

**TREATING PEOPLE AND COMMUNITIES AS ASSETS**

**LOCAL GOVERNMENT ACTIONS TO REDUCE POVERTY AND ACHIEVE THE MILLENNIUM DEVELOPMENT GOALS**

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**Defining the Range of Locally Driven Initiatives that Improve the Lives of Slum Dwellers**

In his landmark book *Development as Freedom*, Professor Amartya Sen identifies five interrelated “instrumental freedoms” providing persons with types of rights and opportunities to improve their lives and shape their future. These freedoms are viewed as the principal means of development. The argument he presents is powerful and attests to the multidimensional characteristics of social exclusion. The rationale underlying the links between different categories of rights and opportunities is clear and convincing. Access to one facilitates access to others, whereas denial of any one category impedes one’s ability to reach others. This conceptual framework is well suited to the analysis of public policies affecting poor and marginalized populations. Public policies that promote these rights enhance the capabilities of citizens and empower them to become agents of their own development. Such policies enrich the lives of citizens and enable them to achieve development goals.

<b>Freedoms Instrumental to Development: Amartya Sen</b>	
<b>POLITICAL FREEDOMS</b>	The opportunities that people have to determine who should govern them and on what principles.
<b>ECONOMIC FACILITIES</b>	The opportunities to utilize economic resources for the purpose of consumption, or production, or exchange.
<b>SOCIAL OPPORTUNITIES</b>	The arrangements that a society makes for education, health care and other basic social services, which influence the individual's substantive freedom to live better.
<b>TRANSPARENCY GUARANTEES</b>	The openness required for people to deal with one another under guarantees of disclosure and trust.
<b>PROTECTIVE SECURITY</b>	A social safety net needed for preventing the affected population from being reduced to abject misery, and in some cases even starvation and death.

Source: *Development as Freedom*, Amartya Sen

Local authority-driven initiatives that contribute to extending these freedoms to poorer communities, marginalized groups, and other slum dwellers (whose access to these freedoms and rights is generally constrained by depriving them of the opportunities they need to pursue their own self improvement) will empower them to achieve economic security and social inclusion. Such initiatives contribute significantly to improving their lives. They include:

- Instituting participatory urban processes that give a voice in decision-making to poor and marginalized populations.
- Partnering with communities, community-based organizations (CBOs), and non-governmental organizations (NGOs), including advocacy groups, on community-based initiatives.
- Providing access to land (including regularization), infrastructure, and urban services.
- Initiating integrated programs for the improvement of the urban environment.
- Supporting the development of small businesses and micro-enterprises.
- Fostering citizenship and social inclusion.
- Collaborating with foundations and philanthropic organizations on social projects.

- Alleviating the hardships endured by poor and marginalized populations.
- Initiating special programs to reach vulnerable groups.

Decentralization has allowed municipalities to act directly on a wide range of issues. Democratic local governance has enabled them to institutionalize participatory processes, negotiate partnership agreements to counter deprivation or exclusion, develop instruments to target and reach the areas of greatest need, and launch a range of initiatives to foster social inclusion.

### **Scope of Local Government Action**

The cases reviewed in this article document the range and diversity of local authority-driven initiatives that improve the lives of slum dwellers. Acting on a range of challenges requires a multifaceted approach.

Infrastructure is a dominant component. This reflects the priority placed on access to services. Water supply is a particularly important issue for women and girls who in many cultures have traditionally been assigned the task of fetching water for the family. Concern with sanitation among slum dwellers increases in parallel with the deterioration of conditions in the settlements, as densities rise and overcrowding becomes the norm with multiple families on the same lot, sharing highly inadequate facilities. While local government authorities are much more concerned with the mitigation of health hazards, their awareness of broader environmental issues has increased as a result of the activities of NGOs promoting environmental protection and conservation, and the focus of international donors on environmental issues since 1992.

Adequate access roads, drainage, and transport are essential to integrate peripheral and marginalized settlements in the urban fabric and economy. In the face of growing disparities and economic downturns, promoting local development has to include the necessity of opening up employment and income generation opportunities for impoverished populations. Interlinked multisectoral programs are needed to address these challenges. Local authorities are the level of government most directly involved, even where national and international funding is available to support sectoral programs. The case studies reflect the growing importance of local initiatives to support small businesses and micro-enterprises, with and without outside support.

Housing is addressed through a variety of mechanisms ranging from subsidized credit to providing accommodations, to resettling populations living in environmentally hazardous zones, to developing serviced sites and housing for lower income groups. The importance placed on living conditions by slum dwellers can be gauged from the speed at which home improvements are initiated after security of occupancy is granted and settlements regularized. All wage earners in the household contribute cash, building materials and supplies, labor, and furnishings.

Direct involvement of local authorities in health care, education, vocational training, and other social services depends on the degree of decentralized delivery of these services in each country, and the devolution of functions to the local level. It also reflects the critical role of local governments in reaching and extending services to vulnerable groups.

Statistics related to land regularization reflects the emphasis placed on property titling, and the role of national authorities in the issuance of titles and the recording of property transactions. The recent trends focusing on security of occupancy rather than ownership rights have expanded the capacity of local governments to address regularization on their own. Access to land is critical to slum dwellers. It is the starting point of any improvement process; it conditions the poor's willingness to secure and invest in building up assets, and empowers them to increase their incomes and improve their lives through self-reliance.

## **Supportive Frameworks for Local Government Action**

National programs can be structured to channel funds to communities through local governments or through NGOs and CBOs. Both approaches have led to successful results when the focus was the institutionalization of organizational and financial frameworks to support action at the local level.

Thailand's Community Organizations Development Institute (CODI) is an outstanding example of central initiatives working with CBOs. In 1992 the national government set up the Urban Community Development Office (UCDO) to address pervasive problems of urban poverty. UDCO channels funds to community organizations, savings and loan groups, and NGOs for income-generation activities, housing construction, and community improvement. Loans also are provided to networks of CBOs for lending to member organizations. In 2000, UDCO was incorporated into CODI, which reaches 950 savings groups in 53 provinces, and plays a key role in the government's slum upgrading program.

Development banks and international and regional financial institutions have advocated decentralization as a general principle, albeit with some reservations regarding the degree of fiscal decentralization feasible in particular countries and circumstances. The integration of poverty alleviation as a central component of lending strategies in the mid-1990s has led to a renewed focus on fostering economic opportunities for the poor. Funds were made available to governments to improve living conditions in slums and squatter settlements.

The introduction of more flexible lending instruments, adapted to the nature of programs rather than projects, facilitated the development of a new generation of interventions combining macroeconomic stabilization, national sectoral policies, and integrated programs to alleviate poverty and improve the urban environment. These programs advocated strengthening the capacity of local governments and CBOs, encouraging participatory processes, transparency and accountability in governance, and promoting increased involvement of the private sector and civil society in all spheres of local activity. Within the challenging contexts of transition and financial crisis, programs in Albania and Indonesia illustrate approaches to poverty alleviation emphasizing the role of local actors and focusing on the improvement of squatter and informal settlements.

## **Delivering Services to Peri-urban Informal Settlements during the Transition**

In Albania, the transition to market-based democracy during the 1990s introduced new patterns of mobility and land occupancy, rapid privatization of property ownership, a legal environment characterized by constant change and new relationships between central and local governments. The private sector contribution to the GDP increased from 10 percent in 1992 to 75 percent by 1996. In the four-year period between 1990 and 1994, the built-up area in Tirana grew four times more than the previous 40 years, mostly as a result of massive rural-to-urban migration, reaching the half million mark in a country with a total population of 3 million.

