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**Partners' dialogues: Urban realities**

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**Dialogue on urban realities: innovative urban policies and legislation in implementing the Habitat Agenda and attaining the Millennium Development Goals**

**Abstract**

Achieving the Millennium Development Goals relating to gender equality and universal access to health and human services, improving living conditions of slum dwellers, combating HIV/AIDS, providing drinking water and sanitation, protecting the environment and reducing abject poverty will depend on the adoption of more effective legal and institutional frameworks as well as harmonizing sectoral policies and strategies. Meeting the deadlines and numerical objectives of the Millennium Development Goals will also require focus on urban areas as the majority of the women, men and children involved will be living in urban and peri-urban areas by the target dates of 2015 and 2020. The present paper presents an overview and analysis of current conditions and projected trends. It argues for a more harmonized and urban approach to national policy formulation and development. It presents six country case studies of promising and innovative laws and policies in the areas of land, housing and basic services, water and sanitation, social inclusion, local economic development and the role and contribution of local authorities. The background paper concludes with pointers for the future, as well as an outline of a set of tools to support the development of good urban policies and enabling legislation.

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## Discussion points

- Y A holistic and integrated approach to development planning and administration is an effective component of pro-poor urban policies;
- Y This type of approach requires effective decentralization and the empowerment of local authorities;
- Y The private sector needs incentives to stimulate supply and demand for urban housing and infrastructure;
- Y Effective decision-making partnerships (instead of mere consultations) with civil society are of the essence for sustainable outcomes;
- Y Security of tenure and the provision of basic services are basic prerequisites for improving livelihoods and reducing urban poverty.

## Dialogue on urban realities

### I. Introduction

4. By 2015 and 2020, the target dates the world's leaders have set for the Millennium Development Goals, well over 50 per cent of the world's population will live in urban and peri-urban areas, the majority of them in developing countries. If present trends continue, the vast majority of these people will be living in abject poverty of slums and squatter settlements, without access to decent shelter, water and sanitation. Such living conditions could seriously inhibit the various strategies in place to meet the Millennium Development Goals. A typical case in point can be found in strategies to take care of those affected by HIV/AIDS: their effectiveness depends, to a large extent, on safe and hygienic living conditions as well as appropriate nutrition for those infected, and on responsive support systems and services for surviving parents and orphans.

5. Similarly, urgent reforms are required to reshape legal and institutional frameworks and governance systems. The objective is to strengthen the capacity of public administrations and local authorities to implement concerted and harmonized policies aimed at stimulating pro-poor and socially inclusive economic development. Accompanying measures are urgently required to promote gender

equality and social inclusion in the provision of health and human services, ensure adequate water and sanitation, and prevent the rapid proliferation of slums and unplanned settlements from further degrading ecosystems and the environment. Such reforms, in turn, call for effective methods to assess and improve existing laws and policies and, where necessary, to formulate new ones. The second section of this paper reviews a geographically representative and thematically relevant sample of laws and policies in such areas as land for the urban poor, water and sanitation, housing, gender equality and social inclusion, decentralization and the empowerment of local authorities, as well as local economic development. UN-Habitat assessed these laws and policies (documented here by examples of good practice) as it developed and tested a method for participatory policy review and assessment. Section III brings together a number of lessons learnt and pointers for the future.

## **II. Assessing effective urban policies and enabling legislation**

### **A. Access to land and security of tenure: Brazil**

3. Access to land and security of tenure is critical to the integration of slums and the improvement of living conditions of the urban poor. The granting of security of tenure, generally acknowledged as the first and most critical step towards slum improvement, is often hampered by the fact that slums and informal settlements are, strictly speaking, illegal in their occupation and do not comply with building codes, regulations and standards. Intervention by public authorities, whether they seek to regularize or improve these settlements, is politically difficult and sensitive as it could be interpreted as *de facto* recognition of their legal status. This often leads to an intractable situation whereby without regularization, slum-dwellers are reluctant to improve their living environment, and service providers are reluctant to assume the risk of investments in infrastructure. Yet without such improvements, the settlements remain non-compliant with the law and cannot be regularized.

4. The pro-poor land act that was first adopted in Belo Horizonte seeks to remedy this. Based on enabling legislation at the federal level, the local authority suspends and relaxes, on a temporary basis, on relevant laws, by-laws and standards to facilitate improvements and land tenure regularization. This enables negotiations to take place between public authorities, service providers and slum dwellers to establish a plan for the improvement and regularization of their settlements. Once approved, the plan becomes a legal instrument that enables public intervention. It also empowers slum dwellers to invest in improvements, to comply with agreed codes and standards and, ultimately, to gain legal recognition and title deeds.

