities, with the total number of households reached increasing by 56% from 5,823 to 9,126. The revolving fund for housing improvement also expanded by 44% to \$1,727,715 from its targeted level of \$1,200,000. Nevertheless, beneficiary coverage was significantly lower than the 70% of eligible households originally targeted (i.e., 4,130 households of 5,823 households). That said, housing improvement loans were extended to 1,212 households, or 16% of 7,410 beneficiary households in the 8 municipalities in which the STEP-UP project was implemented. These 7,410 households excluded beneficiaries located in Valenzuela, since housing loan assistance was not extended to them. Ultimately, the increase in the loan ceiling and in the actual number of beneficiaries that obtained loans accounted for the marked increase in the number of households obtaining housing loan assistance.

Component 3: Microenterprise and Livelihood Support

The revolving fund for livelihood support was reduced from \$500,000 to \$113,690, with a corresponding reduction in the number of beneficiary households targeted from 2,550 to just 852. The repayment rate for livelihood loans was significantly lower at 70% than the target rate of 95%.

The economic crisis and natural calamities affected the income of HOA communities, with day-wage earners being particularly impacted. In some HOAs, issues relating to integrity also affected collections. Although being addressed, the effect of this on the project's overall repayment rate for the livelihood loan facility is not easily overcome.

PBSP has committed continued support to the HOAs until they are ready to graduate or phase out of the project. As early as the third year, the HOAs were already being prepared for PBSP's eventual exit as implementation agency. All subprojects were audited, the results being discussed with the HOAs. The HOAs were expected to respond to the audit findings by taking the lead in resolving major problems, though some technical assistance was provided. Responsibilities were devolved to the HOAs with a view to their ultimately being able to manage their own affairs. By June 2007, 50% of HOAs had phased out of the project.

PBSP continues to assist the HOAs and its members by providing opportunities for education and employment, as the HOA manpower groups formed will continue to require assistance in the medium term. Education was afforded high priority by beneficiaries. PBSP is thus providing scholarships and matching the employable skills of HOA members with the staffing requirements of small and medium-sized businesses.

Aspects of the STEP-UP project other than physical investments and assistance in human resources helped support the financial sustainability of the HOAs. For example, the interest earned from housing and livelihood assistance loans is considerable, as the HOAs earn a 4% per year spread on housing loans and up to a 12% spread on livelihood loans. These earnings should enable them to fund administrative expenses while simultaneously extending credit to a continuing stream of beneficiaries. Further, the concept of capital buildup was incorporated into HOA loan policies to ensure HOA sustainability. Since HOA loan exposure ranges from 5 to 7 years, PBSP's presence is ensured in the HOA communities beyond the duration of the ADB-assisted STEP-UP project. This will help ensure repayment, as well as monitoring of the performance of revolving funds.

Instead of providing livelihood loans to all beneficiary households, a portion of project funds were used to support skills training to improve beneficiary employability. As many as 741 individuals from STEP-UP communities were trained in agri-production, alternative healing, automotive and heavy machine operations, building and construction-related skills, dressmaking, food processing, handicrafts, health care (manicure, pedicure, and haircutting), and mobile phone repair. Six manpower groups were

established.³⁷ All of these assisted in the official registration and marketing of the services offered by beneficiaries, as well as through loans and grants for equipment. At project closure in 2006, the repayment rate for microenterprise and livelihood support loans was 70%, which was substantially lower than the target rate of 95%. However, three HOAs that defaulted on all payment obligations mainly accounted for this shortfall.

At the end of implementation, seven HOAs had fully repaid their loans to PBSP, while one HOA loan was restructured as a result of difficulties in the wake of the 2007 typhoon. About one-third of HOAs have further expanded their livelihood assistance programs using funds earned from interest on previous loans. One HOA was even able to extend its lending services to adjacent communities. A major factor in the overall success of this program was the guidelines for operating the microenterprise and livelihood lending operations that PBSP established.

Component 4: Community Infrastructure

The STEP-UP project provided grant assistance of \$1.18 million (32.8% of the total STEP-UP budget) to finance improvements in community infrastructure. This mainly comprised construction of multipurpose centers, roads, drainage and water supply facilities, and electricity connections.³⁸ Beneficiary communities and corporate volunteers joined hands to implement many of these community infrastructure works.

Originally, the community infrastructure projects were to be implemented during the project's first year. However, given the relatively low levels of HOA capacity at the onset of implementation, PBSP shifted the project's initial focus to capacity building, though during this period some projects were directly implemented by PBSP. Ultimately, this approach allowed the HOAs to accelerate implementation during the latter stages of implementation by implementing multiple projects through committees they created. This multiplied the number of officers working with PBSP in developing, implementing, and monitoring subprojects. It also allowed more youth to be

³⁷ The six manpower groups comprised (i) Marikina welders, (ii) Navotas welders, (iii) a construction manpower cooperative in Quezon City, (iv) massage and aromatherapy group (STEP-UP-wide), (v) Pasig women's sewing group, and (vi) Tinig Fish Pen Operators (Muntinlupa).

³⁸ The following community infrastructure facilities were established: (i) 22 multipurpose centers at a cost of \$199,000 that served 5,907 households; (ii) 34 HOAs were provided with roads, alleys and drainage at a cost of \$845,000; (iii) four HOAs were provided with water systems at a combined cost of \$ 34,615; (iv) seven HOAs obtained electrical poles at a cost of \$33,653; (v) one HOA improved an embankment for an adjoining canal costing \$23,076; (vi) one HOA improved a river embankment at a cost of \$14,423; and (vi) one HOA obtained retaining walls at a cost of \$32,692.

trained as second-line HOA leaders, which further increased the capacity of the HOAs to work with PBSP.

Some components were also combined or integrated during project implementation. For example, the risk reduction and management component was integrated into the design of the community infrastructure and housing projects. This increased project efficiency by allowing multiple HOA concerns to be addressed by single subprojects.

Component 5: Risk Reduction and Management

Site-specific Risk Reduction. Each HOA Estate Management Plan incorporated a risk reduction and management component. Aside from the road and drainage projects for preventing or minimizing flooding, other special infrastructure projects were implemented in response to specific risks faced by individual communities. Examples include fencing of canals, improvement of river embankments, construction of retaining walls, and upgrading and legalization of electrical connections. The latter was carried out in Caloocan and Malabon to reduce the risk of fire resulting from illegal or dilapidated electrical connections. Once HOA members became aware of the danger of fire from illegal electrical connections, they requested that housing improvement assistance be expanded to cover electrification. Streetlights and gates were also installed to improve safety and security in HOA communities.

Community-based Disaster Response. Each HOA formed its own safety and security committees that acted as disaster management teams. Emergency equipment such as plastic drums, metal buckets, fire extinguishers, water pumps, firemen's jackets and hats, water hoses, ladders, and first aid kits were distributed. Policies on the use and maintenance of such equipment were also drafted.

Mitigating Capability of Homeowners' Associations. Community disaster management and standard first-aid training was conducted by the Philippine National Red Cross for the disaster management teams in all 34 HOAs. Nestlé Philippines' Cabuyao and Marikina plants and the bureaus of fire prevention and management of the various LGUs supervised fire drills in Malabon, Marikina, Navotas, and Pasig. San Miguel Polo Brewery also assisted in emergency management planning (fire fighting, first aid, and risk mapping) in Caloocan, Navotas, and Pasig.

Evaluation of Inputs

The allocation of funds for project inputs required major revision during implementation. The allocation for the revolving credit facility for housing improvement, as well as the allocations for civil works, project management, and audit of poverty impact assessment substantially increased, with the allocation to the housing revolving fund increasing by 12% as a result of robust demand for housing loans. Similarly, incorporating risk reduction and management into community infrastructure projects led to a 61% increase in the civil works budget. Project management costs likewise increased due to personnel requirements being greater than anticipated. Initially, project personnel comprised community organizers, but given the demand for project services, these positions were upgraded to the program officer level. The one-and-a-half year extension of the implementation period likewise required additional allocations for project management. The allocation for equipment, machinery and other capital costs, as well as the amount set aside for contingencies were reduced by 90%, since these were incorporated into the project management and civil works components. The budget for supplies, training, workshops, and seminars, as well as that for technical support was reduced by 50%–60% (Table 3).

These changes were necessary to respond to demands of the individual beneficiary communities. For its part, ADB remained flexible in accommodating these changes. For example, it approved expansion of the allocation for housing improvement to cover electrification and water supply, and adjusted the implementation timetable to accommodate the capacity-building requirements of the beneficiary communities.

The funding allocated to the STEP-UP project was adequate to finance all project components. While the project required a greater degree of social preparation and mobilization than envisaged during the first 2 years of implementation, the implementation period was of sufficient length to complete all project activities. In all, less than \$1,000 per household was spent during the 4-year implementation period, with assistance being provided in capacity building, community infrastructure upgrading, improvement of housing, provision of livelihood loans, and risk reduction activities. The project benefited a total of 9,126 households comprising at least 45,000 individuals.

Evaluation of Results

Ultimately, the goals of the STEP-UP project were achieved at minimum expense, albeit with the contribution of a considerable amount of volunteer time and with an extension of the implementation period.

Table 3: Planned vs. Actual Allocations for Project Inputs

Input	Original Target (\$)	Revised Target (\$)	% Increase/ Decrease vs. Original Target (+/-)	Actual Cost (\$)	% Change in Cost (Actual vs. Revised Target)
1. Revolving credit facilities	1,720,000.00	1,926,099.55	12%	1,846,816.90	96%
2. Civil works	558,824.00	898,456.20	61%	1,104,296.81	123%
3. Equipment, machinery, and other capital costs	312,863.00	19,551.02	(94%)	19,034.76	97%
4. Supplies	5,882.00	2,906.84	(51%)	3,889.31	134%
5. Training, workshops, seminars	253,725.00	127,864.80	(50%)	115,176.40	90%
6. Technical support	267,471.00	108,273.65	(60%)	107,654.42	99%
7. Project Management	285,196.00	453,382.86	59%	357,590.57	79%
8. Audit/Poverty Impact Assessment	42,549.00	48,150.67	13%	37,951.39	79%
9. Contingency	153,490.00	15,314.41	(90%)	7,589.44	50%
Total	3,600,000.00	3,600,000.00		3,600,000.00	100%

() = negative.

Source: PBSP.

Overall, the project was successful in that its major purpose was achieved, and in that there were valid reasons for any differences between the actual results and those envisaged. The project successfully demonstrated that there are numerous avenues by which the corporate sector can participate in the overall urban poverty alleviation effort. Similarly, it demonstrated that HOAs have the capacity to improve their current conditions when offered support from other sectors. Perhaps the project's most significant accomplishment is that it demonstrated creditworthiness on the part of the urban poor, as well as their capability in implementing housing loan programs that they themselves administer. Further, the impressive repayment rates that these programs achieved could potentially expand access to other credit facilities at rates of interest well below those typically charged by informal sector lenders.

The STEP-UP project also demonstrated that dramatic transformation of urban poor communities is possible. While some of the beneficiary communities achieved significant outward physical improvement, the outward changes achieved by others might seem minimal from the perspective of outsiders. Nevertheless, the beneficiaries themselves have reason to be proud of what they themselves have accomplished, particularly when they compare the post-project state of their communities to pre-project conditions. Further, both on-site and off-site development projects were successfully implemented, all of these being led and managed

by the communities themselves. In sum, the STEP-UP project was a success because it met the real and urgent needs of the beneficiary communities that were identified by the beneficiaries themselves, the donor agencies, the local governments, and the private sector.

The design of the STEP-UP project relied heavily on multistakeholder partnerships, and its strength lay in successfully mobilizing all economic sectors (community, government, civil society, and business) and achieving widespread ownership of the development agenda of the urban poor. These strengths are likewise the key to the STEP-UP project's sustainability.

The STEP-UP project demonstrated that beneficiary participation is a time-intensive process, particularly if subprojects are to be community-driven, and that the same is true of capacity building, community planning, and consultation. It likewise encouraged beneficiary communities to assess the resources available to them, to offer these as their contribution to an overall development effort, and to achieve an impressive level of self-sufficiency. In the end, the beneficiary communities exceeded the level of contributions that they themselves targeted, ultimately providing the project's second largest counterpart contribution. Finally, by administering subprojects and loan facilities themselves, the HOAs demonstrated their own competence.

As for the MSGs, whether or not these bodies ended up being formed depended largely on the existence or absence of an active local housing board or LGU committee that addressed urban poverty prior to the project's inception. Ultimately, only three MSGs were formed (i.e., those in Malabon, Muntinlupa, and Pasig). The remaining LGUs either had active housing programs spearheaded by government or were unreceptive to MSG formation.

No formal memoranda of agreement were signed with either the HOAs or the LGUs. Although this did not greatly impact the project's partnership with the HOAs and beneficiary communities, the same cannot be said of the LGUs. Ultimately, the degree of LGU participation in the project varied widely across municipalities, with some willingly providing counterpart inputs in the form of material donations or technical expertise. The degree to which the LGUs provided these inputs greatly impacted implementation of the community projects. There was also a direct correlation between development of the HOAs and LGU support and acceptance of the project.

Initially, a 3-year implementation period was deemed appropriate for completing the STEP-UP project. However, this proved to be an ambitious schedule, given the large number of beneficiary communities as well as their diversity in terms of pre-project levels of capacity and overall readiness to undertake the project.

For the corporate sector's part, PBSP devoted significant resources to briefing the chief executive officers of the partner corporations and convincing them of the merits of the STEP-UP project. As a result, the level of financial and in-kind contributions mobilized from the project's corporate partners was impressive, both with regard to the amount of time and the range of skills invested in community visits and direct interactions with the HOAs. Executive time was also contributed in reviewing project proposals and providing suggestions regarding subproject viability. Ultimately, all subprojects implemented were reviewed and approved by the PBSP Board and Regional Executive Committees. However, relative to the amount of resources available from potential corporate partners, the actual contribution mobilized fell short of what might have been achieved. The proposed "business champion" program was not implemented, despite the fact that champions for each of the eight municipalities participating in the STEP-UP project were identified early on. For their part, the capabilities of many corporate partners encompassed so many of the STEP-UP project's goals that it was difficult for them to confine involvement to just one area or municipality.

Major Lessons Learned

"Start from where the people are." This cardinal rule of community development projects is often forgotten in a rush to get things done or meet targets. Nevertheless, it is the starting point for developing trust and a sense of project ownership. The STEP-UP project went to the communities, listened to what they wanted, assessed what they were capable of and how much they could contribute or pay, and built plans accordingly. Consultation with, and participation by beneficiaries themselves was key to the STEP-UP project's success.



The STEP-UP project in Marikina: Preparing community infrastructure
Source: F. Steinberg.



The STEP-UP project in Marikina: Building drainage infrastructure
Source: F. Steinberg.

The STEP-UP Project in Marikina



Completed footpaths and home improvements
Source: F. Steinberg.



Improving road infrastructure
Source: F. Steinberg.



Preparing to replace informal water pipes
Source: F. Steinberg.



Improving footpaths in highly congested slum areas
Source: F. Steinberg.

Develop and strengthen partnerships between the communities, corporate partners, the LGUs, and others who have a stake in well-planned and functional communities. In the STEP-UP beneficiary communities, partnerships were strong, both vertically and horizontally. These partnerships were then legitimized and institutionalized through written policies, ordinances, and memoranda of agreement.

Provide avenues for promoting synergy within the partnerships, such as the Socialized Housing Program Committee and the MSGs. These structures formed the pathways by which donors, government, and the HOAs came together to assess their progress and jointly plan subsequent steps.