This explosive urban growth led to the proliferation of informal settlements on the edge of Tirana's boundaries. The settlements were growing at an alarming rate, as exemplified by Kamza, where the population increased from 6,000 in 1994 to 60,000 by 2000. Residents lacked clear land tenure, basic infrastructure services, access roads, and community facilities including schools and health centers. Most households combined multiple wage earners and multiple income-generating activities to meet basic household expenditures.

A task force of national and local government authorities developed the Urban Land Management Project (ULMP) funded by the Albanian government and the World Bank to provide essential urban infrastructure to under-served or neglected areas in greater Tirana and other urban centers, and to strengthen the institutions responsible for the delivery of urban services at the national and local levels.

The program was designed to build upon popular practices and structured around five key principles:

- Instituting demand-driven delivery of services with reasonable conditionality for residents and communities.
- Targeting lower-income neighborhoods in both under-served or deteriorated areas, and informal settlements without secure land tenure and infrastructure.
- Negotiating partnership models that engage residents in setting development priorities and structuring agreements with municipalities.
- Adopting cost-sharing for infrastructure among national government, municipal authorities, and residents.
- Scaling up and building on the experience of pilot projects.

Central government resources provide substantial support for the municipal project implementation teams. Community-based organizations have a defining role in mobilizing and organizing efforts at the community level. NGOs give technical assistance to both the CBOs and the municipal government implementation teams.

Central government funds provide the bulk of the project financing. Households contribute 10 percent of the infrastructure improvement costs in formal neighborhoods, and 20 percent in informal neighborhoods. They also pay the cost of the tertiary infrastructure. The municipal government share was adjusted to reflect the cost to the municipalities in managing the upgrading activities, and took into consideration their minimal share of public revenue. They can contribute 5 percent of the costs of secondary infrastructure as temporary financing, until they collect the funds from households.

In the two pilot sites, housing a total of 4,500 inhabitants, tangible impacts can be observed today. The active partnership among resident organizations, local government, and the NGOs was critical in coordinating different interventions funded by various programs and in the opening of public rights of ways for roads. Land values and densities increased. After years of disregarding urban planning concerns, the municipalities formulated urban development plans and strategies.

The program made adjustments to its operational strategies to begin scaling up. The project coordination unit made a concerted effort to advertise the program. This resulted in 40 applications for projects from different municipalities and planning is underway for a total of 25 projects in seven cities at an estimated cost of US\$14.1 million. Given the complexities of resolving land tenure and property ownership restitution issues in Albania, a new approach was developed that allowed the program to initiate improvements while simultaneously working on resolving tenure problems. Studies have been initiated to develop provisional property registration, and a land regularization office has been established within the Municipality of Tirana.

### **Poverty Alleviation and Partnerships between Municipalities and CBOs**

The most recent programs recognize the equally important role of local authorities and civil society in improving the lives of the urban poor. They simultaneously address issues of decentralization and poverty alleviation and promote partnership between municipalities and communities. Indonesia's Urban Project illustrates this new strategic approach.

In Indonesia, decades of improvement in living standards were reversed by the recent financial crisis and political instability. Tens of millions of Indonesians who had managed to rise above the poverty level found themselves once again struggling in poverty. Today about 30 million urban dwellers live at or below the poverty line mostly in unserved settlements.

Decentralization laws in 1999 devolved wide responsibilities to local governments in districts, cities, and villages. They are responsible for providing health, education, public works, communications, and the management of land and other environmental resources, as well as support of agricultural,

manufacturing, and commercial activities. The laws do not specify which functions are mandatory for each category of local authority and which are optional or shared with other authorities. This lack of clarity notwithstanding, local governments have continued to take the lead role in addressing the needs of lower income communities. The devolution of responsibilities was matched by the devolution of control over expenditures, but the decentralization of revenues did not follow. Instead the national government has instituted new flexible transfers which replaced the basic services grants for education, health, and roads instituted in the 1970s. The new transfers introduced in 2001 as the Fiscal Equalization Program consist of three separate components:

- A lump sum accounting for 10 percent of the total, distributed equally among local authorities.
- A formula accounting for 40 percent of the total, reflecting the fiscal gap between projected expenditure needs (based on an index of four weighted indicators: population, area, poverty level, and cost index) and estimated local fiscal capacity measured by collections of own revenue sources and shared taxes revenues.
- A balancing factor accounting for 50 percent of the total, ensuring that local authorities receive at least the same amount as in the previous years based on personnel expenditures. It is viewed as a transition measure to be phased out in the future.

Own revenue sources are still very limited and do not exceed 15 percent for cities and towns. Despite the Fiscal Equalization transfers, local authorities lack the resources needed to discharge their new statutory responsibilities. To alleviate the hardships endured by impoverished populations, the Indonesian government decided to reinstate targeted transfers for basic education, health, and infrastructure services.

A separate poverty alleviation grant funded through the World Bank will assist local authorities working in partnership with CBOs to improve the lives of urban dwellers living below the poverty line. Access to the grant is made conditional on partnerships, joint preparation of proposals, joint project selection processes, and joint implementation of activities. Local governments also must commit to cover operational costs and provide for the required matching funds. In addition they must support community subprojects for which separate block grants (Kehurahan Grants) are provided. The program is structured to ensure that communities participate as full partners in decisions regarding the allocation of funds, to strengthen local authorities' ability to work with CBOs, to foster community ownership of the program, and to promote longer term sustainability of the improvements.

Most national initiatives include pilot sites to test the performance of proposed strategies and mechanisms before attempting to scale them up or transfer the model to other locations. In this respect, it should be noted that the most successful initiatives launched by local authorities on their own with or without outside support have either provided the model for the formulation of a national program, or were actually transferred to the central level and mandated to work nationally.

A prominent example of the former is Jakarta's Kampung Improvement Program initiated by the municipality in 1969 with the objective of providing a potable water supply and improving basic sanitation and solid waste management in all of Jakarta's slums over a 15-year period. This outstanding program gave rise to a national program with the same title under the Department of Human Settlements. The program received wide international recognition for its unparalleled achievements, having improved 11,000 hectares of slums and reaching 15 million people over the past three decades.

## **The Challenges Faced by Megacities and Larger Urban Centers**

Megacities and larger urban centers are the engines of economic growth. They produce a disproportionately large share of the Gross Domestic Product (GDP), concentrate the nation's purchasing power, and represent its largest markets for goods and services. They cumulate key economic, commercial, administrative, and cultural functions and encompass the country's leading financial, educational, research, and technology capabilities. Their functional efficiency is key to national

prosperity, and they receive a large share of public investments to support and enhance their production capacity and their competitiveness in a globalized economy.

Megacities and larger urban centers exhibit sharp contrasts in the quality of their urban environment, reflecting the disparities in income and wealth that characterize different regions and provinces, as well as the nation as a whole. Because they concentrate wealth and opportunity, they are magnets attracting migratory flows from economically depressed areas, and across national borders from the surrounding countries. The influx of migrants swells the ranks of poor and marginalized populations living in slums and informal settlements. Unplanned urban expansion often spills over jurisdictional boundaries into adjacent smaller municipalities, overwhelming their managerial and financial capacities.

Addressing the needs of slum dwellers, including migrants and floating populations, is part of the national social and political agenda. It is also a critical component of local economic and social development strategies. Operationalizing these strategies in larger urban centers requires structures adapted to the scale of the city and the magnitude of the challenge. The program implemented by Sao Paulo illustrates the difficulties entailed by this effort.

### **Sao Paulo Slum Action Plan**

In the challenging context of Latin America, Sao Paulo, Brazil's largest city and its dominant economic center, anchors a metropolitan area grouping 55 municipalities with a total of 20 million inhabitants. It has to cope with inequities in access to land and services which have led to the proliferation of squatter settlements and the marginalization of vulnerable groups.