5. The pro-poor land act of Belo Horizonte shows how enabling legislation has made it possible for tens of thousands of inhabitants of informal settlements to obtain security of tenure and to regularize their status. The local authority implements the legislation in the form of a planning and zoning instrument called ZEIS (zone of special social interest), which since then the majority of states in Brazil have adopted and implemented. One issue remains: not all inhabitants are able to invest to the same degree, or to comply even with relaxed by-laws and standards, which causes delays in the granting of title-deeds and the improved housing conditions that come with them.

### **B. Access to housing: China**

6. The difficulty of providing housing for low-income groups has long plagued developed and developing countries alike. Rapid urbanization has exacerbated the social, economic and political problems that have beset a whole range of strategies, from subsidized public housing to inner-city rehabilitation, and from sites and services to slum upgrading. This creates a vicious cycle of poverty, deprivation and social exclusion. China has seen high rates of economic growth and urbanization for two decades. The country liberalized the housing sector according to market principles of supply and demand. The economic boom witnessed by Chinese cities has induced investment in the high and middle segments of the housing market, posing problems of affordability and accessibility for families with limited income and savings. In order to facilitate their access to the housing market, Chinese cities have opted for a policy of stimulating supply and demand through the combined use of two types of instruments: fiscal incentives for real estate developers to provide housing within a negotiated price

range, and equity grants for people living in sub-standard housing to facilitate home ownership.

7. China's urban housing market was, until the early 1980s, almost entirely the purview of the State and State-owned enterprises, responsible for investing in, and allocating housing within, a strict command-and-control economy. The liberalization of the urban housing market in the late 1990s was a key component of China's macro-economic reforms towards what it termed a "socialist economy based on market principles". Land remains the property of the State, but leases are auctioned to developers to supply housing on a home-ownership basis. Many low-income families living in slums or allocated sub-standard housing are, however, unable to afford proper housing. This situation has prompted Chinese authorities to provide once-in-a-lifetime equity grants based on the market value of their existing housing, in order to facilitate access to mortgage instruments; they also grant developers incentives in the form of tax reductions or exemptions to provide housing within a negotiated price range. This was notably the case in three documented instances in Chengdu, Baotu and Shanghai. In Chengdu, over 100,000 slum-dwellers, having benefited from one-time equity grants, were relocated and rehoused in housing estates where tax breaks for developers ensured more affordable prices. Similarly in Baotu, this system, combined with a one-stop-shop for housing finance, enabled the local authority to re-house 500,000 people left homeless by a major earthquake. In both cases, the authorities paid particular attention to the special needs and concerns of women and the elderly, and took special measures to meet them.

8. China's urban housing policy differs considerably from the prevailing housing policies and strategies for low-income groups. As noted earlier, Chinese authorities stimulate demand and supply through a combination of equity grants and incentives for housing developers to provide affordable housing. About 6 million units of housing have been built in each of the past four years. Most Chinese cities are privileged as they have avoided the social problems of low-income housing estates that tend to evolve into urban ghettos over time. Slums and homelessness are also seemingly absent from the urban landscape. In the case of large housing estate developments, many of which attract foreign direct investment, a new level of self-governance has emerged. Indeed, the residents of these estates elect committees to oversee and manage urban safety and security, environmental conservation and urban greening and to cater to the specific needs of young people, single female-headed households and the elderly. Last year, the Chinese Government issued a new regulation against forced evictions to protect the interests of urban residents. The policy has had limited impact, however, for the residents of insolvent and poorly performing state-owned enterprises whose housing stock has, in comparison with new housing estates, become sub-standard and socially undesirable. The policy against forced eviction also fails to address the housing needs of an estimated 100 million migrants, or the so-called "floating population", who tend to rent rooms in peri-urban and fringe areas, the conditions of which vary considerably. Furthermore, local authorities do not build enough public housing to be rented out to low-income families who cannot afford ownership.

### **C. Stronger role and contribution of local authorities: Philippines**

9. By virtue of their proximity to citizens, local authorities stand at the forefront of social and economic development and environmental management. Whether their mandate is confined to the provision of basic services or includes economic development, they are the sphere of government closest to the people, and therefore in the best position to adopt and implement policies and strategies in response to real and perceived needs of their constituent communities. But in most developing countries local government, and municipal authorities in particular, have had limited financial and decision-making autonomy. The Philippines was no exception until 1991, when a new local government code, in the form of a constitutional amendment, was adopted to strengthen the role and contribution of local authorities in all aspects of social, economic and cultural development.