Develop a framework that focuses on assistance. The STEP-UP project's implementation partners were not only willing to help, they also wanted to know how they would be most effective and how their contribution would contribute to project viability. This concern for successful implementation was nurtured by an institution-building framework that plotted out the stages of group development and detailed the roles and tasks of the various groups, PBSP, other NGOs, the project's corporate partners, and the government.

Promote the concept of community as an estate that is well-planned, self-sufficient, and self-reliant with rules and regulations, as well as the basic amenities and facilities necessary for coping with disasters.

Maximize volunteerism from the private sector. The STEP-UP project's corporate partners not only provided funding, but also volunteered their time and talents, functioning as extra pairs of hands, mentors, and technical advisors. This created a spirit of camaraderie and educated both the givers and the receivers in the uniqueness and limitations of one another.

Align corporate contributions with core business activities or CSR preferences. Doing so makes the participation of corporate partners more meaningful, thus strengthening their motivation. The contributions of Holcim, Meralco, Monark, Phelps Dodge, and Philippine Long Distance Telephone Company are examples of aligning corporate contributions with core business activities, and those of Citibank are examples of alignment with CSR interests.

Promote community participation in identifying and implementing projects. This results in a feeling of accomplishment, self-confidence, and ultimately, project ownership. An oft-repeated development dictum is that projects succeed only to the extent that the end users own them. In the STEP-UP project beneficiary communities, livelihood projects thrived and infrastructure projects were completed because, owning them, homeowners exerted every effort to make them succeed.

Institutionalize good practices. This includes rules, regulations, and systems institutionalized by means of homeowner association by-laws, estate management policies, and LGU ordinances. Capability-building workshops, meetings, joint planning sessions, and creation of structures such as the Socialized Housing Program Committee are activities essential to ensuring such institutionalization.

Provide economic opportunities that increase the incomes of homeowners. This enables homeowners to repay their loans, and makes sustained access to health and other social services possible. In the STEP-UP beneficiary communities, income-generating activities included

not only business enterprise, but also skills training for either employment or contracting such as carpentry, dressmaking, food processing, and masonry.

Formulate cost recovery schemes from housing and enterprise projects to ensure long-term sustainability of lending pools, and establishment of a revolving fund.

Availability of funds ultimately affects project sustainability. Loans are given at market rates, proving that communities can both afford, and are willing to pay for quality services. This develops a sense of borrower responsibility by creating a sense that borrowers must repay their loans so that others can likewise benefit from lending programs. Moreover, it promotes self-worth and dignity on the part of beneficiaries, in that they know that their houses or enterprises were earned, rather than doled out to them.

Identify, develop, and support project champions both in corporate partners and government. The STEP-UP project demonstrated that financial contributions, government assistance, and volunteerism all respond to advocacy and the enthusiasm of individuals personally invested in the project. Further, champions at the highest executive levels tend to be the most effective. PBSP's Corporate Citizenship Committee, its Luzon Regional Committee, and the business consensus groups provided avenues for providing support to the project.

Upscale project coverage by leveraging increases in funding. The impetus for creation of the STEP-UP project was PBSP's desire to effect change in Metro Manila that it could not have achieved with its own funding alone.

Help donors and financiers tailor their programs to community requirements. Using an NGO such as PBSP as the project's implementing agency avoided the limitations of traditional funding sources such as government housing agencies or commercial banks. In this regard, the STEP-UP project proved the precept that NGOs have the patience and passion to work with communities. Such passion and patience is vital to project success, since the latter requires understanding the needs and appreciating the uniqueness and capabilities of the urban poor.

Trust the community. Despite entrenched practices, beliefs, attitudes, world views, pessimism, apathy, and even initial suspicion on the part of the beneficiary communities, STEP-UP donors contributed because they saw that ultimately, STEP-UP beneficiaries had the desire and determination to create a better life for themselves. Given the means to do so, the beneficiaries took it upon themselves to create order, to build necessary infrastructure, to acquire skills, and to perform the tasks required for improving themselves and their communities.

Inclusive Urban Redevelopment: Toward Livable Cities

by Earl Kessler and Florian Steinberg

I. Introduction

This chapter sets out key concerns for the Asian Development Bank (ADB) in addressing urban poverty in the coming years. It is based on a recent review of needs, capacities, and mechanisms available to ADB for this purpose. Addressing urban poverty is part of ADB's mandate and central to its long-term goals, as is apparent from numerous documents describing its overall long-term strategy. First, ADB's overarching goal of poverty reduction unmistakably provides a mandate to address urban poverty in its developing member countries (DMCs). Second, ADB's long-term strategic framework (2001–2015) states that urbanization is a major challenge for ADB, and one that ADB is particularly suited to address. Finally, *Strategy 2020* makes reference to ADB's intent to foster livable cities. ADB's mandate and intent to address urban poverty in its DMCs are thus unquestionable.

That said, addressing urban poverty is a major challenge. In many DMCs, the failure of government to prepare for and address the needs of the urban poor has resulted in slums, a proliferation of informal settlements, and dilapidated inner city tenements. Slums are the self-help solution to the shelter requirements of the poor. Because they occupy areas vulnerable to the impacts of natural disasters and climate change, the poor are at an increasing risk of loss of life and property. While slums are being addressed in some DMCs, this is not taking place at the rate required to create livable cities. With some exceptions, the donor community has likewise neglected shelter development, and as a result, slums have proliferated. Integrated urban redevelopment must be put back on the agenda of multilateral development agencies if the challenge of urbanization is to be addressed

and livable cities are to be created. Key to this effort are slum upgrading, land development, and shelter assistance.

The Urban Operational Plan contained in *Strategy 2020* mandates ADB to support DMC government efforts in inclusive urban redevelopment (IUR). IUR requires an integrated approach to redevelopment including urban densification in existing areas, expansion at the urban fringe, or development of completely new cities. The cases presented in this chapter illustrate successful efforts in settlement upgrading and new shelter development, as well as required improvements.

Illustrative investment opportunities for IUR are likewise presented, demonstrating the range of investments ADB might support. The importance of tenure, provision of basic urban services for settlement improvement, and land for new shelter development are features of the cases presented, as well as critical elements in project design. Context is key in deciding which investment opportunities would be appropriate to ADB operations, and which development partners would best facilitate successful implementation. Both the private sector and beneficiary communities alike will have important roles to play in project design and implementation if livable cities are to be created. This will likewise require governments to address institutional issues that hamper integrated approaches to urban redevelopment, as well as the formation of appropriate community and private sector partnerships.

Toward Livable Cities

ADB's *Strategy 2020* states that "livable cities" will be fostered through support for (i) infrastructure, with programs that focus on water supply, sanitation,³⁹ waste management, and urban transport; and (ii) urban shelter programs of slum upgrading, land development, housing, and housing finance. This implies that the livable cities agenda must address the entire range of problems resulting from rapid urbanization, as well as the limited capacity of existing basic service delivery systems. To fulfill ADB's vision of livable cities, community-based poverty reduction activities, slum upgrading, and new, low-income shelter options such as incremental housing and land development must become viable lending opportunities for ADB.

This chapter argues that ADB has the mandate, experience, and institutional structure to successfully engage in inclusive urban redevelopment that reduces poverty through improvements in the existing

³⁹ ADB. 2010. *Asia Water Watch 2015*. Manila. This report states that investments in water and sanitation to address Millennium Development Goal 10 that cost \$8 billion could reap economic and health benefits valued at \$54 billion.

built environment, as well as investments in urban growth and livelihood opportunities. It also summarizes the key issues relating to IUR identified in previous case studies, as well as in the reviews undertaken in drafting the IUR component of ADB's Urban Operational Plan.

Section II discusses the explosive growth DMC urban areas have experienced and will continue to experience, the housing and service requirements of these areas, and the resources necessary for fulfilling those requirements. It also discusses current trends toward decentralization and capacity building, the role of local government, and the influence that domestic capital markets have on how cities develop. Section III addresses the impacts of climate change as well as disaster risk management, while Section IV discusses implementation issues of a number of ADB-supported and other initiatives across Asia. Section V discusses financing issues, including new financing and partnership options that tap domestic capital markets and the specialized capabilities of microfinance agencies. Section VI identifies complementary structural and nonstructural loan and grant initiatives that might comprise an integrated IUR portfolio. It also identifies operational changes that can help accomplish program goals, and discusses expected outputs, timeframes, and results. It outlines an urban initiative consistent with *Strategy 2020*.

II. The Urbanizing World: Current Trends and ADB's *Strategy 2020*

It is undeniable that the world's population is becoming progressively more urbanized, and that cities are only beginning to prepare for rapid urbanization. Already by 2007, the majority of the world's people lived in cities. The importance of this event is reflected in the burgeoning number of underemployed that fill the streets of DMC capitals, and the substandard and uncontrolled growth of the built environment. These phenomena are visual testament to the outdated policies, poor planning, and inadequate levels of investment by national and local governments and donors alike. The pace of this growth has outstripped the capacity of national and local governments to provide safe, viable communities for incoming families. This scenario results in slums and informal settlements that lack basic services, and put their inhabitants at risk of loss of life or property. Such settlements often occupy marginal lands such as flood plains or steep slopes, or areas fronting railroad tracks, riverbanks, or waterways. At the beginning of the 20th century, Asia's urban population accounted for only 19% of the total global urban population, whereas in 2005 this had grown to 48%. By 2006, rural-urban migrants had swelled capital cities and major commercial centers into megacities with populations of over 10 million, ten of these

being located in Asia. Further, by 2010, an estimated 23 megacities were home to 222 million people, 12 of these megacities being in Asia. Nor are small and medium-sized towns with populations of less than one million exempt from this growth. In the People's Republic of China (PRC) and India, small and medium-sized cities are growing faster than megacities.⁴⁰

The United Nations Population Fund estimates that one in three city dwellers—a total of a billion people—live in slums. UN-HABITAT's paper "Pro-Poor Land and Housing" suggests that if "preventative policies" that offer an appropriate option to the poor are not implemented, slum-dweller populations will grow to an estimated 1.4 billion by 2020.⁴¹ While these numbers are alarming, what is of more pragmatic concern is how these "preventative policies" might translate into systems of serviced land and incremental housing for the poor, as they have in ADB's Neighborhood Upgrading and Shelter Sector Project (NUSSP) in Indonesia that provided new sites in urban fringe areas. In general, only 1% of housing and urban aid reaches slums.⁴² Such a low level of support is unlikely to result in livable cities.

Evolving Urban Spatial Patterns

Urbanization is evolving new spatial patterns on an unprecedented scale. Cities are merging, the economic advantages they offer concentrating traditional urban areas into mega-regions, corridors, and clusters. These new configurations require basic urban services, appropriate shelter, and livelihood opportunities appropriate to their populations. Such requirements magnify the challenge of financing planned, sustainable growth.⁴³

Examples of mega-regions, which develop when contiguous urban areas grow together, include the Philippines' Metropolitan Manila (Metro Manila) and its surrounding urban beltway, a region of 30 million inhabitants, and the PRC's Hong Kong–Shenzhen–Guangzhou region with an estimated population of 120 million. Mega-regions are estimated to account for 66% of global activity and about 85% of technical and scientific innovation.⁴⁴ Urban corridors are linked by transport and infrastructure networks such as the

⁴⁰ ADB. June 2006. *Special Evaluation Study on Urban Sector Strategy and Operations*, Operations Evaluation Department. Manila. p. 6.

⁴¹ UN-HABITAT Shelter Branch. 2003. *Concept Paper on Pro-Poor Land and Housing*. Nairobi: UN-HABITAT and Institute for Housing and Urban Development Studies. p. 3. Unpublished; UN-HABITAT. 2008. *Access to Land and Housing for All: Focus Area 3 Policy and Strategy Paper*. Nairobi.

⁴² WaterAid. 2008. *Turning slums around: The case for water and sanitation*. Discussion paper. London. www.wateraid.org

⁴³ G. Antier. 2007. *Emerging Cities: Key to Understanding and Acting*. Villesendevenir.

⁴⁴ ADB. 2008. *Managing Asian Cities – Sustainable and Inclusive Urban Solutions*. Manila.



Informal urbanization at Kathmandu's urban fringe.
Source: F. Steinberg.

industrial corridor linking India's cities of Mumbai and Delhi. This corridor of more than 1,500 kilometers stretches from Jawaharlal Nehru Port, Mumbai, to Dadri and Tughlakabad, Delhi.

City regions are urbanized areas larger even than megacities, defined by UN-HABITAT as areas with populations of more than 20 million. These urban agglomerations extend beyond formal administrative boundaries and swallow smaller towns as they grow. Thailand's Bangkok Region is projected to expand another 200 kilometers from its current center by 2020, which will cause its population to grow far beyond its current level which already exceeds 17 million.⁴⁵

Urban sprawl, exemplified in Bangkok, Delhi, Manila, and Mumbai, is another result of urbanization. Urban sprawl results from lack of affordable shelter options, especially for the poor, who seek accommodation and security of tenure.⁴⁶ In peri-urban areas, informal unplanned settlements may compete with the rich and well-to-do who have fled congested city life for more serene surroundings. Denial of tenure to the urban poor is one of the most important factors driving development of illegal settlements at the

⁴⁵ UN-HABITAT. 2010. *State of the World's Cities: Bridging the Urban Divide 2010/11*. UK-USA: Earthscan. p. x.

⁴⁶ B. Curran. 2010. The Cruel Utility of Slums. *Development Asia*. January–March 2010. pp. 16–19.



Informal urbanization at the urban fringe in Manila
Source: F. Steinberg.

urban periphery.⁴⁷ Lack of policies and programs at the national and local government level for addressing future urban growth will only cause current urbanization trends to continue.

Climate change, as well as the future impacts of remaining on the current urban growth trajectory, require that policy toward urbanization be reconsidered. Ideally, future cities will reflect more climate-friendly development patterns. This implies higher population densities, less dependence on fossil-fuel-driven transport, and more efficient energy and water supply systems. Such a scenario of in situ improvements contrasts sharply with slum upgrading programs that propose relocating low-income families to the urban periphery. These programs feed further urban sprawl, and often result in second-choice solutions for the urban poor.

In the cases presented below of Dharavi, Mumbai, and Bangkok, the decision to provide single family and multifamily walk-up apartments provides options for low-income families to remain in town, near to employment opportunities. They also result in medium-rise urban densities that reduce the carbon footprint of cities. In addition to creating an alternative to urban sprawl, such solutions minimize the global impacts of climate change.

⁴⁷ Ibid.

New Shelter Options

New shelter options remain the orphan of the urban development agenda.⁴⁸ After having been at the center of the urban focus of many multilateral development banks during the 1970s and 1980s,⁴⁹ incremental housing and serviced land development as pro-poor new shelter options⁵⁰ were abandoned, thus leaving the poor to solve their shelter problem by themselves. The Special Evaluation Study on Urban Sector Strategy and Operations produced by ADB's Operations Evaluation Department rightly points out that "the international development discourse had moved on to different topics, such as poverty reduction, governance, and later, the Millennium Development Goals (MDGs)." However, the international development discourse moved on without solving the housing problem. There was a decided shift away from projects and a move toward policy. This resulted from an assumption that if policies were appropriate, then change would occur and cities would prosper, the poor would have new opportunities for a dignified quality of life, be gainfully employed, and would not live in vulnerable settlements.