In Sao Paulo, the Secretariat for Housing and Urban Development (SEHAB) directly runs five major programmatic areas:

- Construction of new housing units by "mutiroes" or private developers.
- Regularization and upgrading of "favelas" (informal slum settlements)
- Resettlement housing and infrastructure works for population living in hazardous zones.
- Housing construction and improvement in areas close to employment nodes.
- Rehabilitation of the historic center.

The secretariat is working on slum upgrading in 30 slums, and has approximately 31,000 dwelling units under construction or renovation. SEHAB's Slum Action Plan requires coordination among programs undertaken by different municipal secretariats as well as the state and federal governments. The plan relies on community participation and empowerment and is based on five fundamental principles:

- The social right to a decent home.
- Democratic access to city space.
- Participation of civil society in municipal decision-making and management.
- The right to secure occupancy of land in settled areas.
- The priority of lower income households in the allocation of public resources and subsidies.

The strategies underlying the Slum Action Plan recognize the link between slums and social exclusion, and call for the reorientation of municipal housing policy to reinforce the city's efforts at alleviating poverty. The social housing program has been redirected to focus on resettling households living in environmentally hazardous zones, providing relocation dwellings to families displaced through slum upgrading activities, and the extension of infrastructure to unserved zones. Over 5,000 families have received new housing under programs funded through the Municipal Housing Fund, state and federal programs, and external sources.

To target the most vulnerable groups in an objective and transparent manner, SEHAB partnered with the Center for Metropolitan Studies to develop a spatial and statistical database covering more than two thousand slums where 289,000 households accounting for 1.16 million inhabitants live in substandard conditions. Mapping multi-dimensional indicators of social exclusion allows the city to target the communities with the highest unemployment and poverty rates, the lowest educational levels, the most inadequate access to public services, and the highest rate of crime and children at risk.

A special feature of Sao Paulo's program is "Bairro legal". The program aims to improve slums and deteriorated areas and integrate them as neighborhoods in the city with secure land occupancy, adequate access to services and community facilities, improved urban environment, and landscaped open space and recreation areas. Priority is given to the designated special zones of social interest (ZEIS) of which 600 have been delineated to date. The action program includes three key components:

1. *Development of housing and urban action plans at the district level:* The plans combine the technical and financial resources of the different municipal departments, leverages local resources by obtaining funding from the state and federal governments as well as external sources including the Inter-American Development Bank, and includes NGOs as partners. Priority is given to districts where CBOs are well organized and actively involved in social issues, including control of urban violence.
2. *Slum upgrading and inclusion in the city's physical and social fabric:* The program acts through land regularization, improved access to infrastructure and public services, provision of new housing and community facilities, and social projects. Fostering resident participation in planning and decision-making, and ensuring community approval at every stage of the program and its different activities, is viewed as a fundamental component of the strategy and the cornerstone of its success. Transparency and trust are preconditions to community support for the program, and for participation by CBOs in the maintenance of infrastructure and public space and the physical and social management of the upgraded neighborhood.
3. *Regularization of occupancy in informal settlements on publicly owned land and in unauthorized subdivisions:* This program involves the release of municipally owned land to house lower income families, regularization of occupancy in these informally settled areas, and granting occupants land concessions authorizing "special use for housing purposes". In 2003, 160 settlements had been regularized benefiting 40,000 families.

In April 2003, the President of Brazil announced the creation of a housing fund of 5.3 billion Brazilian reais (US\$1.6 billion) to finance the construction of new housing and upgrading the favelas and other under-serviced areas. The fund also will provide credit for housing improvement. Several financial instruments ranging from micro-loans to assisted loans will be available to lower and middle-income families. Families with a monthly income below US\$80 will receive direct subsidies. This fund will make an important contribution to social equity and the improvement of living conditions for the poorer segments of the population.

### **The Expanding Scope of Partnerships in Local Government Initiatives**

In slums and squatter settlements, sustained demand for infrastructure, particularly water, has led the drive for security of tenure and access to services. Local government response has been conditioned by statutory powers, local politics, and especially the forcefulness and political potency of the various public, private, NGO, and community actors operating through formal and informal channels on the local scene. Their ability to collaborate with these different actors is a key factor in their effectiveness at structuring programs that can significantly improve the lives of slum dwellers. The range of partners involved in local authority-driven initiatives has grown in parallel with decentralization and the expanding scope of local responsibilities.

While performance has sometimes been marred by mismanagement and excessive politicization, the best-governed local governments are taking bold decisions, negotiating with communities and social

movements and advocacy groups, entering into agreements with strategic partners, and instituting innovative practices. As they move away from promises and projects motivated by electoral tactics to strategies and action plans formulated through participatory processes, local authorities become far more effective in addressing the needs of slum dwellers. Partnerships, multisectoral strategies, and integrated mutually reinforcing initiatives are the key features of successful programs.

The Comunidades program in Fortaleza, Brazil, was a leader in structuring partnerships integrating state and municipal government, NGOs, CBOs, and local stakeholders as full partners to simultaneously improve the lives of favela residents, guide the expansion of the urbanized area, and offer socially, economically, and environmentally adapted models for the settlement of poor households.

Fortaleza, the capital of Ceara State, has a population of 2.5 million inhabitants, over half of whom live in more than 350 favelas. The inability of housing and slum upgrading programs to keep up with migration from rural areas fueled their proliferation at the rate of one new favela emerging every month. In 1987, the state and the municipality initiated a housing program for lower income families relying on the traditional self-help system known as "mutiroes". To date, more than 11,000 units have been built by their future occupants. In addition, a social assistance program called PROAFA has been a factor in engaging favela communities in the development effort.

In 1988 the Municipality of Fortaleza and the popular council of Rondon district with support from international donors, signed a partnership agreement to develop a strategic approach to address the challenge of uncontrolled urbanization and poverty. The concept focused on the development of strategically located micro-settlements to draw urbanization in desired directions. Their planned location near very poor favelas brings badly needed services to the peri-urban fringe. They create nodes offering an alternative pattern of urbanization affordable to lower income populations through community-based methods of development. The success of the pilot project housing 50 lower income families led the state government to support expanding this initiative.

The statewide Comunidades program structures an interface for coordinated action among the key stakeholders involved in urban development. The process capitalizes on the complementary roles of NGOs with the capacity to innovate and lead outreach and mobilization efforts, and the public authorities that can foster institutionalization and replication of successful actions. The program has three strategic objectives: to create a setting for self-built housing, to generate employment opportunities, and to set in motion a process of sustainable development.

Comunidades is managed by a special commission (the Integration Council), which includes two representatives of each of the partners involved: the state government, the municipalities, the university and the technical school, the intermediary NGOs, and the community groups. The council prepares the work plan, coordinates public, private, and community inputs and gives the community a voice in the allocation of financial assistance to different activities. Separate agreements are signed for each project. The state government covers the cost of infrastructure and provides machinery and equipment for the workshops, as well as building materials for the core development. The municipalities secure the land and implement public works. The educational institutions contribute training in construction methods.

Community associations are organized in each project area and they manage a community fund. This fund derives its resources from members' contributions, and from rents paid for workshops and commercial premises. Title to the land is initially transferred by the municipality to the community association. Later, the community association can grant ownership rights to members in good standing for five or more years. Members of the Comunidades are drawn from the adjacent favelas. They are usually poor families living in shared accommodations. They contribute 600 to 800 hours of sweat equity for the construction of their houses and community facilities. The cost to the public authority was US\$1,000 for infrastructure, US\$800 for other services, US\$800 for building materials, and US\$300 for the workshops, on a per household basis for the 50 families in the core development.



The job creation component is a cornerstone of the Comunidades concept. The workshop producing building materials and prefabricated components for housing construction is the first component built on the site. It anchors an activity zone where micro-enterprises can be started by residents in the Comunidades and adjacent favelas. A credit line established by the state government provides entrepreneurs with seed capital and working capital. The fund is replenished through borrowers' savings and loan repayments, allocations from the community association fund, and contributions from the municipality.

In parallel, a credit program "Casa Melhor" has been established providing home improvement loans at zero interest, reimbursable over a one-year period to Comunidades and favela residents with legal occupancy rights. Community associations review and guarantee the applicants, and an intermediary NGO manages the program. Households may apply for a maximum of three loans for the same property. The municipal subsidy, initially equivalent to 30 percent, is progressively phased out and offset by increasing contributions from the borrowers.

Comunidades introduced concepts that have become the hallmark of successful initiatives today, including partnerships among local stakeholders, interlinked programs, integrated strategic initiatives, and community management of activities. In 1996 it won UN-Habitat's Dubai Award for Best Practices to Improve the Living Environment.

### **National Agencies, International and Bilateral Development Organizations: From actors to partners, an evolution in parallel with decentralization**

In support of their advocacy of decentralization, international and bilateral development organizations have emphasized the need to strengthen the role and capabilities of local governments and channel funding to the local level. In the process they have tempered their marked preference for creating special entities and institutional arrangements to implement the programs they fund. They may and often do request recipient local governments to establish within the municipal organizational framework appropriate structures to guide and monitor program implementation.

Paralleling this evolution, central governments have been enjoined to progressively withdraw from direct interventions and involvement in the daily operations of programs. Instead, they are acting in a supportive role, channeling to localities and communities the inputs they need in terms of funds, technical and material resources to assist them in the execution of public works and the operation of programs. Similarly, local authorities are encouraged to draw on the efficiencies and financial capacity of the private sector for specific program components, and to delegate CBOs with responsibilities for community organizing and management of activities.

Initiatives aiming to improve the lives of slum dwellers and alleviate poverty among vulnerable groups most often receive earmarked transfers from national and international donors, who exercise some oversight. These initiatives require intergovernmental coordination, clear definition of responsibilities, and smooth interface with communities and households. Proper structure tends to evolve over time as the actors involved gain experience and redefine their roles. The evolution from actor to partner requires a change in institutional culture as well as in procedures. In countries with high levels of decentralization, central agencies have accomplished this shift. The examples summarized below illustrate this evolution in countries undergoing rapid and profound political, economic, and social change. Drawn from different contexts and cultures, they highlight the common features of recent trends.

#### ***Structuring Grants for Basic Infrastructure Services***

South Africa instituted the Municipal Infrastructure Grant Program (MIP) in 1995 to ensure "that all communities have access to at least a basic level of service". The program was part of the government's multifaceted effort at overcoming the apartheid legacy and addressing the sharp inequities prevailing in the country. The concept of services is broadly defined and allows the program to fund all categories of

infrastructure, many community facilities, as well as building the capacity of municipalities to manage the services they deliver. The program is structured to contribute to six strategic objectives:

- Upgrading the living environment and promoting social equity.
- Integrating divided urban areas.
- Enhancing economic opportunity.
- Generating employment.
- Training and employing local entrepreneurs, contractors, and workers, with special emphasis on women and youth.
- Providing bulk infrastructure to support the development of housing (housing construction is funded by a separate program).

The program offers grants of 7000 South African rand (US\$830) per household, covering the cost of basic services. It is primarily oriented to reach poorer urban and rural communities, as reflected in the criteria for the allocation of funds: number of families earning less than 800 South African rand (US\$95) per month, lack of water supply, and level of unemployment in the community. This program is designed as a partnership between the national government, the provincial government, the municipalities, and the communities. All funding requests must be initiated by the communities. Municipalities prioritize the requests, and provincial governments review their eligibility and submit the proposals to the national government. The grants are disbursed to the community through the municipality. Municipalities and provincial governments can and do supplement the grants with funds from their own budgets. Structured for geographic outreach and speed of delivery, the program completed 2,323 projects with 910 more under construction and 878 in the design stage as of June 2003. The management team has developed indicators to assess the program's impacts and contribution to the government's strategic objectives.

Given the magnitude of the challenges faced, the government in 1998 redefined the program's scope to include upgrading of infrastructure and service-delivery systems, reinforcing links with local economic development, enhancing the retention of funds in the community, and expanding mechanisms to empower marginalized populations. To meet this more ambitious mandate, the program budget was increased from 91.43 million South African rand (US\$20 million) in 1997/98 to 702.31 million South African rand (US\$142 million) in 1998/99. In view of the impressive performance achieved since then, the budget has steadily grown: doubling in 2002/03 to 1,790.90 million South African rand (US\$157 million). It was expected to double again in 2003/04, reaching 2,357.00 million South African rand (US\$278 million), making it one of the largest and most ambitious programs of its kind in the world.

Dynamic local leaders are now able to mobilize their communities and tap the resources provided by national funds to promote local development and improve the lives of families living in slums and squatter settlements. This increased capacity is demonstrated by the community of Klapmuts in Western Cape, South Africa.

In 1994, Klapmuts was the most disadvantaged community in the municipality of Stellenbosch. It had 200 formal houses and approximately 770 households living in squatter settlements. It had no piped water supply or sewerage, and only one paved road leading to the school. The well from which residents derived water had become badly polluted. The community came together, energized by responsible and entrepreneurial older and younger leaders, able to work together across racial, ethnic, and generational boundaries in order to create a better future for their community. They established a development forum to improve the town's deficient infrastructure and housing.

The MIP grant was used to extend infrastructure systems to the town, to connect existing houses to the new systems, and to service land for an urban extension zone designed for resettling the squatter population. The National Housing Subsidy funded the housing project and Stellenbosch Municipality provided supplementary funding.

Municipal officials viewed community participation in planning and implementation of projects and fostering civic responsibility and self-reliance among disadvantaged families as the cornerstone of sustainable improvement in the town. Households were offered a finished house of 25 square meters or an unfinished platform of 48 square meters including the foundation slab, the toilet, and the roof. Except for the elderly and recently arrived rural migrants who prefer to get a finished unit irrespective of size, urban families opted for the larger unfinished space, despite a requirement that they must initiate improvements within one month and complete the outside shell within three months. Eligibility was made conditional on payment for services and demolition of shacks, to prevent the perpetuation of squatter housing through the renting out of vacated shacks.

Land ownership plots were drawn directly from the total pool of relocatees through a lottery system, resulting in a mix of races and ethnic groups throughout the housing zone. The families decided to allocate a portion of their housing subsidies to develop playgrounds and public open spaces, and contributed their own labor to supplement the funds. Today, proximity to Cape Town is fueling an influx of rural migrants to Klapmuts, and the town is now facing the challenge of integrating them physically, socially, and economically.

## **Redefining the Role of Regional Authorities**

### ***Structured Frameworks for Regional / Local Relations***

In Europe the role of regional authorities has been redefined to adapt to globalization and reflect a supranational geographic space where economic growth is driven by networks of cities with dominant nodes and where development is shaped by major transport corridors. Regional authorities have become key links in the planning and management of economic and social development. The European Union and national governments channel funds to local authorities through the regions, and local governments have to align their own development plans to regional strategies. An example from Spain illustrates how this integrated supportive framework can help cities cope with the problems of environmental degradation and social exclusion in inner city slums and economically distressed areas.

In Cordoba, Spain, the historic center (Old Town) suffers from depopulation, with a concomitant concentration of social problems: unemployment, widespread poverty, marginalization, prostitution, and drug addiction. Deterioration of the urban environment is also leading to loss of a unique architectural heritage which attracts world tourism to the area. The Municipality of Cordoba decided to formulate and implement an integrated action plan to revitalize the District of La Ribera in the Old Town. The rehabilitation of a strategically located public area which had reached an unacceptable level of degradation was identified as an effective intervention to launch the program. The project is funded through a European Union (EU) regional policy program called URBAN, targeting urban neighborhoods in extreme state of deprivation and monitored through the regions. The EU grant covers 70 percent of the financing and the remainder is covered by the municipality.