However, this did not occur. For donors, implementation of shelter projects required too much time and dealt with difficult issues such as land tenure and the cultural preferences of the families to be housed. Both sites and services and reception area loans ceased to be a donor priority. National governments did not replicate successful pro-poor shelter demonstration projects. Once rural poverty began to be consolidated in cities, the growth of cities, especially for the poor, resulted in an unhealthy, vulnerable built environment.⁵¹ Many governments (and donors) have turned away from assistance to the shelter sector, since the MDG approach to development put greater emphasis on water supply and sanitation. Similarly, many governments and donors felt that dealing with urban poor shelter options was too difficult, particularly since it included the provision of secure tenure for the poor, often in central locations with volatile land markets, as well as negative impacts on limited land resources.

⁴⁸ C. Hague. 2010. *The State of the Cities: Why, and how, the Commonwealth must address the challenge of sustainable urbanization*. London: Commonwealth Secretariat; Duncan, J. *A Right to a Decent Home: Mapping Poverty Housing in the Asia-Pacific Region*. Thailand: Habitat for Humanity.

⁴⁹ R. Buckley and J. Kalarickal. 2006. *Thirty Years of Shelter Lending: What Have We Learned?* Washington, DC: World Bank.

⁵⁰ H. Caminos, J. F. C. Turner, and J. A. Steffian. 1969. *Urban Dwelling Environments: An elementary survey of settlements for the study of design determinants*. MIT Press; H. Caminos and R. Goethert. 1983. *Urbanization Primer*. MIT Press.

⁵¹ ADB. 2006. *Special Evaluation Study on Urban Sector Strategy and Operations*. Manila, p. 14.

With a staggering number of migrants arriving in cities, their presence for the most part was felt informally on the streets and in slums. In most cities, if a city information base existed at all, it did not register the existence of slums or slum populations. The poor were thus not represented on city maps or in town planning exercises. Registering slums and informal settlements, it was thought, would legalize their existence and likely generate a claim to land and services. This lack of information allowed national and city planners to ignore a significant percentage of their urban populations, thereby freeing governments to address the housing issues facing the middle class, if they addressed housing issues at all. Possessing an updated information base is now critical, as decentralization downloads the responsibility for addressing urbanization issues onto local governments. The first issue of the community of Dharavi, Mumbai, one of the largest slums in Asia, was the need for baseline data to know the real size of the population, and to identify eligible families. A local nongovernment organization (NGO), The Concerned Citizens of Dharavi, considered a baseline survey essential to protect residents' claims and to provide data for planning.⁵²

Asia is the region with the greatest number of urban slum dwellers. In 2001 an estimated 60% of the world's total slum-dwelling population, or some 554 million persons, lived in Asian cities. So what is a slum? UN-HABITAT's indicators of slums include: (i) precarious structures: lack of durable housing materials; (ii) overcrowded conditions: lack of sufficient living area; (iii) health hazards: lack of access to improved water supply systems and healthy indoor air quality; (iv) sanitation problems: lack of access to improved, safe waste disposal; and (v) ownership issues: lack of secure tenure.⁵³ New urban residents encountered—and continue to encounter—recently empowered local governments with limited authority that are just beginning to address the responsibilities that decentralization brings. The purpose of slums, precarious though they may be, justifies their existence for the shelter they provide, their proximity to employment opportunities, and their social contacts.

Millennium Development Goal 7

The development of Millennium Development Goal 7 (MDG 7) is curious. In the late 1990s MDG 7 was set to improve the living conditions of 100 million slum dwellers, or an estimated 11% of the total existing slum-dweller population. It begged the question of “what will happen with the remaining 900 million slum dwellers?” That the target was conservative is obvious,

⁵² Shack/Slum Dwellers International and Urban Poor Fund International. 2010. *Slum Upgrading: Making Cities Inclusive*. Paper presented at the World Urban Forum 5, Rio de Janeiro, Brazil, 22–26 March. p. 30.

⁵³ Footnote 45.

for recent assessments claim that MDG 7 has been achieved. In fact, “according to UN-HABITAT estimates, between the year 2000 and 2010, a total of 227 million people in the developing world will have moved out of slum conditions. In other words, governments have collectively exceeded the slum target for MDG 7 by at least 2.2 times and 10 years ahead of the agreed 2020 deadline.” Asia and the Pacific showed the most gains, with the People’s Republic of China (PRC) and India leading the way, together lifting no less than 125 million people out of slum conditions. After the PRC and India, the greatest improvement in slum conditions was recorded in Indonesia, Turkey, and Viet Nam.”⁵⁴ However, the absolute number of slum-dwellers has actually increased from an estimated 777 million to 827 million in 2010 due to rapid urbanization. This means that in Asia alone, there were 505 million slum dwellers in 2010. MDG 7 is now being reprogrammed to reflect the scale of action required to address growing slum populations. According to UN-HABITAT, a do-nothing approach will further increase slum populations to nearly 900 million worldwide by 2020.

MDG 7 highlights the needs of DMCs that require grant and concessional lending assistance for addressing their respective slum improvement issues. Preliminary ADB estimates suggest that the financing gap for achieving the MDGs in its 29 DMCs that require Asian Development Fund concessional lending could be as high as \$100 billion for the period 2009–2012.⁵⁵ Thus, long-term planning and program development is required to create and sustain a reliable stream of resources that could flow to the shelter sector. What is also important is how the resources are employed. Financial assistance for integrated slum improvement projects may be best employed as capitalization of community lending associations and infrastructure development funds. In India, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) advocates this idea as part of its strategy. Mission partners receive grants, concessional, and/or market rate-based loans. The loan payments and fees collected for services provided are used to create funds for financing future investments and improvements.

The conditions of the urban poor are not a function of an unwillingness to pay for services delivered, secure tenure, or shelter, but rather a lack of alternatives and the neglect of national and local governments and the international donor community. The relationship between improvement in livelihoods and an improved built environment is reciprocal and mutually reinforcing. One cannot exist without the other. The integrated approach to settlement upgrading being proposed here includes new shelter programs that expand the current supply of shelter options. Such an approach is

⁵⁴ UN-HABITAT. 2010. *State of the World’s Cities: Bridging the Urban Divide 2010/11*. UK–USA: Earthscan. p. x.

⁵⁵ ADB. 2008. *Strategy 2020: Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila. p. 28.

necessary for “cities without slums” to become reality. ADB’s *Strategy 2020* highlights its institutional interest in creating livable cities through inclusive urban redevelopment.

Decentralization

Decentralization is both an opportunity and a problem. It is a relatively recent movement that has endowed local governments around the world with the responsibility for managing the growth of their cities and the well-being of their populations. In 1992, India passed the 74th Constitutional Amendment which contained decentralization laws that recognized the legal status of local government. It provided local government with a greater degree of fiscal autonomy and expanded functions, though the degree of fiscal autonomy achieved varied across states. Similar movements have emerged in Indonesia, the Philippines, Thailand, Viet Nam, and other countries in Asia. In Indonesia, Laws 22 and 25/1999 gave local governments autonomy, and a mandate for urban development including provision of basic services, housing, and slum upgrading. However, the local government organizational structure responsible for provision of pro-poor shelter is not well developed. Upgrading has not been a priority, although local governments are beginning to better inform themselves of the results of sector assessments and policy studies that support institutionalizing their urban development, shelter, and slum upgrading responsibilities through housing development organizations.⁵⁶ The first step in drafting such policies is that of creating an updated city information base that can serve as a foundation for policy and practice.

The responsibilities of decentralization include the burden of making up for the previous failed policies and practices of national governments that should have provided adequate land, basic services, and shelter to their expanding populations. Decentralization offers the donor community an opportunity and a new set of partners for inclusive urban development. Understanding the institutional structure of cities is a necessary first step in determining the best way to assist them. In this regard, it is likely that the decentralized operations of donor entities hold the greatest potential for productive partnerships.

Domestic Capital Markets

The degree of development of the domestic capital market is itself an indicator of national development. The ability of national and local governments as

⁵⁶ ADB. 2003. *Proposed Loan: The Neighborhood Upgrading and Shelter Sector Project*. Manila.

well as the private sector to raise resources locally is growing. Bonds floated on domestic capital markets and loans are feasible sources of funding for sustainable urban growth that addresses problems relating to slums, informal settlements, and shelter programs. Similarly, the domestic bond market can serve as a source of funds for financing infrastructure works, for expanding service delivery to the poor, for hazard management projects, and for addressing climate change.

The capital market development agenda includes support to institutions that formulate sustainable, commercially viable projects, and that create credit rating agencies that establish transparent criteria for encouraging private sector investment at varying levels of risk. Credit rating agencies are thus important components of any capital market. Further, the credit ratings of local governments and private developers serve as agendas for improving their performance to raise their ratings to investment grade, should that be necessary. Despite the notion that the bond market “cherry picks” projects located in the largest, most viable urban areas, techniques do exist for aggregating smaller, less attractive projects into pooled proposals for financing guided land development and new shelter programs acceptable to the private sector as investment vehicles. However, as experience in the US and India suggests, the relatively high transaction costs associated with municipal bonds may be high and, thus, make them less attractive as a source of financing for many local governments.

III. Climate Change and Disaster Risk Management as Challenges to Inclusive Urban Redevelopment

Improving the existing built environment, especially slums and informal settlements, is an urban environmental management challenge that will be directly impacted by climate change insofar as it results in increased frequency and intensity of natural disasters. Climate change highlights the vulnerabilities of cities, especially those located along waterways or coastlines. For example, if current climate change trends continue, flooding in Bangkok, Ho Chi Minh City, and Manila is likely to occur more frequently by 2050, submerging large areas of each city for longer periods than at present.⁵⁷ Eight of the ten coastal cities at the greatest long-term risk of the negative impacts of climate change and rising sea levels are located in Asia.⁵⁸ Thus, inclusive urban redevelopment (IUR) and the future growth

⁵⁷ World Bank, Asian Development Bank, and Japan International Cooperation Agency, eds. 2010. *Climate Risk and Adaptation in Asian Coastal Cities – A Synthesis Report*. Washington DC: The World Bank.

⁵⁸ Footnote 55, p. 8.

of cities and towns must factor in the potential future impacts of climate change and natural disasters.

Climate Change

Climate change calls attention to the impact of global warming on cities, the existing housing stock, as well as future urban growth issues overall. Sustainable planning initiatives respond to it through mitigation, adaptation, and preparedness. The Intergovernmental Panel on Climate Change has successfully raised awareness of climate change and its impacts. It has experimented with partnerships for identifying the impacts of climate change and transmitting this information to world leaders. Both the former US Vice-President, Al Gore, through his documentary *An Inconvenient Truth* (2006)⁵⁹ as well as others, have made information concerning climate change available to the entire world's population. What is now needed is for the resulting awareness and sense of urgency to be translated into strategies that are then implemented as programs that address the issues identified. IUR projects can translate urban policy and strategy into actions, and define the resources required for their implementation. Nevertheless, to move beyond awareness and an understanding of what may occur requires that local leaders think programmatically.

Supporting new partnerships and institutional arrangements between cities and technical support institutions that understand climate change can be a focus of the continued interest ADB has expressed in knowledge management and inclusive urban redevelopment. The practical application of the projected impacts of climate change on cities focuses on providing information, retrofitting, and the formulation of future growth initiatives. Climate change impacts can also be addressed through regional cooperation and integration. Appropriate topics in this regard include early warning systems, information exchange, regional flood control schemes, and mitigation and adaptation investments.⁶⁰ Combining mitigation infrastructure and development of basic services is appropriate to IUR, since climate change impacts will likely fall disproportionately on the poor. Climate change adaptation is an opportunity for DMCs to confront industrial, housing, and land development issues efficiently by identifying and avoiding construction in areas vulnerable to climate change impacts and natural hazards.

⁵⁹ A. Gore. 2006. *An Inconvenient Truth*, directed by Davis Guggenheim. USA: Paramount Classics. Film.

⁶⁰ The World Bank. 2009. *Climate Resilient Cities: A Primer on Reducing Vulnerabilities to Disasters*. Washington, DC; Asian Disaster Preparedness Center. 2005. *A Primer: Disaster Risk Management in Asia*. Bangkok; Asian Disaster Preparedness Center. 2005. *A Primer: Integrated Flood Risk Management in Asia*. Bangkok; Asian Disaster Preparedness Center. *Safe Cities Series*. Bangkok.

The investment requirements for a high- and medium-rise, mixed use urban model can form the foundation of an IUR initiative. Such an urban development model departs significantly from current urbanization trends in that it represents a shift away from the low-density development associated with urban sprawl that is inefficient, costly, and inhibits expansion of basic service delivery.

Informed local government strategies for IUR can increase resilience to the impacts of climate change through mitigation and adaptation programs that provide safer, more resilient, climate-friendly urban environments. Awareness of the impacts of climate change offers opportunities for inviting community participation in the elaboration of urban policies, city growth, slum improvement strategies, and planning guidelines.

Lessons learned from previous low-income housing projects can help guide the design of new affordable shelter options for low-income families that address the impacts of climate change and reduce the carbon footprint of cities. Progressively developed, high-density, low-rise multifamily units provide but one example of such options. Asian cities are now entering a phase of densification that will perforce include development of medium- to high-rise buildings. Engineering and community participation must now work together to evolve innovative climate-sensitive shelter and urban services, policies, and practices. Ultimately, the impacts on cities of climate change and natural disasters will expand the definition of urban infrastructure to include mitigation and adaptation systems that address sea level and temperature rise, changes in precipitation patterns, and extreme weather events.⁶¹ Adaptation infrastructure will thus ultimately be included in urban redevelopment programming.

Disaster Risk Management

Understanding hazards requires a city information base that identifies vulnerable areas and informs future growth. Disasters are not a “sector,” and disaster risk management (DRM) does not require a disaster to justify itself. DRM can shift reactive relief efforts to preparedness initiatives that are integrated into settlement upgrading. Adaptation and mitigation will most likely be part of the ADB urban management vocabulary and program agenda in coming years. Urban management is now more comprehensive in that the issues of climate change and disaster risk management are thought to be part of sound, inclusive urban planning. DMCs must therefore adapt to climate change impacts through national and municipal planning,

⁶¹ Australian Government Department of Climate Change and Energy Efficiency. www.climatechange.gov.au/government/initiatives/climate-change-adaptation-program/lapp-ia.aspx

investment in defensive measures and climate-proofing projects, and offer insurance against the impacts of disasters.⁶² Since DRM is a vital part of the IUR process, the capital investment and capacity-building implications of DRM must therefore become part of the IUR agenda.

Technical support to livable cities is thus likely to focus on having, updating, and practicing plans that address natural disasters and climate change. Preparedness answers the following questions: (i) how prepared are city officials and citizens to respond to an extreme event?; (ii) do city officials and citizens know their roles and responsibilities?; (iii) are city officials and citizens familiar with directions and routines?; (iv) are there back-up and support groups that engage in identified mitigation and adaptation initiatives?; and (v) how will lessons learned be applied in future extreme events? To adequately answer these questions, the future growth of cities and adaptation initiatives must be based on working relationships between local government, communities, and universities and institutes to provide the technical and scientific guidance that underpins appropriate future planning.

Adaptation

Adaptation is a climate change strategy for settlement upgrading that makes cities more resilient and livable than at present. It is an urban management and governance tool that can protect improvements in living conditions and livelihood gains achieved over time. Local government, the private sector, and civil society can together make it work. Adaptation is an opportunity to engage development partners in addressing slums and shelter. It is proactive. Resilient, livable cities are those that understand the risks they face, are organized in a manner that manages these risks, and that establish practices for adapting to climate change. Local support systems enhance resilience through early warning systems that respond to episodic and cyclical extreme events, infrastructure development, and access to credit and finance. Resilience and livability are created and maintained by high-quality urban governance. Inclusive urban redevelopment and new shelter options are adaptation strategies.

IV. Inclusive Urban Redevelopment in Practice

A Short History: Learning from the Past

Learning from past experience is integral to thinking programmatically about the future. A short history of the evolution of projects concerning

⁶² Footnote 55, p. 19.



Can Tho: Informal housing along the Hau River
Source: E. Kessler.



Can Tho: Informal housing, Ninh Kieu ward
Source: E. Kessler.

housing, infrastructure, and economic growth is presented below, along with a brief description of the impact of this evolution on three dimensions of housing: type, focus, and scale. Figure 1 summarizes this information diagrammatically. An understanding of this information is essential for past mistakes to be avoided in the future provision of urban shelter.

Housing has been the responsibility of national governments since the 1960s. At that time, national government agencies executed plans and designs through top-down projects financed and implemented by ministries of housing and housing development banks. The standards implicit in these plans and designs were appropriate to the middle class and above. The housing units produced were thus prohibitively expensive for low-income families. National agencies executed these plans without partnering with local government agencies. As a result, housing projects targeting low-income families were simply abandoned, causing the housing delivery system to become inconsistent with sustainable urban growth. The only housing options open to the urban poor were thus slums, informal settlements, and inner city tenements, some of the latter occupying deteriorating but valuable historic urban areas.

National and international support for urban development prospered in the 1970s and 1980s. This led to financing and implementation of large-scale sites-and-services projects that fulfilled affordability criterion. To justify donor involvement, large project sites were required and were often located at considerable distance from employment opportunities available to the poor. But project implementation was difficult and required more time than the donor was willing to expend and site and service projects were abandoned. The slums and informal settlements that inevitably resulted simply reflected the poor's ability to pay. While serviced lots and incremental housing brought tenure to low-income families in cities around the world,

national governments rarely replicated the successful demonstration projects of this type that were financed by donors. Then, as the scale of the housing problem became apparent, the donor agenda began focusing on issues other than housing such as policy development and social concerns such as gender. This left the built environment to fend for itself.

Affordability remains key in the provision of sustainable shelter, slum upgrading, and basic service delivery. In this regard, several housing parameters can be manipulated to reduce cost to levels affordable by low-income families. These include the size of the dwelling itself, the building materials used, and offering an incrementally constructed house rather than a completed one. By manipulating these parameters appropriately, both the public and private sectors can market new shelter options to low-income urban residents.

As for donor support, the focus now is on slum upgrading rather than on new housing options and land delivery systems that would guide future growth towards secure and efficient communities. While donor support for slum upgrading is welcome, it constitutes a necessary, but not sufficient condition for building resilient cities. Relocating vulnerable communities and retrofitting vulnerable structures are important components of improving the existing built environment. It goes without saying that new shelter and serviced sites located on safe land are critical in addressing the impacts of climate change.

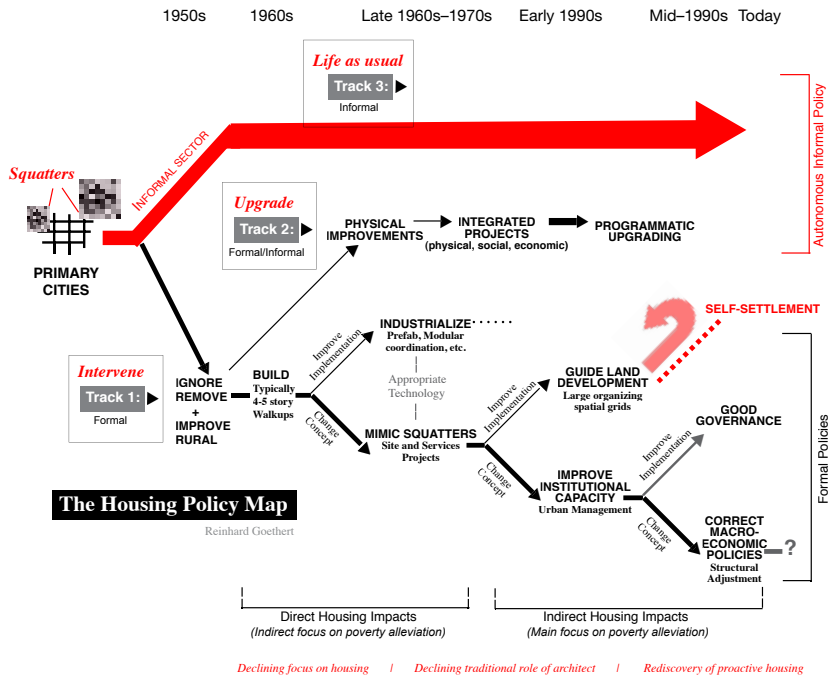
Building livable cities requires that national and local governments, multilateral development banks, private developers, nongovernment organizations (NGOs), communities, and families adopt development plans that incorporate the impacts of climate change, if cities are to become more resilient and livable. In the words of UN-HABITAT, "Upgrading of existing slums should be combined with clear and consistent policies for urban planning and management, as well as for low-income housing development. The latter should include supply of sufficient and affordable services and land for the gradual development of economically appropriate low-income housing by the poor themselves."⁶³

Affordable New Settlement Options

The shape of new settlement options appropriate to a particular city depends on the latter's resources, culture, and capacity in creating and implementing shelter programs. A wide range of alternatives is thus open

⁶³ UN-HABITAT. 2003. *The Challenge of Slums: Global Report on Human Settlements*. London-Washington: Earthscan.

Figure 1: The Housing Policy Map



GLD = guided land development, LOF = large organizing framework, PIN = primary infrastructure network.

Source: R. Goethert, Massachusetts Institute of Technology.

in pursuing options other than the informal development in marginal areas.⁶⁴ The national, low-income housing initiatives of the past that attempted to engage private developers and financial entities met with little success. However, following decentralization, it will likely be local governments that formulate affordable shelter solutions, which may pave the way for greater private sector participation in urban redevelopment initiatives.

Progressive development that builds on the capacity of the poor to incrementally expand housing units can be a viable approach to offering housing that is affordable by low-income families. Of the conclusions reached on “what worked” in Robert Buckley’s review of the World Bank’s shelter lending program, progressive development ranked high, and was the foundation upon which low-income family participation in sites and services, slum upgrading, and disaster reconstruction was built. However, excess

⁶⁴ UNDP. 1996. *Living in Asian Cities: The Impending Cities – Causes, Consequences and Alternatives for the Future*. Report of the Second Asia-Pacific Urban Forum. New York. 1–15 March.

demand from middle-income families waiting for housing units raises the opportunity cost of housing for the poor, in some cases making it difficult for them to retain the homes they have been allotted.⁶⁵

Inclusive Urban Redevelopment Projects and Programs

Six examples of integrated urban development schemes that incorporate slum upgrading are presented below. Each offers an innovative approach to providing shelter for the poor. These are as follows: (i) India's state-and-provincial-level Karnataka project; (ii) Bangkok's city-region sites-and-services program; (iii) Thailand's national community-based development program; (iv) India's national-level urban renewal mission; (v) Indonesia's Neighborhood Upgrading and Shelter Sector Project; and (vi) the Philippines' innovative Strategic Private Sector Partnerships for Urban Poverty Reduction project in Metro Manila that mobilized resources from the corporate sector in an amount almost equal to that provided by donors.

India: Karnataka Urban Infrastructure Development

The Karnataka Urban Infrastructure Development Project was a statewide project financed by ADB.⁶⁶ In 1993, the Government of India approached ADB for assistance in preparing a project that would support development in the areas surrounding Bangalore as viable alternatives to growth in the city proper. The project funded works (\$80.3 million), housing loans to low-income families (\$20.0 million), and strengthening of local urban bodies and related institutions to ensure sustainability of project investments. Other project components financed environmental sanitation, road improvement, bus and truck terminals, poverty reduction, education through slum improvement, and industrial development.

Thailand: Bangkok Sites-and-Services and Slum Improvement Project

This project is typical of World Bank-supported sites-and-services projects implemented during the 1980s. Implemented by Thailand's National Housing Authority, this integrated urban development project was the first of its type in Thailand. The project's goals were: (i) to provide new housing for 3,000 families; (ii) to improve sanitation, health, and access to public services for 3,500 families in existing slums; and (iii) to increase employment opportunities

⁶⁵ Footnote 49.

⁶⁶ Loan 1415-IND: Karnataka Urban Infrastructure Development Project. Other ADB-financed projects in India with slum improvement components include Loan 1704-IND: Karnataka Urban Development and Coastal Environmental Management Project. Inspired by these projects in Karnataka were others in West Bengal and Madhya Pradesh: Loan 1813/2293-IND: Kolkata Environmental Improvement Project; and Loan 2046/2456-IND: Urban Water Supply and Environmental Improvement in Madhya Pradesh.

in the project areas. The project included (i) housing sites and services at Tung Song Hong for 3,000 housing units, including land and infrastructure, core houses with sanitary facilities, loans for house completion through self-help, community facilities, commercial and small-scale industrial areas, and loans to small-scale businesses; (ii) improvement of five slums that benefited 2,300 dwelling units, including land acquisition, infrastructure improvement, community facilities, loans to small-scale businesses, and social support programs; as well as (iii) technical assistance to National Housing Authority.⁶⁷

The World Bank considered the project a success in that it provided affordable new housing to low-income families as an alternative to informal settlements, and improved the existing stock of slum housing.

Thailand: Community Organizations Development Institute's Community-Based Development

An office within the National Housing Bank, the mission of the Urban Community Development Office (UCDO) was to address urban poverty and to develop participatory means of supporting low-income groups through community-based savings and credit entities. UCDO initiated loan programs to organized communities for housing, land, and income-generation initiatives. Community management of these programs allowed loans to targeted groups to respond to each of the groups' respective priorities. UCDO was later integrated into the Community Organizations Development Institute (CODI), an independent public organization with its own legal standing. This allowed CODI to qualify for funding, and to pursue its own policy that included urban and rural collaboration. CODI's board comprised representatives of government and community organizations.

CODI was the implementing agency for the Secure Housing Program (Baan Mankong), which provided government funds as infrastructure subsidies and housing loans. These funds were provided directly to poor communities for community upgrading initiatives that were managed by the beneficiaries themselves. Partnerships between the communities and local governments, professional and academic entities, and NGOs were an important feature of the program. Baan Mankong policy targeted upgrading of existing settlements whenever possible as a means of building on the efforts and investments undertaken by each particular community. In the case of sites vulnerable to the impacts of natural disasters, relocation sites located as near as possible to the vulnerable sites were established to minimize relocation impacts. The goals of CODI's five-year plan were to improve housing, infrastructure, and security of tenure for 300,000 households in 2,000 poor communities in 200 cities. The key lesson of this initiative is that

⁶⁷ World Bank. www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&siteName



Kolkata, TP Basin: Slum area before rehabilitation
Source: Kolkata Municipal Corporation.



Kolkata, Purba Putiary: Rehousing of slum dwellers in new apartments
Source: Kolkata Municipal Corporation.



Kolkata: Allotment of flats
Source: Kolkata Municipal Corporation.



Kolkata: Handing over of letter of possession of flats
Source: Kolkata Municipal Corporation.

communities are best able to improve their own built environments when projects are formulated and managed by the beneficiaries themselves.⁶⁸

India: Jawaharlal Nehru National Urban Renewal Mission

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) is a framework for enabling urban development nationally that was initiated by the Government of India in 2001 together with a complementary program for integrated slum improvement. The purpose of these programs was to improve India's built environment. The JNNURM project description states that: "It has become imperative to draw up a coherent urbanization policy/strategy to implement projects in select cities to be reform driven, fast track

⁶⁸ S. Boonyabancha. 2005. Baan Mankong: Going to Scale with "Slum" and Squatter Upgrading in Thailand. *Environment and Urbanization*. Sage Publishing. See also "Affordable Loans for the Urban Poor" in UN-HABITAT, ESCAP, United Nations Environment Programme, and United Cities and Local Governments. 2011. *The State of the Asian Cities 2010/2011*. Bangkok.



Bangkok: A sites-and-services project area 20 years after occupation

Source: W. A. Marome.



Bangkok: Commercial development in a sites-and-services project area 20 years after occupation

Source: W. A. Marome.

planned development of identified cities with focus on efficiency in urban infrastructure/services delivery mechanism, community participation and accountability of urban local bodies (ULBs) toward citizens.”⁶⁹ The JNNURM incorporates many of the lessons learned cited in ADB’s evaluation of the Karnataka Urban Infrastructure Development Project discussed above.

The JNNURM has a time horizon of 20–25 years, with updates of plans specified at 5-year intervals. Each city included under the JNNURM develops a financing strategy that incorporates national, state, local, and external funding sources. Growth plans addressing each 5-year period the JNNURM covers are likewise formulated. These 5-year plans integrate land use planning with services, urban transport, and environmental management, and in turn form the foundation for specific city development plans, the latter being required for a city to access program funds. Participant cities then use detailed project reports to implement the city development plans, these detailed project reports incorporating a specific role for the private sector in developing, managing, and financing urban infrastructure.

Central to this urban renewal strategy is improvement in urban governance in a way that ensures that ULBs and parastatal agencies become financially sound. This latter goal supports ULB access to domestic capital markets as a financing source for programs that upgrade the existing

⁶⁹ Government of India. 2005. *Jawaharlal Nehru National Urban Renewal Mission: Towards Better Cities: Guidelines for Basic Services for the Urban Poor*. New Delhi; and Indian Human Settlements Programme. 2005. *Guidelines for Integrated Housing and Slum Development Program*. New Delhi: Human Settlements Management Institute/Housing and Urban Development Corporation.



Bangkok: Klong Toey

Source: Community Organizations Development Institute.

housing stock, add to it, or expand service delivery. However, ULB access to domestic capital markets requires that these bodies develop the capacity to prepare commercially viable projects with acceptable credit ratings. The JNNURM gives greater priority to projects that incorporate private sector participation than to those executed solely by ULBs or parastatals. These features of the JNNURM encourage public–private partnerships in funding as a means of both leveraging private capital and incorporating the inherent efficiency of the private sector into JNNURM projects and programs.

Further, the JNNURM supports creation of revolving funds from the collection of program fees and service charges. These revolving funds are in turn expected to in part support the Basic Services to the Urban Poor Fund. Pro-poor reforms, an explicit JNNURM output, call for providing basic services to the urban poor, earmarking part of ULB budgets for services to the urban poor, and allocating at least 20%–25% of developed land in all housing projects to low-income families.

In designated cities, JNNURM-sponsored integrated slum improvement is implemented through the Basic Services to the Urban Poor program, the latter providing housing, water supply and sanitation services, as well as security of tenure at affordable prices. Further, where possible the JNNURM provides housing at locations near to beneficiary employment opportunities. Cities included under the JNNURM include: (i) those with populations exceeding four million as per the 2001 census; (ii) those with populations



Bangkok: Klong Toey slum
Source: Community Organizations Development Institute (CODI).



Bangkok: Klong Toey
Source: CODI.



Before

After

Bangkok: Land readjustment and land sharing through re-blocking in Klong Toey
Source: CODI.



Bangkok: Klong Toey before upgrading
Source: Community Organizations Development Institute (CODI).



Bangkok: Klong Toey after upgrading
Source: CODI.



Bangkok: Slum before upgrading
Source: CODI.