Agreements were signed with various NGOs, advocacy groups, and community associations, including the "Hiedra" Association of Female Prostitutes, the Cordoba Pro-immigrant Association, Andalucia Acoge, the Cordoba Gypsy Secretariat, the Axerquia Residents' Association), Caritas, and the Association for the Social Defense of Teenagers and Children.

The URBAN Ribera project managed to revitalize this depressed district by responding to the needs of the population. Forty one businesses benefited from grants totaling about 1 million Euros (US\$900,000). The grants leveraged private investment of 3.35 million Euros (US\$2.9 million) and created jobs. Extensive technical training was provided to students seeking entry in the labor market and companies were given incentives to employ area residents and new entrants in the labor force. Participation of neighborhood groups and associations has helped develop consensus and mobilize the disadvantaged populations. Targeted social actions reached the most marginalized groups and contributed significantly to improving their quality of life, particularly the women's groups. These targeted actions required a

higher commitment of resources from the standpoint of the city, but did reach relatively inaccessible groups that conventional programs do not reach.

In Eastern and Central Europe where the bulk of the Tsigan or Roma population lives, these communities have traditionally been a marginalized group. In Greece, the Tsigan population is estimated at 120,000 to 150,000, most of whom live in the rural areas but an increasing number are settling in or near urban centers.

During the 1990s, joint efforts have been made by the national government and the Tsigan community to address issues of social and economic exclusion. In 1996, a framework for the social development and the protection of the Tsigan population was formulated. Measures were adopted to improve health, social welfare, vocational guidance, and psychosocial counseling services, and to provide housing accommodations. An inter-ministerial committee oversees implementation and the European Union is providing the bulk of the funding.

The Municipality of Sofades, located in the Thessaly region, has a population of 12,000 of which 3,000 are Tsigans. The Tsigan community settled on a peripheral area near the river where 400 families live in very substandard conditions. Fifty percent of the houses are shacks and the site is not connected to the water supply and sewerage networks. Families of six to eight members share housing areas of 30 to 40 square meters. Most of the Tsigan adult population is illiterate, and there is a high rate of school dropout before elementary school completion, particularly affecting female children.

Sofades has undertaken a housing project to resettle the Tsigan population, as the existing settlement could not be upgraded because the plots were too small to allow for the provision of housing units which would minimally match the housing standards of the average family in Greece. The new site adjacent to the urbanized area can accommodate a total of 700 families in plots of 400 square meters and houses of 120 square meters. A 20 meter-wide access road and a municipal bus service will connect the settlement to the town center. Community and recreational facilities as well as a nursery school will be also provided, and possibly also a health clinic.

A state-guaranteed loan of 45,000 Euros (US\$38,800) repayable over a 20-year period is provided to Tsigan families to build new houses either in the de-densified old settlement, in the new settlement, or anywhere else in the municipality. The government also will extend the housing loan to other Tsigan families throughout the country, conditional on the local government authorities providing the land.

Centuries of exclusion had created prejudices and distrust which had to be overcome. Municipal officials and the Tsigan community held a series of meetings to discuss community needs, housing, financing terms, and eligibility criteria. A Social Services Department was established in the municipality with three assistants from the Tsigan community to facilitate communication with local and national authorities. From 2000 to 2003, there was a drastic shift from an initial refusal to leave the old settlement to an overwhelming demand to move to a new housing unit. While the higher housing standards promote social inclusion, the Tsigans are worried about maintenance costs. Expanded access to education, health care, vocational training, and better employment opportunities are needed to significantly improve the lives of the Tsigan population.

### **The Growing Role of NGOs and CBOs as Strategic Partners in Locally-Driven Initiatives**

Quite apart from their advocacy role, NGOs and CBOs have emerged as key partners of municipalities in efforts to alleviate poverty, regularize land occupancy, deliver services, and otherwise act on the multifaceted aspects of social exclusion. Pervasive difficulties in securing financing for capital investments and in building a capacity for outreach and community organization within the organizational structure of local government has been the catalyst and the driving force sustaining the shift towards action through partnerships between local authorities, NGOs, and CBOs. Even in the case of

infrastructure, community-based service providers are increasingly involved in the delivery of services to poor communities.

### ***Linking Formal and Informal Service Providers***

In many developing countries, unplanned urban growth and mounting densities have overwhelmed the capacity of local governments to deliver services and eroded the efficiency of traditional systems. As is usually the case, the poorer neighborhoods are the most affected by curtailment or collapse of service delivery systems. Initiatives aiming to deliver services to poorer communities hinge on the ability to link formal and informal actors operating at different geographical levels, and relying on different technologies.

In West African cities water supply, sanitation, and garbage collection are priority concerns and have reached crisis levels in many locations. Typically, few services are provided in informal subdivisions and none in squatter settlements.

In 1988, the Commune of Adjame in Abidjan, Cote d'Ivoire, facing severe budget cuts under national structural adjustment programs, somehow managed to nurture and support community-based structures, including the "Comite de Development de Quartiers" (CDQs), to deliver services in the city's 19 neighborhoods. The CDQs were provided start-up capital to launch the services they offered. Beyond the start-up period, the services had to be operated on a self-supporting basis, an imperative for continuity in situations where central transfers have been curtailed and subsidies for operating costs cannot be sustained over the long term. In the early 1990s, the commune experimented with encouraging the CDQs, which employ and train youths, to expand their responsibility for street sweeping, to cover regular collection of garbage and trash, and to deposit wastes at designated stations along the major paved roads. The private companies contracted to provide solid waste collection and disposal services for the 12 communes of Abidjan, removed the wastes from these dumping stations. Adjame sought an abatement of its assessment for the citywide service. The savings would be applied to procure the equipment needed for the CDQ collection service. Ten years later, the city of Cotonou, Benin, struggling with these very same issues has devised similar solutions based on partnerships between municipalities, NGOs, and CBOs.

Cotonou's Program for the Protection of the Environment (Pr.A.P.E.) focuses on providing a healthy environment for Cotonou's communities. Instituting a functional garbage collection system and reducing uncontrolled dumping of waste in a city of 1 million inhabitants lacking a solid waste management program was conceived as an environmental protection initiative. Pr.A.P.E. is run by an NGO which employs local youths to collect waste. Subscribers to the service pay monthly fees. Two committees composed of community residents were established. The development committee formulates plans and defines the responsibilities of each partner, and the technical advisory committee monitors the sanitation activities. Pr.A.P.E. provides technical support and addresses technical issues. The municipality assumes the responsibility of transporting waste from dumping stations to the disposal sites and ensuring that disposal meets accepted environmental standards.

Recycling is considered a cornerstone of the program. It uses ecologically sound technologies including biological treatment of polluted run-off water, control of harmful gas emissions, composting of organic wastes, and reducing 30 dumpsites to five. Pr.A.P.E. organizes and trains women to collect and resell recyclable materials. Bilateral aid (from Germany) provided start-up funds for the project in 1995.

In the first five years of operation, 80 percent of the population subscribed to the service. Payment rates were on the order of 95 percent, allowing the collection system to become self-financing and 200 permanent jobs to be created. Another grant contributed seed capital to set up a community bank, enabling women recyclers to access micro-credit to start up and expand their activities. In 2002, this program won an international Award for Best Practices to Improve the Living Environment from United Nations-Habitat and the Dubai Municipality.

In 1998, a similar deplorable situation prevailed regarding water distribution in Cotonou. The piped water supply system operated by a public corporation, "Benin Water and Electricity Company" (SBEE), covered less than 50 percent of the city. Only 16 percent of the households were directly connected and 32 percent purchased potable water from neighbors. Half the population, including the poorest households living in hazardous conditions in the wetlands, had to buy water of dubious quality at high cost from informal vendors.

The Municipal Development Partnership (PDM), a regional organization, encouraged the municipality to intervene to alleviate the hardships endured by the poor, and deliver services to the households in the peripheral urban wetlands at a cost they can afford. This entailed reaching and organizing the vendors and building up their capacities. A formal Association of Water Vendors (AREB) was created grouping 300 vendors operating in Cotonou, Porto Novo, and Parakou. This entrepreneurial core group accounted for 20 percent of potential members.

The Municipality and the SBEE officially recognized AREB as a partner in the delivery of water supply. An agreement was negotiated between SBEE and AREB, granting members preferential pricing for water purchases. This practically eliminated the perennial disruption of supply in the poorer settlements when operators of water fountains ran arrears in the settlement of bills and were cut off. A survey of fountains in operation demonstrated that hygiene around these water points has improved. For the first time since 1960 when public water fountains were closed down, the municipality is constructing 24 fountains in settlements that are not regularized. AREB members will operate the fountains.

The PDM acts as a mediator and a facilitator to overcome the conflicts and distrust prevailing between small vendors, SBEE, and the municipality. It is planning to transfer this partnership concept to other West African cities to improve the delivery of services to the poor.

### ***The Expanding Role of Microfinance Institutions***

Microcredit has become a dominant feature of poverty alleviation programs implemented since the late 1990s. Invariably, these programs include components to finance microcredit initiatives. Yet, microcredit institutions have expanded their products beyond making loans for income-generating activities. Leading institutions offer credit for housing improvement, and more recently, access to urban land and infrastructure services. They have now become key strategic partners for local authorities in their efforts to improve the living conditions of the poor. The Parivartan initiative in Ahmedabad, India, is an outstanding example of the effectiveness of this partnership.

### ***The 'Parivartan' Slum Networking Program, Ahmedabad, India***

Ahmedabad is the major commercial, industrial, and financial center in the state of Gujarat. It has a population of 3.5 million of which 41 percent live in slums and under-serviced areas. The bulk of the residents living in the slums share water supply and more than 25 percent have no toilet facilities. Ninety percent of the families live in shacks. Despite combining home-based economic activities with occupations outside the slum, poverty and extreme poverty is widespread, with a monthly household income of about 500 Indian rupees (US\$11) in 2000. Desire to improve living conditions was tempered by distrust in the local government and hampered by poor community organization.

In the mid-1990s, the Ahmedabad Municipal Corporation (AMC) decided to face the twin challenge of providing basic services for its growing population and improving living conditions in the slum neighborhoods. AMC was running budget deficits, with accumulated losses of 350 million Indian rupees (US\$9.2 million). Sound fiscal and managerial reforms were a precondition to enable the AMC to improve and expand infrastructure services. These included improving tax collections, upgrading the workforce, and partnering with the local business community, NGOs, and other organizations to develop new initiatives to reach the poor.

The Slum Networking Project referred to as Parivartan was initiated to provide slums dwellers with infrastructure, including individual water supply, underground sewerage, individual toilets, solid waste collection, storm water drains, internal roads and paving, street lighting, and landscaping. The cost of the secondary and tertiary infrastructure required could be covered by municipal budget allocations and national transfers and grants. Resources had to be found to pay the balance, namely the cost of house connections amounting to 6,300 Indian rupees (US\$138) per household. This cost was divided in three equal parts, and it was decided that the household and the municipality would each cover one-third and the remaining one-third would be raised from private donations.

The AMC sought assistance from the Self-Employed Women's Association (SEWA), an NGO established in Ahmedabad in 1992 as a trade union to empower low-income women working in the informal sector (which account for 96 percent of employed women). SEWA, at the request of its members, established two micro-credit institutions, first, SEWA Bank, a cooperative bank fully owned by SEWA shareholding members, and then the Mahila SEWA Trust (MHT) which provides members with legal and technical assistance as well as micro-loans to improve their housing. In 2000, SEWA had a membership of 220,000 and SEWA Bank had nearly 113,000 depositors and 36,000 borrowers with a working capital of just over US\$6 million.

SEWA agreed to partner with the AMC in the Parivartan initiative. SEWA assumed responsibility for community outreach and organization. A female-led CBO is established in each slum community. Acting as financial and technical intermediary, SEWA assists households in meeting the program's technical requirements and negotiates with AMC on the community's behalf, as for example, in defining minimum setbacks for street width and alignments. SEWA extends micro-loans of up to US\$37 per household to be repaid in monthly installments of US\$2.30 or as a lump sum. The loans carry an interest rate of 14.5 percent. SEWA also helps AMC obtain matching grants from local businesses and philanthropies.

The municipality designates the slums for upgrading and regularizes land tenure. All participating households are provided with written documents ensuring security of land tenure for a minimum period of 10 years that can be renewed. Participation is optional but conditional on commitment to pay their share of the program's costs: US\$48 towards the infrastructure improvement package and US\$2.30 towards the cost of maintenance. The AMC continues to support communities by holding monthly monitoring meetings with the partners to review work progress and share discussions of future plans. In addition, they maintain office hours to attend to public concerns and provide training to orient the communities on technical aspects of the projects.

Within five years, Parivartan reached 9,435 families with 56,610 people in over 40 slums. It is being expanded to include 59 more slums reaching an additional 15,431 households. The impact on the lives of slum dwellers is already evident in the pilot areas. Death rates have declined from 6.9 per 1000 to 3.7 per 1000. Communities have seen an increase in children immunized against disease, from 31.25 percent to 51.35 percent of all children and 100 percent of newborns. General illness incidence has also been lowered from 24.4 percent to 16.5 percent, allowing families to decrease their monthly expenditures on health related problems from 131 Indian rupees (US\$3) to 74 Indian rupees (US\$1.70).

Enhanced ability to generate income and access to employment opportunities has enabled families to increase their monthly expenditures from 2806 Indian rupees (US\$64) to 3740 Indian rupees (US\$86). They can rely on the assistance provided by community-based organizations which have now been established in every slum. The program also has improved the level of basic education. Pre-primary and supplementary classes are now being held and literacy rates have increased from 30 percent to 45 percent.

### ***Interlinked Partnerships and Institutional Arrangements***

In situations involving a multiplicity of local actors and stakeholders, the management of integrated programs can become overly complex. Attempts to combine multi-sectoral initiatives and multiple

partners within a single institutional framework for joint action can result in cumbersome processes, unwieldy decision-making and long delays in implementation of activities. Interlinked partnerships can offer more effective approaches when local authorities have the technical and managerial capacity needed to structure and drive such complex initiatives.

In 1988, the dynamic Mayor of Cebu, Philippines, initiated a reform in governance and transformed the way the municipality relates to and serves poor urban communities. He developed a set of interlinked partnerships with NGOs, CBOs, and the private sector. City departments and offices have been grouped into four clusters:

- Public service.
- Support services.
- Revenue generation.
- Planning and regulation.

A simple interface with the public was developed. New offices were established including a special Women's Desk and a Child and Youth Section at every police station.

The Urban Basic Services Program, addressed urban poverty by: increasing geographic coverage; providing secure land occupancy; improving access to basic health, education, and social services; expanding social welfare and vocational training programs; extending credit to the informal micro-entrepreneurs and organized urban poor groups; promoting home improvements through cooperation with private businesses, community-based housing associations, and mortgage credit; and coordinating and improving the delivery of special services for street children, single mothers, disabled persons, and destitute individuals and families.

The Cebu Commission on the Urban Poor coordinates this complex program. The partnerships involve 13 public agencies, 26 NGOs, and 26 area task forces. A trust fund replenished by proceeds from the sale of city-owned land was created to provide shelter and cover related expenditures. The participation of street vendors' associations in the management of the markets is recognized in the Revised Market Code.