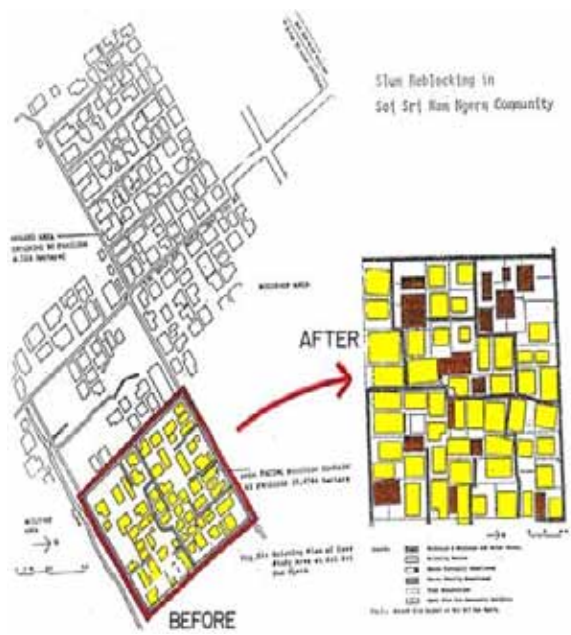
Bangkok: Slum after upgrading
Source: CODI.



Bangkok: Baan Manangkhasila before land sharing and upgrading
Source: CODI.



Bangkok: Baan Manangkhasila after land sharing and upgrading
Source: CODI.



Bangkok: Settlement upgrading through re-blocking, land readjustment, and densification
Source: Community Organizations Development Institute (CODI).



Bangkok: Land sharing through re-blocking, land readjustment, and densification in Baan Manangkhasila
Source: CODI.

of 1–4 million; and (iii) selected cities of religious or historic importance, or those with tourism potential.

Indonesia: Neighborhood Upgrading and Shelter Sector Project

ADB's Neighborhood Upgrading and Shelter Sector Project (NUSSP) incorporates the experience gained under the Kampung Improvement Program. The NUSSP includes formulation of a comprehensive strategy for addressing both the current and future shelter needs of the poor, and for strengthening of the systems required for operationalizing this strategy. Project components include the following: (i) improving site planning and management systems for establishing new sites for the urban poor, as well as upgrading existing ones; (ii) access to shelter finance for the poor through both a central financial institution and local financial institutions; (iii) upgrading of low-income neighborhoods and new site development; and (iv) strengthening of institutions necessary for program delivery. Implementation of the project's settlement-upgrading component was successful, whereas that for new shelter development projects proved more difficult, as land acquisition by the public sector in Indonesia is constrained by numerous factors.

The NUSSP supported the Government of Indonesia's urban poverty reduction strategy by creating sustainable mechanisms for (i) providing resources to local governments in partnership with communities for site development and land tenure for informal settlers; (ii) expanding access by informal settlers to microcredit for shelter finance; and (iii) facilitating community-driven planning by strengthening the capacity of participating communities and local governments. The project helped establish a supportive policy, institutional, and regulatory environment for meeting the housing requirements of residents of informal settlement areas.

More than 1.8 million poor people in 900 urban slums in 32 cities benefited from infrastructure upgrading under the NUSSP, the latter successfully incorporating community participation in the design and implementation of infrastructure improvements. The project improved waste management and sanitation facilities, provided safe drinking water, through household connections to the water distribution system and upgraded roads and pathways, the latter absorbing a significant share of the project's civil works budget. Similarly, the NUSSP included assistance for new site development that provided new housing to low-income families from urban slum areas. However, due to issues relating to (i) issuance of formal land titles, and (ii) financing arrangements between developers, local banks, and potential home owners, implementation required more time than originally anticipated. Nevertheless, those who moved into the new houses provided under the project were enthusiastic about the project.⁷⁰

⁷⁰ ADB. 2003. *The Neighborhood Upgrading and Shelter Sector Project in Indonesia*. Manila.



Vishakapatnam, Andhra Pradesh: Housing for former slum dwellers
Source: Ministry of Housing and Urban Poverty Alleviation.



Indore, Madhya Pradesh: Social housing
Source: Ministry of Housing and Urban Poverty Alleviation.



Mumbai, Maharashtra: Social housing
Source: Ministry of Housing and Urban Poverty Alleviation.



Thirukalundram, Tamil Nadu: Home Improvement Project
Source: Ministry of Housing and Urban Poverty Alleviation.

Philippines: Strategic Private Sector Partnerships for Urban Poverty Reduction (STEP-UP) Project in Metro Manila

The STEP-UP project was a public-private partnership for reducing urban poverty in Metro Manila. The Philippine Business for Social Progress (PBSP), an association of 200 businesses and corporate enterprises, was the implementing agency for the project, which worked together with 34 homeowners' associations (HOAs) to reduce urban poverty in 23

of Metro Manila's poor urban communities over the period 2003–2006. The Japan Fund for Poverty Reduction provided a grant of \$3.6 million to support the project, these funds being administered by ADB. For its part, PBSP raised a further \$3.33 million from corporate sponsors in both cash and in-kind contributions. The project ultimately financed basic infrastructure in the beneficiary communities, provided home improvement loans to 1,350 households, livelihood loans to 852 borrowers, and trained 741 persons in employable skills.

The project's approach was to work with existing communities that initially occupied land without the formal right to do so. Using funds from loans provided under the Community Mortgage Program, the informal settlers then purchased the plots they had earlier occupied. In addition to financing community infrastructure, the project focused on building the administrative capacity of the HOAs. HOA officers were taught how to establish priorities, operate home improvement and livelihood loan funds, and implement subprojects themselves. The HOA-administered home improvement loan funds allowed households to borrow funds for purposes of home improvement for a maximum of 7 years. Providing access to credit to informal settlers unable to borrow from the formal banking sector was an important element of the project, since one of its goals was to demonstrate creditworthiness on the part of the poor. A recent external evaluation of the STEP-UP project found that the communities exceeded their target for the home improvement loan program with a loan portfolio of P83.3 million (\$1,735,417) of uncollateralized loans, achieving a 95% repayment rate as of January 2007.



Jakarta, Gandaria Utara, Kebayoran Baru after *kampung* improvement
Source: L. Marulanda.



Jakarta, Gandaria Utara, Kebayoran Baru after *kampung* improvement
Source: L. Marulanda.



Jakarta, Gandaria Utara, Kebayoran Baru: *Kampung* improvement included construction of drainage works
Source: L. Marulanda.



Jakarta, Gandaria Utara, Kebayoran Baru: Foot paths constructed as part of *kampung* improvement
Source: L. Marulanda.



Jakarta: *Kampungs* were once the predominant residential form.
Source: F. Steinberg.



Jakarta: *Kampung* improvement included water connections to individual houses.
Source: F. Steinberg.



Jakarta: Despite *kampung* improvement, many households continue to purchase water from vendors.
Source: F. Steinberg.



Jakarta: Footpaths and infrastructure helped upgrade living conditions in many *kampungs*, while individual homeowners improved their homes using household resources.
Source: F. Steinberg.

Lessons Learned

General Lessons

Lesson 1: The approach of slum improvement initiatives should integrate access to land, shelter, infrastructure services, and livelihood opportunities instead of focusing solely on construction of physical infrastructure.

Both Indonesia's Kampung Improvement Program and ADB's recent Neighborhood Upgrading and Shelter Sector Project illustrate such an integrated approach to slum improvement. Similarly, ADB's Karnataka Urban Infrastructure Development Project provides examples of the issues, potential, and accomplishments of inclusive integrated urban redevelopment projects. The experience of all three projects suggests that an important part of project design in formulating slum improvement initiatives is that of validating assumptions and realistically assessing the amount of time required for resolving issues such as land titling and reaching a community consensus on project aspects relevant to the beneficiaries themselves such as housing design. Finally, the comments regarding both the Kampung Improvement Program and NUSSP are applicable to most other DMCs.



Marikina, Manila: Construction of alleys and footpaths financed under the STEP-UP project
Source: F. Steinberg.



Marikina, Manila: Construction of alleys and drainage
Source: F. Steinberg.



Marikina, Manila: The STEP-UP project provided water supply to individual households.
Source: F. Steinberg.



Marikina, Manila: Infrastructure precedes settlement consolidation.
Source: F. Steinberg.

Lesson 2: Decentralization has changed the locus of decision making from the national to the local level of governance. It is now the job of local governments to create the enabling for creating a context to build partnerships for building, operating, maintaining, and expanding sustainable, resilient cities.

Lesson 3: The pace and scale of urbanization needs to be documented in a city information base. An inclusive city information base is an organic document that is kept current by dedicated personnel as part of the local government or in partnership with a technical support entity to provide critical data to resilient urban programs. Such an information base should identify areas vulnerable to natural and man-made disasters, as well as areas that are both safe and available for development. From such benchmark data, infrastructure requirements can be determined, and regulations formulated for guiding construction and influencing the design of settlements. Data relating to disaster-prone areas can likewise be used to determine cases in which such vulnerabilities can be efficiently addressed.

Lesson 4: Economic growth is generating new urban spatial patterns that include urban agglomerations such as mega-regions, corridors, and clusters. These new urban spatial patterns will require future urban development strategies of a different order. Economic development, the form and regulations of urban development, and local governance will need to evolve new partnerships if resilient and sustainable cities are to result.

Lesson 5: NGOs are often effective intermediaries in strengthening the relationship between project proponents and beneficiary communities in slum improvement projects. ADB-financed slum upgrading and home improvement projects in India, Indonesia, and the Philippines all demonstrate that engaging NGOs in project implementation can help overcome implementation difficulties. The STEP-UP project effectively used an NGO both as an implementing agency and as a means of obtaining cash and in-kind contributions from the corporate sector. Similarly, *kampung* improvement initiatives carried out under the NUSSP used community-based organizations (CBOs) to assist local government bodies. In the complicated context of post-earthquake-tsunami reconstruction in Aceh and Nias, Indonesia, ADB worked successfully with UN-HABITAT and various NGOS as implementing agencies.⁷¹ Such examples suggest that ADB can effectively use NGOs as project implementation partners in inclusive urban redevelopment (IUR) initiatives, including those with complex implementation problems and those requiring lengthy implementation periods. ADB's experience in both assisting and supervising complex projects is significant, and its capacity in outsourcing and delegating project implementation is proven.

In 2009 the World Bank issued its new urban strategy, which announced the “decade of the city.”⁷² This strategy, which views cities as centers of

⁷¹ E. Paaso and S. Liadi. *Implementing On-Budget and Off-Budget Subprojects*; F. Steinberg and P. Smidt. 2010. *Rebuilding Lives and Homes in Aceh and Nias, Indonesia*. ADB. Urban Development Series. Manila. pp. 48–72.

⁷² World Bank. 2009. *Systems of Cities: Harnessing urbanization for growth and poverty alleviation*. Washington, DC.

growth and human development, operates at the national, provincial, and local level of government in pursuing equitable, sustainable, and environmentally friendly urban development. Two principles formed the strategy's foundation: (i) "density, agglomeration and proximity are fundamental to human advancement, economic productivity, and social equity..., and (ii) cities need to be well managed and sustainable." The strategy operates in five dimensions of urban development: (a) city management, governance, and finance; (b) urban poverty reduction; (c) cities and economic growth; (d) city planning, land, and housing; and (e) urban environment and climate change. Similarly, the strategy recognizes the importance of offering an alternative to informal settlements as a shelter strategy for future urban development. It likewise recommends a well-planned approach to sites and services that considers location based on effective demand and proximity to potential employment opportunities.

Donors that claim to promote inclusive urban development and support development of resilient, sustainable cities will likely have to reassess any past reluctance they may have had in supporting new shelter options for the poor as part of a comprehensive housing and slum improvement strategy. Cities that do not proactively address their massive urban slum problems put at risk communities located in vulnerable areas and risk failing to achieve future environmental and health targets, and worse yet, jeopardizing their future economic performance. Ultimately, an approach of "doing nothing" is counterproductive not only in achieving the Millennium Development Goals (MDGs), but also in making cities both economically competitive and socially inclusive.

Land and Inclusive Urban Redevelopment: Lessons from Projects

Tenure is the land issue of the poor. Without tenure, poverty reduction misses its potential to improve slum settlements and tenements.⁷³ The location of slums and squatter settlements on marginal land creates vulnerabilities not only to natural hazards, but also to the political context in which families live. Donors and formal service providers shy away from investing in them, small providers install distribution networks at risk, and women and children spend considerable time fetching water. The Tondo Foreshore Redevelopment program in Manila and the Dharavi Redevelopment Program in Mumbai provide examples of the land issues slum improvement must address.

Land is an asset for which there are competing demands. Further, political issues relating to it are critical and often complex, especially when

⁷³ International Finance Corporation. 2010. International Accountability Project. *Key Issues for Upholding Housing, Land and Property Rights in the International Finance Corporation's Review of the Environmental and Social Policy and Standards*. Washington, DC. January.

formulating urban development policy. The cases presented in this chapter highlight the need for land issues to be a focus of project formulation. That they have been a principal cause of project delays is evidenced by the examples presented below. Lack of tenure frustrates investment in improving and expanding one's home and protecting one's land. Without attention to tenure, unhealthy and underserved settlements will be improved only slowly, if at all, as political favors. The availability, ownership, and condition of land are important variables in a city's information base. Land ownership, a sometimes opaque topic, needs transparency. UN-HABITAT estimates indicate that less than one-third of the land in developing countries is accounted for in official land records and registries, and questions regarding ownership are often addressed through customary, communal, or religious law.⁷⁴ Poorly functioning land management systems can frustrate settlement upgrading and development of inclusive cities.⁷⁵ Measures that put more land legally into the hands of users stimulate investments by owners and trigger private sector-led urban redevelopment.

Land Management and Markets

IUR programs can support formulation and implementation of local government land policies that keep the amount of land suitable for habitation available in line with demand, and at acceptable prices.⁷⁶ Land management and development policy guidelines for efficient slum upgrading and new shelter development are as follows:

- (i) Bring undeveloped land on to the market through enforcement of environmental regulations and incentives.
- (ii) Modify existing building codes and regulations that control use to accommodate mixed use and higher-density development.
- (iii) Offer incentives to higher-density development as one component of a greening strategy that provides an alternative to urban sprawl.
- (iv) Monitor land prices and offer land to constrained markets as needed to maintain prices at levels affordable by low-income households.

⁷⁴ UN-HABITAT. 2006. *State of the World's Cities 2006/07*. London-Washington: Earthscan. p. 95; F. Steinberg. 2008. *Revitalization of Historic Inner-City Areas in Asia*; Cities Alliance. 2008. *Slum Upgrading Up Close: Experiences of Six Cities*. Washington, DC; Cities Alliance. 2007. *Livable Cities: The Benefits of Urban Environmental Planning*. Washington, DC.

⁷⁵ M. Kitay. 1985. *Land Acquisition in Developing Countries: Policies and Procedures of the Public Sector*. Cambridge, Mass.: Lincoln Institute of Land Policy.

⁷⁶ Cities Alliance. 2009. *Land, Services and Citizenship for the Urban Poor*. October.

- (v) Formulate and apply tax measures that capture value-added infrastructure development created by public investment.
- (vi) Embody a transparent set of land use regulations that designate development areas and natural reserves within the city and its surroundings as a means of protecting the environment.
- (vii) Guarantee access to land to all, modify inheritance laws to eliminate discrimination against women.
- (viii) Align the development rights of private owners with existing codes and regulations.⁷⁷

Resettlement is a valid strategy only if the sites chosen are safe, or if the resources required for site protection are provided as part of the resettlement plan. This issue arose in the Iloilo, Philippines resettlement program, as nearly all of Iloilo is a flood-prone area. Regarding “no-build zones,” government decrees establishing them—even if well intended—are sometimes unproductive and always difficult to enforce. Examples include the no-build zones established in India, Sri Lanka, and Thailand following the tsunami of 25 December 2004. One advantage of inclusive upgrading and adaptation initiatives over disaster reconstruction is that pro-poor programs can be implemented at any time, rather than just in the wake of a disaster.

Land acquisition and resettlement have been used on a large scale in some urban renewal and redevelopment initiatives. The Hongkong and Singapore urban renewal authorities provide examples of best urban renewal practice in that they actively involve these bodies as redevelopers of derelict areas. Both bodies incorporate safeguards that ensure compensation at market value as well as resettlement assistance where required.⁷⁸ Few developing countries have implemented similar land acquisition and resettlement policies and safeguards.

Lessons from Other Specific Experiences

Philippines: Tondo Urban Development Project

Resettlement under the Tondo Urban Development Project was successful, as was the on-site upgrading process. Tondo residents affected by major infrastructure development were resettled to Dagat-Dagatan, a 40-hectare

⁷⁷ UN-HABITAT. 1996. *An Urbanizing World: Global Report on Human Settlements*. Oxford: Oxford University Press.

⁷⁸ The land acquisition and resettlement guidelines of both Singapore and Hong Kong, China are largely similar to ADB's resettlement policy. See ADB. 2009. *Safeguard Policy Statement*. Manila.



Katchi Abadi, Karachi at an initial stage. This land was unfit for human habitation due to proximity of power lines.
Source: R. Brockman.



Katchi Abadi, Karachi: Neighborhood awaiting further infrastructure improvements
Source: R. Brockman.



Katchi Abadi, Karachi: Neighborhood undergoing consolidation/improvements
Source: R. Brockman.



Katchi Abadi, Karachi: A neighborhood bustling with economic activity
Source: R. Brockman.

site located 3 kilometers distant from Tondo that was designed to accommodate 20,000 persons on 2,000 residential lots. The Dagat-Dagatan resettlement area provided serviced plots, basic sanitary core units that beneficiaries could develop over time, and an opportunity to lease with option to purchase the shelter provided. Most beneficiary families state that given once again the choice to stay in Tondo or relocate, most would opt for relocation to Dagat-Dagatan.⁷⁹

Prior to project implementation, Tondo was the largest and most politically volatile slum in Manila, and one of the largest in Asia with more than 180,000 inhabitants. After having implemented several small-scale projects

⁷⁹ L. Marulanda. 2009. *Case Study Report: Tondo Foreshore – Dagat-Dagatan Development Project, Metro Manila – Philippines*. Washington, DC: Inter-American Development Bank.

in which Tondo residents were resettled, the city opted for an upgrading program instead. In the end, this proved to be a less disruptive and lower-cost solution to improving the living conditions of Tondo residents. Further, the project provided secure tenure and legal title to beneficiaries who otherwise would not have been able to afford a secure home site. The Tondo project became internationally known, and motivated many governments to implement upgrading projects that combined sites and services with on-site improvement.

Upgrading Tondo was effective as a result of the integrated approach taken, despite the amount of time required to achieve project objectives. Rationalizing the 137-hectare Tondo site plan required a participatory process lasting more than 7 years to reach a consensus regarding layout of blocks, realignment of streets, and relocation of structures. Ultimately, Tondo residents agreed on a re-blocking approach for the foreshore area. The site plan was then rationalized to improve circulation and lot layouts, and to allow for efficient and economic provision of basic urban services, in part because the affordability parameters of beneficiaries required adjustment of standards in the provision of services. Mortgages and loans for small business development were likewise provided to secure the land tenure of beneficiaries and to address the project's livelihood requirements.

The points of departure for rationalizing the layout of the Tondo site plan were the existing pattern and the size of structures. Of the three alternatives developed, the beneficiaries together decided on a plan that required rearranging most of the community. Of the total 137 hectares comprising the site, re-blocking of residential lots accounted for 89.5 hectares, commercial development for 23 hectares, institutional use for 15 hectares, and road improvement, parks, and playgrounds for nearly 20 hectares.⁸⁰ Unfortunately, the project's livelihood components were largely unsustainable, and appear to have not produced any major long-term beneficial impacts.

India: Slum Networking, Ahmedabad

Slum upgrading programs have been pursued both by India's national government through program support at the national level, and by local governments using local revenues. In both cases, the level of success achieved has varied.

The Ahmedabad Slum Networking Project (SNP) provides an example of inclusive urban redevelopment through infrastructure network extensions to un(der)-serviced slum areas. Using a sustainable approach built on

⁸⁰ Footnote 79.

community empowerment, partnerships with local governments, the private sector, and NGOs, this citywide project scaled up successful pilot experiences in Gujarat State.

Ahmedabad initiated a comprehensive slum improvement program that demonstrated the utility of partnerships and urban resource centers. The urban resource centers facilitated community learning and management of infrastructure, shelter, and livelihood improvement activities. The SNP considered slums as integral parts of the urban fabric and the city's infrastructure network. The city partnered with a local NGO, SAATH, that had been active in Ahmedabad. The SNP approach integrates slum pockets with better-off commercial and residential areas through the provision of quality infrastructure. This promotes community ownership, informed decisions, payment for services provided, empowerment of slum residents, partnerships, and institutionalization of interventions.

While the SNP realized physical, institutional, and social benefits overall, for most families and other stakeholders interviewed, the intervention that improved their lives the most was provision of individual water and sewerage connections. At the core of the SNP approach was the precondition that communities organize themselves and establish a formal community-based organization (CBO) capable of functioning as the city administration's



Tondo's physical consolidation is still ongoing.
Source: L. Marulanda.



Tondo's physical consolidation at times appears completed.
Source: L. Marulanda.



Tondo's consolidation is unprecedented.
Source: L. Marulanda.



Tondo's consolidation bears middle-class features.
Source: L. Marulanda.

official partner. NGOs played a central role as facilitators and as providers of technical and organizational assistance through the URCs.

What set Ahmedabad apart from other pilot projects in Gujarat State was that engaging the private sector was one of its major goals. The project was ultimately implemented by a partnership set up for this purpose comprising the Ahmedabad Municipal Corporation, the slum communities, and the Arvind Mills Group of Industries. Both security of land tenure and connecting neighborhoods to infrastructure networks were likewise major SNP objectives.⁸¹

India: Dharavi Redevelopment Plan in Mumbai

The Dharavi Redevelopment Plan illustrates numerous dimensions of slum upgrading and guided land development. In particular, it demonstrates how urban redevelopment programs can decongest existing slums, offer security of tenure, and provide low-cost serviced land and housing to informal settlers in a way that integrates them into a city's formal structure, thereby expanding the municipal tax base.

Often said to be Asia's largest slum, Dharavi began as a fishing village, but then grew to its present population of more than 500,000 inhabitants. The settlement occupies 223 hectares located near Mumbai's new finance district in the Bandra-Kurla area. As a result of its now-prime location, Dharavi has been pressured into redevelopment that provides housing for both Dharavi's present population and newcomers in mixed use, high-density apartments.

Upgrading began in 1985 when then-Prime Minister Rajiv Gandhi granted Mumbai Rs100 crores (\$80.4 million), a third of which was

⁸¹ L. Marulanda. 2009. *Case Study Report: Slum Networking Project, Ahmedabad, India*. Washington, DC: Inter-American Development Bank.

earmarked for Dharavi's redevelopment. The government initiated Dharavi's redevelopment by widening two roads to improve access to other parts of the city. Community toilets were then added to improve sanitation, and new four-story walk-up housing was developed on one of the widened roads. While all of these initiatives were welcome developments, their scale was insufficient to improve the lot of Dharavi's growing population as evidenced by the following quote: "Despite the acknowledged contribution of Dharavi's citizens to the city's economy, investment in infrastructure for the area remains virtually non-existent."⁸² Follow-on improvements in Dharavi's built environment resulted in at least 80 seven-story structures being constructed over the past decade under the Slum Redevelopment Scheme.⁸³

In 1997, the Government of Maharashtra began using a Transfer of Development Rights (TDR) approach to upgrading the area. Under the TDR approach, the government offers land at zero cost to private developers, who in turn are then obliged to provide in-kind compensation in the form of low-cost housing units. This exchange effectively obliges developers to rehouse Dharavi's existing slum population on-site rather than through resettlement elsewhere.

Progress under the Dharavi Redevelopment Project has been significant since the project's inception in 1997. Nevertheless, the results achieved pale when compared to the project's ambitious goals of delivering 80,000 free houses to slum dwellers. Some sources report that under the TDR scheme, approximately 250,000 square meters of low-cost living space were constructed annually in 2000, 2001, and 2003, with an additional 600,000 square meters of housing being constructed in 2004. Depending on the exact location of the properties and the incentive ratio used, this could translate into 49,000 dwelling units being constructed annually in 2000, 2001, and 2003, and 88,000 units being constructed in 2004. Other estimates place the number of Slum Redevelopment Authority dwelling units constructed in 1997 at 50,000, and in 2006, at 80,000. While no exact figures are available at this writing, what is certain is that the popularity of the TDR scheme has risen and fallen in tandem with property values in the area.

Special Forms of Inclusive Urban Redevelopment

Retrofitting Existing Shelter and Community Facilities

Retrofitting existing structures—especially housing and community facilities—is integral to inclusive urban redevelopment. That said, it is important to distinguish between retrofitting and home improvement.

⁸² K. Sharma, K. Shanan, and J. Gosseye, eds. 2008. *Dharavi, An Uncertain Future, in Reclaiming (The Urbanism of) Mumbai*. Explorations. Issue 3: pp. 84–91. Amsterdam: Sun Academia.

⁸³ Footnote 82, p. 91.

These two terms are only identical if the improvements undertaken result in structures that are more resilient than previous structures. A wide array of “how-to” home improvement manuals are currently available through UN-HABITAT, the Asian Disaster Preparedness Center, the International Council for Local Environmental Initiatives, the United Nations Educational, Scientific and Cultural Organization (UNESCO), and the United Nations Children’s Fund (UNICEF), as well as from numerous other organizations.



Hanuman Nagar, Ahmedabad: Upgrading produced a moderate level of consolidation.
Source: L. Marulanda.



Pravin Nagar, Ahmedabad: In this case, upgrading produced a high level of consolidation.
Source: L. Marulanda.



Pravin Nagar, Ahmedabad: Upgrading produced a moderate to high level of consolidation.
Source: L. Marulanda.



Pravin Nagar, Ahmedabad: Upgrading enabled a large increase in economic activity.
Source: L. Marulanda.

However, few of these manuals provide technical and programmatic guidance for retrofitting existing structures in a way that results in more resilient shelter and community structures. While slums and sites provided with substandard services are prime targets for urban upgrading programs, retrofitting is often neglected in formulating such initiatives. It is thus imperative that inclusive urban redevelopment (IUR) address this lack if resilient, livable cities are to be achieved. ADB's disaster-response lending programs often support retrofitting by combining slum upgrading with hazard management. Typically, these programs make loans for retrofitting available to families who live in vulnerable areas such as those prone to earthquakes as a result of their proximity to fault lines.

Revitalization of Historic Urban Areas

Historic urban areas are economic, cultural, and social resources. However, many of these areas in Asian cities are decaying, unhealthy, at-risk socially, and physically vulnerable. That said, some cities have begun redeveloping these assets. The best examples of such efforts are Ha Noi (Viet Nam), Luang Prabang and Vientiane (Lao People's Democratic Republic), and Ahmedabad, Cochin, and some cities in Rajasthan (India).⁸⁴ Today, many of Asia's historic urban areas are home to the urban poor who live in crowded tenements that were once single family homes. While climate change may add to the threats that land values, poverty, tenure issues, and nature already pose to historic urban communities, climate change in some cases may also come to their rescue.

Monuments are part of the built environment of nearly every culture, as these objects capture the popular imagination, inspire awe, and convey a sense of nationalism, strength, beauty, technical ability, cultural identification, or economic prowess. Committees are often formed to defend, maintain, and rebuild them. Funds for their preservation are donated and allocated locally, collected internationally, and expended carefully. Institutions are founded to identify and create awareness about them, multilateral development banks support international conferences to discuss them, establish policies regarding them, and dissuade the world's art market from destroying them. Asian examples of these symbols of human achievement include the Taj Mahal, Ha Noi's 36 Streets, Borobudur, and Angkor Wat.

Despite their societal and aesthetic importance, the built environment in which these monuments reside have often failed to garner the support necessary for preserving their vitality, quality, and structural integrity, and for addressing their service requirements or threats to them from climate

⁸⁴ F. Steinberg. 2008. *Revitalization of Historic Inner-City Areas in Asia: The Potential for Urban Renewal in Ha Noi, Jakarta, and Manila*. Urban Development Series. ADB. Manila. See also British Broadcasting Corporation (BBC)'s *Heritage Heroes' Testimonies*: www.heritageheroes.org



Located in the heart of Mumbai, Dharavi was reputedly Asia's largest slum.
Source: B. Banerjee.



Shivaji Nagar, Dharavi: Private sector investment in new housing
Source: B. Banerjee.

change. Often, the urban poor that inhabit the built environment surrounding monuments can be accommodated through urban redevelopment initiatives.

The recent earthquakes in India, Iran, and Pakistan are tragedies of unnecessary magnitude. Recognition of the vulnerability of the populations and structures inhabiting these historic areas could have resulted in actions that would have preserved human life, property, and traditional culture. In Bam, Iran, most of the 40,000 people who died lived in housing built in the traditional mud-brick style lacking retrofitting that could have allowed these structures to withstand tremors.

In Asia, numerous cities possess historic cores that are either a lost resource or one that will be lost as a result of neglect. ADB's urban redevelopment mandate referred to in the first paragraph of this chapter includes addressing the living conditions of the urban poor who live in Asia's historic center tenements, as well as conservation of the cultural history these historic centers represent. Examples of such cities include Kathmandu (Nepal), Rawalpindi and Lahore (Pakistan), Ahmedabad and Jaisalmer (India), Ha Noi (Viet Nam), Phnom Penh (Cambodia), Anaranapura, Batticaloa and Galle (Sri Lanka), and Vigan (Philippines).⁸⁵

In Ha Noi, observers are well aware that the city's historic urban area is in peril. Nevertheless, preparations for the 1000-year celebration of the founding of Ha Noi include little but talk regarding conservation of the Old

⁸⁵ K. Wilson and J. Cochrane. 2010. Revamping Old Asia. *Development Asia*. January–March 2010, pp. 22–25.

Quarter, largely because the city lacks the resources to protect the historic homes there from Ha Noi's harsh, rainy climate that deteriorates structures to the point of collapse. Similarly, World Heritage Site designation of central Viet Nam's Hoi An has not helped, since four historic houses collapsed in 2009.⁸⁶ "Meanwhile, thunderstorms threaten to destroy the property and put the families living there at risk."⁸⁷ Climate change will only worsen this already adverse situation.

Nevertheless, inclusive urban redevelopment in Ha Noi is renovating once one- and two-story dwellings there into four- and five-story buildings in a manner that gives new life to the city. A combination of architectural detailing, quality materials, sophisticated colors, and maintenance of new structures has made old Ha Noi quite contemporary, as well as particularly suited to the pedestrian lifestyle the population there maintains. Important issues for redevelopment of Asia's historic urban areas are illustrated by the cause of redevelopment of Ha Noi's built environment, the source of its redevelopment plans, designs, and financing, and the lessons that might be learned from it.