The city has developed programs to build the capacity of barangays (communities) and grassroots organizations to enable them to take an active role in the development of projects. Outreach, community organization, consultative meetings, assemblies, and training sessions allowed barangay officials and police, farmers, women, youth, vendors' associations, area task forces, and community-based street educators to participate fully in planning, implementing and monitoring the different activities and initiatives launched.

Various contractual schemes have been adopted to support partnerships, including the Emergency Rescue Unit Foundation which receives a subsidy from the city government to provide emergency medical services, and the Cebu People's Multi-Purpose Cooperative that provides credit and support services to micro-enterprises.

Implementation of the Urban Basic Services Program in 26 low-income barangays has achieved remarkable results. The proportion of fully immunized children increased from 52.1 percent in 1989 to 92.1 percent in 1994. Infant mortality rates declined from 34.2 percent per 1,000 live births in 1989 to 20.3 in 1994. Maternal deaths decreased from 0.8 deaths per 1,000 live births in 1990 to 0.6 in 1994. The percentage of severely and moderately malnourished pre-schoolers decreased significantly from 16.5 in 1989 to 9.9 in 1994. The number of agencies involved in the Cebu City Task Force on Street Children grew from four in 1990 to 21 in 1994. Most importantly, the initiative strengthened civic organizations in participating communities, leading to the formation of 13 barangay development councils, 13 water users groups, nine multi-purpose cooperatives, three credit cooperatives, and five consumers/credit/production cooperatives.



Interlinked initiatives are needed to address the needs of vulnerable populations. Worldwide, the number of children at risk and street children has been increasing at an alarming rate. Where this distressing problem was a minor issue it has now become a major concern. Impoverishment and marginalization of large segments of the population, urban and domestic violence, mobility, displacement, and civil strife are factors contributing to the erosion of traditional community structures which helped protect vulnerable groups including children at risk. The devastating impacts of neglect, abuse, and abandonment of street children have prompted renewed international and national action.

### **Involving the Private Sector**

The participation of private enterprise in local authority-driven initiatives to improve the lives of slum dwellers has been largely limited to grants and donations for particular social initiatives, as in the case of Parivartan.

This participation rests on the ability of the local leadership, particularly mayors, to structure civic forums and networks that can engage the businesses sector, get entrepreneurs interested and convince them that the resources they provide will be well-managed and used for the purposes for which they were donated. The reluctance of private entrepreneurs to get more directly involved comes from their concern that local governments may shift to them responsibilities for social assistance that they are unwilling to assume.

In Central and South America, private enterprise is starting to take a more active role in local economic development initiatives. Creative approaches are being developed to integrate poverty reduction and social inclusion in strategies and programs for local development. The experience of Nejapa's Local Development Fund in San Salvador is instructive. It demonstrates the resource mobilization potential of these promising mechanisms.

Nejapa is a municipality of 30,000 inhabitants located in the San Salvador metropolitan area, experiencing a very rapid urbanization. Despite its attractiveness as an industrial location due to its water resources and to its proximity to planned major infrastructure projects, development indicators in Nejapa are the lowest in the region. The majority of the population lives in slums and squatter settlements. Poverty is rampant with 79 percent of the residents considered poor, and 48 percent classified as living in "extreme poverty". Educational levels are low, with 30 percent of the population over 10 years old being illiterate. Thirty eight percent of the dwellings are overcrowded, 84 percent lack water supply, and 49 percent lack electricity. Deforestation, pollution, and uncontrolled sewage discharge threaten the water resources of the area.

A Local Development Fund in Nejapa was established in 1997 to provide a sustainable instrument of mobilization, coordination, and integration of the resources and capabilities for development in the municipality. The objectives of the fund are: to generate a sustained flow of resources for programs and projects selected by local communities, to promote and coordinate the role of key stakeholders and their potential contribution to local development, and to foster a culture of consensus and collaboration as a mechanism for sustainability of local development in Nejapa. A Compensation Fund was set up to provide seed capital to enable the municipality to initiate economically viable projects. This fund was needed to overcome the rigidity of budget procedures in San Salvador, which constrains local government's ability to pre-finance investments.

The Local Development Fund is managed by a representative of the central government; two officials of the municipality; four representatives of the two local enterprises, EMBOLSAVA (representing Coca Cola products) and the Nejapa Power Company; two representatives of the Association for development of Nejapa (ACDN) which includes many different CBOs; two members of NGOs, FUSAI and FUNDE; and two representatives of international investors, the FIA (Inter-American Foundation) and SIDA (Swedish International Development Cooperation Agency).

Nejapa's Local Development Fund mobilized US\$814,297 for the development of the municipality, of which 64 percent are grants from international donors, 17 percent from the private sector, 12 percent from other local actors, 4 percent from the municipal government, and 3 percent from the community. The Municipality of Nejapa is expecting to be able to contribute about 20 percent in the future as a result of the increase in central transfers to local governments.

To date, the fund has developed 12 projects representing an approximate investment of US\$368,682. The projects directly benefit 53,753 persons and at least 11 organizations in the public, private, and social sectors. Over the past two years, the fund financed projects for environmental recovery (reforestation and water-related projects), infrastructure (bridge construction, electricity, and lighting), housing, and social services.

### **New Trends in Local Government Initiatives: Networks of Stakeholders, Complementarities in Action, and Leveraging of Resources**

#### ***Increasing the Effectiveness of Local Governments***

The ability of municipalities to capitalize on decentralization is directly related to their capacity to layer action plans programmatically into components for which institutional arrangements and financial support can be sought separately. This implies a capacity to identify strategic partners, tap multiple sources of funding, leverage resources, and coordinate the flow of investment funds to ensure overall coherence in program implementation and operation.

The Municipality of Santo Andre in the greater Sao Paulo region is a leader among Latin American local authorities in establishing such a capacity. With a population of 650,000, Santo Andre has been severely affected by the retrenchment of the automotive and heavy industry sector in the region. The city is collaborating with seven adjacent municipalities to restructure the economy of the sub-region (referred to as the ABC Region) by promoting local small and medium-sized enterprises in an effort to counter the loss of employment and the erosion of the tax base. Simultaneously, the city is restructuring the petrochemicals sector and seeking to attract high value-added industries.

The Municipal Planning and Budget Secretariat was been reorganized into four departments. The Participatory Planning department is responsible for the participatory planning and budgeting processes; the department of Strategic Planning and Budgeting controls and monitors the municipal budget; the office of Coordination of Socio-Economic Indicators develops and maps statistical data to identify areas of greatest need; and the office of Coordination of Resources is responsible for accessing resources from outside the municipality and directing funds to implement projects.

Recognizing the multidimensional character of social inclusion, Santo Andre's Integrated Social Inclusion Program is managed by three teams. The interdepartmental team develops guidelines and monitors activities. The technical team, consisting of municipal officials, technical experts, and civic leaders, is responsible for implementation and coordination of activities and projects. The local team, led by community leaders and stakeholders, is directly involved in the operationalization of the activities. Community participation in decision-making, execution, and operation of activities is the cornerstone of the program. Residents help develop many of the activities particularly within the social and economic arena.

The integrated program includes about 11 subprograms. The actual number varies according to the availability of programs and funds at the federal and state government levels at any point in time. The subprograms cover a wide range of activities:

- Slum upgrading;
- Recycling.
- Minimum income linked to school attendance.

- Vocational training for entry in the workforce.
- Cooperatives and incubators to support work groups and build entrepreneurial skills (Popular Entrepreneur).
- Microcredit and capacity-building for informal sector workers (People's Bank).
- Vocational training for illiterate and semi-literate youths and adults (MOVA/SEJA).
- Community Health (Family Health).
- Street children and child citizenship (Child Citizen).
- Gender-oriented approaches to poverty reduction (Gender and Citizenship).
- Overcoming Hunger (Zero Hunger).