How many more historic areas and their populations will be lost before national and local governments and the international community provide support to their continued existence? How many more unique places will disappear and with them the examples of past skills, details and configurations that have lessons for the future.

It should be clear from the outset that we are dealing with living organisms. It is not the intent, nor is it really desirable, to "freeze" these places in time and pretend that they are still "alive." As they change and adapt, new issues and concerns can contribute to their well-being and continued existence. Redevelopment of such valuable assets can encourage site protection, improved service delivery, security, hazard management, and resilient retrofitting in a manner that complies with agreed performance guidelines. This approach to Asia's historic urban areas need to recognize them as assets and resources for the future capable of producing a stream of income and services for the people who inhabit them. Viewed in this light, these are resources worthy of being maintained and protected from vulnerabilities, destruction, or degradation.

Both climate change and urbanization have accelerated degradation of Asia's historic urban areas. Thus, if they are to survive, the value of the future stream of services they are capable of delivering to society must be demonstrated. This will only be possible if the land tenure and

⁸⁶ *The Viet Nam News*, 2009. Time running out for city's Old Quarter. 8 March.

⁸⁷ ADB. 2006. *Special Evaluation Study: Urban Sector Strategy and Operations*. Manila: ADB. p. iv.



Urban heritage district in Kathmandu
Source: F. Steinberg.



Urban heritage district in Beijing
Source: F. Steinberg.

structural integrity issues that threaten them are addressed. Inclusive urban redevelopment appropriately values the future stream of services that historic urban areas can provide, creates an information base relating to them, and offers access to home improvement loans through microfinance or other financial mechanisms that stabilize the communities living in these areas. Documenting the populations living in such areas, the assets and liabilities they represent, and formulating options for the upgrading, retrofitting, or redevelopment of these areas are all components of inclusive conservation. Similarly, inclusive conservation likewise supports maintenance of these areas' existing populations rather than their displacement or eviction, as well as maintenance of existing community structures.

Inclusive conservation extends far beyond promoting tourism as the sole impetus for revitalization of historic urban areas. It encompasses instead the current economic value of these assets that can be derived from development. Similarly, it assesses the skill sets available locally in terms of their ability to create livelihood opportunities from activities based on traditional crafts, and to evolve new products and designs consistent with future tastes. While tourism represents an economic opportunity, support for other dimensions of the domestic economy magnifies tourism's potential contribution to national income. For example, traditional crafts render contemporary the products that respond to demand for an updated traditional design aesthetic. Thus, putting traditional crafts to modern uses creates an opportunity for magnifying tourism's contribution to economic growth. Similarly, tenement upgrading can create jobs by retrofitting existing dwellings and community structures, developing new home furnishings, and financing small industry that produces building materials and structural elements. Adaptation to climate change in historic urban areas operates on the premise that urban infrastructure must include site-protection infrastructure such as dikes and levees, windbreaks, raised walkways, and platforms for protecting vulnerable areas. Upgrading projects can be financed through local, community-based finance companies, and national



Urban heritage district in Ha Noi shows densification.
Source: F. Steinberg.



Urban heritage district in Ha Noi is highly dynamic in economic terms, as illustrated in an explosion of land values.
Source: F. Steinberg.

financial entities dedicated to funding housing initiatives. Land values in historic areas reflect their condition, the range of services available, and their vulnerabilities. That said, one of the greatest vulnerabilities of historic areas is their location, which typically lies in the urban core.

V. Financing Inclusive Urban Redevelopment

The financing requirements for basic services, slum upgrading, and shelter in Asia's cities are staggering. An estimated \$25 billion annually may be required solely for financing water supply, sanitation, waste management, and slum upgrading in the urban areas of ADB's DMCs. This excludes provisions for urban roads or public mass transport, which would cost an additional \$25 billion annually. If the cost of incremental housing for the poor were to be factored in, the amount would be even greater.⁸⁸

ADB's total annual lending amounts to an estimated \$15 billion for all sectors, with the urban sector accounting for approximately \$2 billion. When the assistance provided by ADB's development partners is added to the latter figure, the total would perhaps be \$6 billion. It is thus obvious that ADB and its development assistance partners can finance only a fraction of the investment required to make all urban areas in its DMCs both inclusive and resilient. If the latter goal is to be achieved, DMC governments must further develop their public finance systems and capital markets to provide the funding required to support service delivery and long-term shelter investments. This in turn requires considerable strengthening of the governance and financial systems of Asia's urban centers.

⁸⁸ Footnote 87.

Similarly, further development of the DMCs' domestic capital markets is necessary if the potential of the private sector as a source of loan or bond financing for urban redevelopment is to be fulfilled. An additional benefit of increasing private sector participation in the financing of urban redevelopment is that public–private partnerships also encourage transparency, which is consistent with ensuring financial viability of the investments undertaken. Further, cofinancing through innovative partnerships with other donors and the private sector offers a growing source of resources for long-term investments in urban infrastructure. While ADB can provide assistance in this regard, the enabling framework for such financial innovation must be put into place by DMC governments.

ADB Direct Financing Policy

The scenario described directly above is an opportunity for ADB, in that it is well positioned to use innovative financing vehicles for fulfilling the capital investment and technical assistance requirements of shelter development and slum improvement initiatives in the urban areas of its DMCs. In this regard, one possibility is for ADB funds to be provided on a program as opposed to a project basis, either through grants or loans. Assistance of this type would finance a stream of projects that support capitalization and sustainability of shelter and service-delivery systems, housing finance institutions, and microfinance entities that offer credit to low-income families. In addition to loans and grants, such ADB finance could be provided through cofinancing with its development partners. This would increase resources, public–private partnerships, and participation in domestic capital bond issues for financing commercially viable infrastructure and shelter programs. ADB sovereign loan funds might be channeled through sector line ministries or government finance institutions, given that these bodies have adequate capacity in handling funding on such a scale. Likewise, both cities and governments might engage in innovative schemes for financing urban redevelopment through the use of bonds, special purpose vehicles, and public–private partnerships.

Expanding the role of the private sector in financing and managing urban infrastructure and inclusive shelter initiatives provides a further source of urban redevelopment funding. However, this in turn would require an enabling environment for private sector engagement that would raise the comfort-level that new technologies offer such as prepaid services. Donor technical assistance could assist the development of both financial institutions and capital markets, the domestic bond market in particular. Since a country's infrastructure for financing urban redevelopment comprises private urban development finance companies, credit rating agencies, local government, and private service providers, all of the latter must be strengthened if funding available for urban redevelopment is to be maximized. However, for the private

sector to participate fully in funding urban redevelopment initiatives, the projects offered must be commercially viable. Thus, creating DMC capacity in formulating commercially viable urban redevelopment projects may be a precondition for maximizing private sector participation in such projects.

Ultimately, reform of financial institutions in a way that increases the flow of funding to urban redevelopment should focus on creating a sustainable stream of financing for shelter and infrastructure programs. Such institutions include public housing, infrastructure development, and planning agencies, as well as financial institutions capable of engaging project beneficiaries such as microfinance agencies. In this regard, grant and loan funds could be used to capitalize small-scale lenders, and to strengthen their cost recovery, loan repayment, product quality, and financial management capabilities, as well as their access to domestic capital markets. Mongolia's Housing Finance Project provides an example of innovative ADB collaboration with housing finance institutions in that the project reached out into new markets serving low-income households.⁸⁹

Implementing Inclusive Urban Redevelopment through Partnerships

Implementing IUR requires engaging private sector entities, nongovernment organizations (NGOs), and community-based organizations. The potential contribution of the latter includes human, technical, and financial resources, as well as in-depth knowledge of the context at the city and community levels. Further, engaging local partners in urban redevelopment initiatives encourages transparency, accountability, and concrete results.

Partnerships offer credibility to settlement upgrading projects in part because the implementation of such initiatives is complex. Such projects inevitably confront issues relating to expectations, cost recovery, tenure, beneficiary participation, and capacity to pay. These aspects of project implementation are often best handled by partnerships rather than a single agency. Further, partnerships often help overcome hesitancy on the part of donor entities and other stakeholders to engage in slum upgrading and new shelter development. Currently, donor strategies toward the urban sector call for new shelter options and upgrading housing as well as delivery of basic services. The design and implementation will benefit from previous implementation experience and an awareness of local context. Partnerships tend to increase project efficiency by expanding the range of both of these important aspects of project implementation available to the overall initiative.

⁸⁹ ADB and Government of Mongolia, Project Management Unit. 2007. *Housing Finance (Sector) Project – Implementation Outcomes*. Ulan Baatar (Loan 1847-MON).

Box 2: The Cities Development Initiative for Asia

The purpose of the newly formulated Urban Redevelopment Guidelines of the Cities Development Initiative for Asia (CDIA) is to ensure that inclusiveness and sustainability are incorporated into urban redevelopment initiatives at the design stage. CDIA thus advocates projects (i) that adopt an integrated approach to housing, livelihood activities, transport, infrastructure, and social services; (ii) that are inclusive in that they provide access to employment opportunities and affordable housing; (iii) that are economically viable and financially sustainable in that capital and operations costs are self-financing; (iv) that are environmentally sustainable in that they maximize energy savings and minimize negative environmental impacts; and (v) that advocate sound, transparent governance, as well as efficient design and construction, project operations, and financing.^a Partnerships between CDIA and ADB's developing member countries (DMCs) may prove useful in the formulation of city- and national-level programs as well as individual projects, particularly in resolving particular project-related issues such as land availability. CDIA can likewise inform the formulation of ADB-financed inclusive urban redevelopment (IUR) programs through its expertise in mitigation and adaptation infrastructure, and retrofit programs. CDIA can also assist in the dialogue between ADB resident missions and DMCs, particularly regarding the feasibility of integrating inclusive urban redevelopment and slum upgrading into ADB's urban poverty reduction efforts. However, to fulfill its full potential, CDIA requires budgetary support. It likewise must maintain its focus on efforts relating to design at the pre-feasibility stage, rather than filling gaps in routine project implementation activities.

^a ADB. 2006. *Special Evaluation Study on Urban Sector Strategy and Operations*. Manila. p. iv.

Itself a partnership, the Cities Development Initiative for Asia (CDIA) provides technical assistance for pre-feasibility studies in support of IUR.⁹⁰ CDIA can play an important role in raising the visibility of urban redevelopment and slum upgrading initiatives within ADB by including targeted slum upgrading programs in addition to, or as part of, the urban infrastructure and new shelter pre-feasibility projects it prepares (Box 2).

Community Participation

Engaging beneficiary communities tends to raise expectations. It is therefore often efficient for donors, government officials, and project practitioners to form partnerships with groups that specialize in working with beneficiary communities. Engaging communities targeted by urban redevelopment projects implicitly acknowledges that the beneficiary community, the donor(s)

⁹⁰ ADB's CDIA is currently supported by the governments of Germany, Sweden, and Spain. Other governments are expected to join.

concerned, and the government are partners in the urban redevelopment process. Transparency and consultation are thus key in strengthening relationships with beneficiary communities, as well as with counterparts and development partners. Finally, transparently stating what can and cannot be achieved under a particular urban redevelopment initiative at the outset is the best way to prevent unrealistic expectations from forming. Unmet expectations rightfully lead to distrust on the part of beneficiaries, making the task of regaining community confidence arduous.

Beneficiary communities are not monolithic, but rather complex organisms that require careful attention if project benefits are to be maximized. This is particularly true of awareness of how communities are able to participate in project activities. As a result, NGOs and community-based groups are natural partners for ADB and local governments in urban redevelopment initiatives.

Private Sector Participation in Inclusive Urban Redevelopment

Participation is one of *Strategy 2020*'s four elements of good governance, the other three being accountability, predictability, and transparency. These four elements also describe the environment that best encourages private sector participation in urban redevelopment initiatives.

Historically, the private sector has avoided working with low-income families for a number of reasons: sociocultural differences, perceptions of elevated risk, lack of collateral for providing recourse to default on loans, and the high administrative costs per dollar lent associated with small loans. The model thus preferred by the private sector has historically emphasized low-volume, high-profit-margin activities.

That said, the private sector has much to contribute to slum upgrading and urban redevelopment initiatives, not least because of its for-profit, efficiency-seeking motivations. Making a private sector entity a development partner provides a strong incentive to design efficient yet affordable projects that emphasize cost recovery. Willingness to collect is central to the private sector's mode of operation, rather than an issue open to debate, as it is in highly politicized public sector service delivery programs. India's highly successful Housing Development Finance Company provides an excellent example of a finance company that offers loans to borrowers after carefully matching capacity to pay and loan amounts, and credit histories, a policy that facilitates collection and minimizes default.

Public-private partnerships have successfully formulated commercially viable projects at the municipal level of service provision, and financed these through the domestic capital market through bond issues. Both Ahmedabad and Tirupur (India) used technical assistance provided by the United States Agency for International Development (USAID) to train local government staff to replicate an initial bond issue. This allowed these cities to raise financing for successive projects through the Indian bond market. Ahmedabad raised \$89.5 million between 1998 and 2006 through four municipal bond issues, and the Karnataka Water and Sanitation Pooled Fund of the Greater Bangalore Water and Sewerage Project used a USAID credit guarantee to raise more than \$23 million, leveraging \$29 million in domestic capital for every dollar provided. Such examples provide both a new avenue for financing urban redevelopment initiatives, and an additional dimension to ADB's domestic capital market development agenda. Domestic capital markets are thus potential funding sources for IUR projects, provided that informal settlement upgrading initiatives can be formulated in a manner that makes them commercially viable. The fact that such initiatives are best implemented as integrated programs that improve livelihood opportunities may provide the key to commercial viability for such initiatives.

The Ahmedabad bond issue referred to above underscores the importance of incorporating the costs of bond issue preparation into the total cost of the overall initiative. These costs can be recouped over time through fees, provided that the bond issue in question is successful. If it is not, these costs will be incurred by the government. In Manila, Maynilad Water Services and the Manila Water Company, the concessionaires that operate these utilities, used public-private partnerships for a different purpose. They both extended water distribution to slum areas and improved cost recovery by partnering with NGOs, community organizations, and small-scale service providers.⁹¹ The experience of Manila-based Philippine Business for Social Progress (PBSP) demonstrates that the corporate sector is capable of taking a lead role in the upgrading of slums and informal settlements. PBSP was the implementing agency for the Strategic Private Sector Partnerships for the Urban Poverty Reduction (STEP-UP) project in Metro Manila, an urban poverty reduction initiative that redeveloped 23 communities in eight municipalities. While the Japan Fund for Poverty Reduction provided initial financing for this ADB-administered project, PBSP itself raised funding through cash and in-kind contributions in an amount nearly equal to that provided by the donor.

Finally, turn-key contracts for the design and construction of infrastructure implemented by private sector entities have proved useful tools for increasing efficiency and controlling the costs of urban redevelopment initiatives

⁹¹ *The Philippine Star*. 2010. Manila Water Company. Manila. 22 March.

funded by local governments. A logical extension of this is turnkey contracts for integrated urban infrastructure programs that likewise include capacity-building and community participation components. In such cases, care should be taken in project formulation to provide transparency, accountability, and appropriate oversight by civil society. While full privatization of public services has produced rather disappointing results, there is still ample scope for increasing efficiency through the use of management contracts for service delivery, cost recovery, and shelter development. With regard to water supply systems as a component of slum improvement and the basic service delivery components of urban redevelopment initiatives, management efficiency, control of line loss, metering, and prepaid user charges from communal stand-pipes are all vehicles for encouraging participation by private sector entities, since prepaid cards and group meters reduce risk and increase user fee collections for private providers both large and small.⁹² The advance of such technologies for scaling service delivery to a broader range of users increases the likelihood of private sector entities participating in the provision of services to low-income users.

Thinking Programmatically

Programmatic thinking is cross-sectoral, unlike that of national government agencies organized along sectoral lines. It means thinking and acting

- (i) strategically, through policies, resource choices, planning, and partners;
- (ii) environmentally, by maintaining both the built and natural environment through the use of standards, regulations, and enforcement;
- (iii) socially, through awareness of equity and vulnerability, community priorities and participation, incremental change, gender sensitivity, and pro-poor policies;
- (iv) financially, through capital and social investments, the domestic capital market, and microfinance entities;
- (v) culturally, through social practice, cultural assets, and historic areas;
- (vi) urbanistically, through changing the future development path of cities by incorporating higher density, mixed use development through incentives, codes, and regulations; and

⁹² J. L. Baker and K. McClain. 2009. *Private Sector Initiatives in Slum Upgrading*. Washington, DC: The World Bank Group. p. 11.

- (vii) locally, through using the local context to shape initiatives targeting vulnerable populations, land markets, housing typology, building material supply, and information.

Thinking programmatically results in a portfolio of programs, both structural and nonstructural, that are mutually reinforcing and act together to achieve a particular set of IUR goals. Structural programs finance shelter, slum improvement, mitigation infrastructure, acquisition of land, and basic services. Nonstructural programs develop an enabling environment for inclusive urban redevelopment: Thus, nonstructural programs might target capacity building, financial systems that connect formal sector finance companies with microfinance entities, or formulation of a regulatory system that encourages partnerships.

Thinking programmatically results in an awareness of the cross-sectoral impacts of individual initiatives. For example, labor-intensive public works programs create employment for both skilled and unskilled labor in the construction sector. Similarly, IUR initiatives increase demand for building materials, the production of which is appropriate to small-scale producers. An effective IUR agenda requires a long-term, holistic view of the impacts of all of the individual initiatives it comprises, and strategically infuses a defined set of resources—human, technical, and financial—into urban redevelopment initiatives to fulfill the social and economic potential of cities.

Informing Thinking: An Updated City Information Base

All too often, a city information base (CIB), if it exists at all, is not up to date, and is scattered across offices or agencies, thus lacking a “home” or dedicated staff to manage and maintain it. Such CIBs can provide little guidance in establishing priorities, identifying vulnerable populations, or in creating information regarding particular communities. Proper CIBs can inform awareness campaigns, assist the development and implementation of shelter and slum upgrading projects, and make disaster risk management and climate change initiatives more efficient. The Dharavi case underscores the fact that information is a critical input to project planning if the latter is to accomplish its goals. Transparency is key in building inclusive cities, since lack of information concerning low-income populations results in greater vulnerability for the latter.

The process of building a CIB includes creation of annotated maps at both the city and community level, which allows issues relating to shelter and slum upgrading, future growth, hazard management, and population growth to be efficiently addressed. Further, proper CIBs allow both aggregation

(community level to city level) and disaggregation (city level to community level, as well as sorting by classification or topic) of data and information. This enables particular interventions to be targeted to the appropriate level. Thus, an up-to-date CIB forms the foundation of an up-to-date development plan. That said, up-to-date CIBs require gathering and interpretation of data on a sustained basis.

CIBs comprise an entire set of maps, each describing the city in a particular way. CIBs typically include the following: (i) a baseline map, (ii) a sociocultural map, (iii) a local economy map, (iv) a hazard profile map, and (v) a future growth map. Each type of map consolidates data in a way that allows identification of both assets and vulnerabilities relevant to each of the above dimensions of the urban environment. Map overlays might identify growth areas, vacant land, safe haven sites, evacuation routes, flood protection and infrastructure requirements, areas in which health problems exist, environmentally vulnerable or valuable areas, no-build zones, and areas vulnerable to disasters or climate change impacts. CIBs inform policy and decision making regarding conflicting and competitive land uses, infrastructure, resettlement, and disaster preparedness, all of these being necessary to fulfilling IUR goals.

Information regarding land is of special interest, due to its relevance to land markets, tenure issues, and ownership patterns. Such information would include: (i) city, municipality, and community boundaries; (ii) urban growth patterns over time; (iii) the current uses of particular plots of land; (iv) soil conditions; (v) the ownership, size, and location of vacant plots of land; (vi) the impacts of disasters such as floods, landslides, or storm surges; and (vii) the present degree of sea level rise, and vulnerability to landslides, floods, and climate change impacts.

CIB maps can be produced using any level of technology. If produced with care, even hand-drawn maps can be invaluable planning tools. If resources allow this, modern technologies such as the geographical information system (GIS) or global positioning system (GPS) can be used. Hand-drawn overlays superimposed over maps downloaded from Google Earth can define priority areas as well as those produced using advanced mapping technologies.

Guidelines for developing CIBs that are agreed with partners ensure unified, consistent maps and databases that can be aggregated to the national level. Such an updated, consolidated information base can be invaluable for national planning. Some cities may decide to formally partner with local universities or technical institutions that can assist development and operation of the information base produced. Further, additional annotated

maps that address specific issues can be prepared. Examples of the latter include maps of tourism assets, historic areas, environmentally sensitive areas, or maps of areas in which specific economic activities such as fishing, rice production, agro-business, or commerce predominate. A complete CIB would perforce include information regarding the land requirements of slum upgrading initiatives or future growth.

Land and land management are important issues for the IUR agenda. Land taxation can help achieve more efficient land use. Land investments represent one of the few aspects of the domestic economy that can absorb excess funds or “black” money. Developing a land tenure monitoring system brings transparency to planning and development, as well as to settlement upgrading.

The structural and nonstructural programs presented below offer examples of sets of IUR initiatives that ADB might undertake. However, it should be noted that context is key in identifying which interventions are appropriate to particular countries, communities, or locales.

VI. Components of an Inclusive Urban Redevelopment Program

Thinking programmatically results in an array of IUR initiatives that a particular city might undertake. A sample IUR portfolio is presented below to illustrate the wide variety of activities that inclusive urban redevelopment initiatives might encompass. These include the following:

- (i) **Addressing the existing urban context** calls for remedial investment in the provision of basic services such as water supply, and sanitation and solid waste management services not yet available to slums or informal settlements. Remedial investment is likewise often required in retrofitting existing community infrastructure, upgrading housing and schools, and maintaining or revitalizing historic urban areas. An investment portfolio that addresses the existing urban context would include:
 - (a) **Nonstructural Initiatives**
 - (1) **A city information base** that is updated and inclusive provides an appropriate foundation for planning and implementing improvements to the built environment.
 - (2) **Resolving tenure issues** is critical to improving slums. Lacking security of tenure, households limit investment in security and resilience of their homes and sites. The tenure status of informal

settlements is key data if a city information base is to function as a tool for inclusive urban development.

- (3) **Awareness campaigns** can feature issues such as those relating to slum improvement, relocation opportunities, new shelter options, hazard management, disaster preparedness, water and sanitation requirements, health risks, access to credit, and improvement of construction technologies.
- (4) **Capacity building** can focus on national and local governments, the private sector, NGOs and community-based organizations, improved livelihood opportunities, access to credit, encouraging the use of resilient building technologies, and transparent project design, management, and implementation.
- (5) **Project preparation capacity** necessary for formulating commercially viable initiatives that attract both private investment and public support.
- (6) **Codes and standards** that promote incremental housing and infrastructure development, as well as technologies that enable the construction of resilient communities.

(b) **Structural Investment Programs**

- (1) **Water supply and sanitation.** ADB can scale-up activities through private sector partnerships and cofinancing to meet the growing demand for water supply, wastewater treatment, and sanitation in unserved urban areas. Inclusive urban redevelopment implies making slums and informal settlements an integral part of citywide service systems that can be financed, maintained, and expanded through a basket of resources especially user fees.
- (2) **Slum upgrading programs.** Slum upgrading requires an integrated approach to improving the quality of life of residents. It thus includes the following activities at the minimum: provision of basic urban services, home improvement, resettlement, on-site walk-up apartment development, shelter retrofitting, site protection schemes that reduce vulnerabilities to natural and man-made disasters, and expansion of livelihood opportunities. While legalization of real estate trading in upgraded settlement areas can unleash investment by the urban poor, community control will likely also be required to prevent wholesale purchase and redevelopment of well-located slum areas for purposes of gentrification.
- (3) **Shelter retrofit programs.** Recent natural disasters have demonstrated the vulnerability of existing shelter forms,

particularly the poorly constructed “provisional” shelter of the urban poor. Slum retrofitting programs can be used to reduce vulnerability of such structures to the impacts of both natural and man-made disasters, these in part being financed by community-based financial entities and microfinance organizations in partnership with ADB.

- (4) **Community facility retrofit programs.** Equally vulnerable to disasters are community facilities such as schools that function as safe havens both during and following natural or man-made disasters.
- (5) **Infrastructure retrofit programs.** Existing infrastructure can be made more resilient to the impact of climate change and disasters. Examples include segregating service systems and installing control valves to limit damage.
- (6) **Conservation of historic urban areas.** Historic urban areas are often underutilized assets. Nevertheless, they are capable of attracting tourism, a growing source of employment for the poor in service industries. Historic urban areas are also home to increasing numbers of migrants that occupy shared facilities with limited services, if any at all. In addition to gentrification, improving the historic housing stock can similarly mean supporting the families that live in tenements located in decaying buildings of historic value. However, financing conservation requires mechanisms for capitalizing microlenders and organizations that on-lend to self-help developers.
- (7) **Housing finance system support.** Support to the formal housing finance system can target microfinance entities, NGOs, and organizations that serve the poor. Credit for housing and home improvement to low-income families is an expanding opportunity for formal sector housing finance institutions. Further, technologies such as prepaid cards used for purchasing urban services can help reduce risk of nonpayment, thus making investment in the provision of services to the poor more attractive to private investors. Bulk lending to microfinance entities, community-based financial organizations, and NGOs likewise offers an opportunity for low-income families to gain access to formal sector credit, which in turn expands opportunities for improving both their living conditions and livelihood opportunities. Technical assistance for capacity-building extended to institutions that on-lend to low-income families is appropriate to the development agenda of many donor agencies.

(ii) **Addressing the future growth of cities**

The future growth of cities implies three spatial dimensions relevant to future donor assistance to urban redevelopment:

- densification of existing built-up areas;
- expansion at the urban fringe through high-density, low-rise development that replaces inefficient urban sprawl; and
- satellite cities or new towns (green field development).

An illustrative ADB IUR initiative might support local government, private sector entities, and civil society in guided land development,⁹³ and in construction or upgrading of shelter for the poor. Such an IUR portfolio might include the following:

(a) **Nonstructural Initiatives**

- (1) **Tenure.** Addressing the issue of tenure is critical to slum upgrading and inclusive urban redevelopment. It was the first issue addressed by the community in Dharavi and in the Tondo foreshore redevelopment initiative.
- (2) **Maintenance of the city information base.** An updated city information base provides information regarding vulnerable populations and land available for development, as well as the site protection measures required.
- (3) **Environmental and building code updates** incorporate climate change and disaster risk management considerations into regulations.
- (4) **Dedicated funds** for slum upgrading, climate change, and disaster risk management initiatives. Local taxes on products and services such as tourist taxes can be used to generate a stream of resources dedicated to these initiatives.
- (5) **Disaster risk management planning** that identifies escape routes and safe haven areas benefit the poor, since they generally live in the areas the most vulnerable to disasters.
- (6) **Awareness campaigns** can be used to disseminate information regarding slum upgrading or disaster preparedness.

⁹³ An interesting case of guided land development is being implemented by the World Bank-funded Vietnam Urban Upgrading Project (2004–2012). See B. Mehta and A. Dastur, eds. 2008. *Approaches to Urban Slums – A Multimedia Sourcebook on Adaptive and Proactive Strategies*. Washington, DC: World Bank Institute; ADB's Loan 2072/2073(SF)-INO: The Neighborhood Upgrading and Shelter Sector Project demonstrates experiences of land assembly and housing solutions for the urban poor.



Taguig City, Metro Manila: Rehousing of shanty dwellers in modern walk-up apartments
Source: F. Steinberg.



These apartments were built with community participation.
Source: F. Steinberg.

- (7) **Planning tools and financing vehicles** that support executing and implementing agencies could be provided through donor assistance.

(b) **Structural Initiatives**

- (1) **Basic urban services** such as water supply, wastewater treatment and sanitation systems are the principal components of urban infrastructure development programs. Ongoing efforts are required to provide, operate, maintain, and expand the provision of these basic services to growing cities. Financing for such initiatives can be obtained from domestic capital markets, provided that projects are formulated in a way that makes them commercially viable. Donor agencies might provide technical assistance that assists capacity building in the formulation of projects suitable for private sector financing through the domestic capital market.
- (2) **Mitigation infrastructure.** The definition of “urban infrastructure” has come to include mitigation infrastructure, as it is now thought to be integral to urban planning. Mitigation infrastructure includes citywide flood control systems such as those in Iloilo, Philippines; the early warning systems developed in Thailand and Indonesia; and the site protection schemes, retaining walls, and sea groins constructed in Sri Lanka for protecting beachfront fishing communities and coastal cities.
- (3) **Programs that integrate guided land development with sites and services.** Site development initiatives that integrate development of sites and services with shelter can assist in settling low-income urban populations in safe, well-served communities.

- (4) **Innovative shelter solutions.** Incremental housing includes core housing, as well as provision of site and services within the ability of a household to pay. Provision of such services requires coordinated efforts by government, civil society organizations, the beneficiary communities themselves, and donor support.

Conclusion

That cities are positive forces is not to be denied. But failure to address the needs of the poor—especially their shelter needs through low-income housing and slum upgrading—undermines the ability of cities to deliver the economic and environmental benefits required by their inhabitants.

Donor assistance is necessary to support cities in updating their urban planning regulations and in creating an environment that enables partnerships with the private sector and community-based organizations. Regulations can enable denser, more compact development that increases energy efficiency, reduces commute time, and lowers the cost of infrastructure installation, especially in poor neighborhoods. Targeted initiatives can influence the path of urban growth through planning that strengthens a city's infrastructure and ensures that the poor benefit from economic growth. Affordable new shelter provided through guided land development or sites-and-services initiatives can incorporate vacant plots and larger areas into a citywide settlement program that addresses the demand for low-income incremental shelter development as part of an overall poverty reduction initiative.

ADB is well-placed to provide the leadership and to catalyze the resources necessary for achieving the goal of building livable, inclusive cities.

Inclusive Cities

Slums, informal settlements, and dilapidated inner-city tenements are problems that many cities in Asia and the Pacific struggle with while their economies try to modernize and develop. Their existence puts at risk not only these economies but also poor people occupying vulnerable areas that climate change and natural disasters will only make worse. Slums are being addressed in countries in Asia and the Pacific but not yet at the rate required to create livable cities. ADB's Strategy 2020 aims for "livable cities" and will address the range of problems resulting from rapid urbanization and the limited capacity of basic service delivery associated with present and future urban growth. To accomplish the vision of livable cities, livelihood opportunities and shelter options of incremental land and housing development are important. ADB's developing member countries will look for viable lending opportunities to finance inclusive cities.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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