To leverage local resources, the Santo Andre Municipality set up a strategic team in the mayor's office. The team's mandate is to obtain funding through national programs and seek supplementary funds from international agencies. The team has been able to draw on several federal programs and secure loans and grants, particularly from the European Union, the Inter-American Development Bank, and the UNDP/UN-Habitat Urban Management Program (UMP) for Latin America and the Caribbean, as well as bilateral technical assistance.

The social inclusion program was first implemented in four pilot favelas reaching 3,540 families, comprising 16,042 people. Throughout the process regular meetings are held between residents, local teams, and technical teams to discuss physical improvements as well as the operation of social, economic, and environmental programs. Periodic meetings are also held between residents and elected officials, and a resident's commission is organized to sustain the improved conditions.

A new secretariat for "Social Inclusion and Housing" has been established in the Municipality to fully institutionalize the social inclusion strategy. The secretariat is developing a set of indicators of social exclusion drawing on the cutting edge work undertaken by Sao Paulo. As is the case in Sao Paulo, mapping the indicators allows Santo Andre to target the areas of greatest need and execute targeted sectoral projects for which funding can be secured. Complementing this quantitative assessment by a participatory qualitative assessment at the community level generates the detailed information needed to design high impact interventions informed by community knowledge and proposals. This partnership accounts for the impressive results achieved. In 2002, Santo Andre's social inclusion strategy won UN-Habitat's Dubai Award.

### ***Institutionalizing Participatory Processes in Local Governance***

Institutionalizing participatory urban planning and management must address the twin challenges of political will to get local authorities to support the reforms, and sustained pressure and participation by citizens to drive the process. Assistance and funding by international and bilateral organizations are helping localities in Latin America develop a culture of decentralization and participation, which can have a significant impact on the lives of slum dwellers.

Institutionalizing participatory processes for the allocation of public resources entails the delegation of executive authority to participatory structures and requires the integration of these structures into the institutional organization of the municipality. Similarly, the processes by which people participate must be integrated in the municipality's rules of governance. This requires conviction and commitment on the part of mayors and other senior officials.

### ***Belo Horizonte Participatory Housing Budget***

In Belo Horizonte, Brazil, a city of 2.2 million inhabitants, the housing secretariat (SMHAB) is committed to participatory housing delivery processes.

The municipality has instituted a two-year participatory capital investment budget (OP) interlinked with a parallel process for the housing component of the budget. Fifty percent of the city's capital investment budget is divided equally among its nine districts (referred to as regions). The other half, also allocated through the OP, is targeted to improve conditions in communities where the quality of life is low. SMHAB has developed a quality of life index (IQVU) combining six quantitative indicators (two each for economic, social, and environmental quality). The IQVU allows SMHAB to determine the budget envelope for each region and delineate within each region priority areas for social inclusion. The population in the identified areas is about 200,000, accounting for 9 percent of the city's total.

The Municipal Housing Bank leverages locally generated funds to finance housing programs. However, the gap between needs and means is still very wide. The housing shortage is estimated at 50,000 units, and there are 15,000 households living in hazardous zones and another 100,000 in slums and peri-urban under-serviced settlements. The Municipal Housing Council, composed of representatives from the city council and administration, social movements, labor unions, private developers, professional experts, and higher education institutions allocates the total funds available in the budget cycle among SMHAB's three housing programs: production of new housing, regularization and upgrading of existing settlements, and resettlement of people living in hazardous zones.

By engaging citizens in policy formulation, the city aims to foster an understanding of opportunities and constraints, enhance awareness of the needs of each neighborhood, and enable citizens to make informed decisions regarding the allocation of municipal resources. Outreach through meetings at the neighborhood level is necessary to expand opportunities for participation by lower income people. Belo Horizonte and Santo Andre both rely on civil society for outreach, and mobilize community associations for the task. Community meetings are held where participants fill a survey of demands to be presented at plenary sessions held in the 37 neighborhoods in the second year of the budget cycle. The result of the housing budget is submitted to district level commissions (COMFORCA), grouping elected popular representatives, civic organizations, and housing associations, for review and inclusion in the draft capital investment for the district. These commissions also oversee the implementation of projects.

The Housing Secretariat has institutionalized the role of the MSC social movement "Movimento dos sem casa" as a partner in the organization of the housing budget and in the management of housing delivery. Families who do not own property and have lived in the city for at least of two years, and whose income is below minimum wages are organized by the MSC into Associations ("conjuntos") and register with SMHAB. As of the 2001/2002 housing budget cycle, there were 179 associations registered with SMHAB with a membership of 32,260 families.

The participatory budgeting process starts with Preparatory Assemblies held at the district level to review budgets and elect delegates to the Municipal Housing Forum. Associations are represented in the Municipal Housing Forum in proportion to the size of their membership. The delegates vote priorities and allocate the estimated production to the different regions and associations based on participation, quality of mobilization, and level of organization. They elect representatives to the COMFORCA District Commissions. A separate commission composed of two to three members per district and SMHAB representatives decides on the final allocation of housing units to the different associations. The associations choose the beneficiaries from among their members. The second year of the housing budget cycle is devoted to program implementation.

The available funds for new housing provide for the accommodation of 1,000 to 1,500 households organized into resident associations and cooperatives. Families pay for their share of the land, a part of the infrastructure, and the superstructure. Assisted credit is made available through the Housing Bank.

The housing budget covers over 70 percent of the city's housing production, and the resettlement of families living in hazardous areas accounts for 22 percent. Over half of the investments went for projects in the "priority areas for urban and social inclusion" (56 percent in the 2003/04 budget). From 1996 to 2000, 3,059 housing units were built and 2,464 serviced parcels developed. Hence the importance of the favela upgrading program funded through Inter-American Development Bank, which accounts for 25

percent of the total capital investment in the municipality. The housing budget reached 14 million Brazilian reais (US\$12 million) in 1998, was reduced to 6 million Brazilian reais (US\$3.4 million) in 1999 due to a national financial crisis. Since then it has recovered and reached 16 million Brazilian reais (US\$6.9 million) in 2001/2002.

The participatory housing budget has built trust and fostered cooperation with social movements and CBOs by creating a space for the disenfranchised to participate in the allocation of local resources. The process is open and transparent. Its effectiveness as a mechanism to control the proliferation of *favelas* and structure urban expansion will depend on the resources that can be mobilized for the various programs implemented by SMHAB. These resources must increase so that people have hopes that their living conditions will improve in the not too distant future.

## **Conclusion**

The initiatives described in this article illustrate how local authorities have managed to extend to slum dwellers the empowering rights and opportunities identified by Professor Amartya Sen, listed in the opening section.

Partnerships, participatory processes, and collaboration among local stakeholders are the key features of recent initiatives reviewed. They are already established trends in the structure of new programs to improve the lives of slum dwellers. However, partnerships are vulnerable. When the interest of one or another of the partners change, the whole partnership can unravel and excellent initiatives deprived of political support and resources can collapse. The most common cause of conflict among partners is politics. Excessive politicization of issues and discontinuities in leadership can lead to disruptions. Electoral strategies, political maneuvering, and personal conflicts within local authorities and partner organizations can cause partial or total disengagement.

In the fragile institutional context of many developing countries, reforms can be reversed with every change in local leadership. Such reversals should not be construed to imply failure or rejection of a concept. Wide popular support has pressured new administrations to resume suspended initiatives as in the case of Adjame's CDQs, and also has been instrumental in overcoming reversals and reinstating suspended initiatives that contribute to improving the lives of poor and marginalized populations. Discontinued programs are often simply reinstated under a different name. Sound strategies and well-structured initiatives have managed to survive political conflicts, difficult transitions, and recover from these setbacks, as happened in Fortaleza.

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