10. The Philippines' Local Government Code defines the mandate, role and responsibilities of local government. It includes the formal recognition and designation of four tiers of governance – provincial, city, municipal and *barangays* (the smallest political unit). The code also affects the national Government as far as its relationship to local authorities is concerned.

11. The Code devolves to local authorities the responsibility for the delivery of various aspects of basic services. These include: health, social welfare services, environmental protection, agricultural extension, locally-funded public works, education, tourism, telecommunications and housing projects, as well as investment support and promotion. The Code also devolves to local governments the responsibility for the enforcement of certain regulatory powers, such as the reclassification of agricultural lands, enforcement of environmental laws, inspection of food products and quarantine, enforcement of the national building code, operation of tricycles, and approval of subdivision plans.

12. The Philippines' Local Government Code has increased the financial resources of local authorities. It has raised their share of national wealth from 11 per cent to as much as 40 per cent, much of which through the sharing of national taxes by way of the internal revenue allotment and by broadening local powers of taxation. Local authorities have also found innovative ways of maximizing local resources through mechanisms such as build-operate-transfer (BOT) arrangements with the private sector, joint ventures and bond flotation. Greater exercise of taxing powers has also become evident, although efficiency is poor in the collection of some taxes such as those on real property. Local authorities have also increased their local investment initiatives.

13. The Code upholds the right of registered voters to recall any elected official whose performance has not been satisfactory. It has also enhanced the people's access to justice, and given them the power to mediate and decide on local disputes through the *Katarungang Pambarangay*, or the *barangay* justice system.

14. The Philippines' Code envisions a participatory planning process involving representation from civil society, non-governmental organizations, people's organizations, and the private sector in local development councils. The councils include members from civil society and therefore must mobilize people's participation in, and to monitor implementation of, local development efforts and projects. The Code does not go any further, however. It falls short of providing specific mechanisms for participatory planning and performance management.

15. The Code also mandates the creation of a *sangguniang kabataan* (youth council) as part of the local government structure at all levels. This council acts as a venue for young people to participate in public affairs, as well as a training ground for higher positions.

16. The city of Naga provides a good example of the beneficial practical effects of the Philippines' 1991 Local Government Code. Building on the Code's demand for greater civil society participation in local governance, Naga City passed its Empowerment Ordinance in late 1995. This unique piece of legislation was designed to promote active partnership between municipal authorities and the population in the formulation, implementation and evaluation of government policies through the Naga City People's Council. The participatory process resulted in the formulation of a total of 30 strategic management plans, including three city-wide programmes: the clean-up of the Naga River, solid waste management, and the revitalization of the Naga City Hospital. This led to the establishment of the Naga City Investment Board, a private sector initiative with members from the Naga City People's Council that promotes investment and local economic development. The city has also adopted an integrated livelihood master-plan to harmonize national and local livelihood programmes. The public service excellence programme and the citizen's guidebook of city government services have resulted in marked improvements in service delivery and accountability.

#### **D. Social inclusion through heritage conservation: Spain**

17. For the past decade, Europe has experienced persistent high unemployment, most of which is concentrated in inner cities. Immigrant populations have also occupied old housing stock where lack of amenities has made them less desirable for middle and higher income groups. This has resulted in the gradual deterioration of the entire inner-city neighbourhoods. Owing to their location in, or adjacent to, historic centres, this trend has also posed particular challenges for the conservation and preservation of the historical and cultural heritage. Many initiatives in the past have resulted in gentrification, exacerbating further the tight supply of affordable housing, as well as urban sprawl and social exclusion.

18. In recent years, several Spanish cities have embarked on new, integrated approaches to preserving their cultural heritage and environment while providing affordable housing solutions and promoting social inclusion. Santiago de Compostela offers a good example of this type of policy, which the town pursued through continuous efforts over more than a decade. Local authorities in Santiago decided that funds usually earmarked to subsidize access by low-income families to public housing would instead go to the restoration and rehabilitation of old housing stock in the historic centre of the city. Complementing the plan were jobs and skills training, incentives for contractors and builders, and technical assistance provided by the municipal authority to low-income families. This new, integrated approach has stimulated private investment in the conversion and restoration of old housing stock. It has also prevented further decay of cultural heritage, revived the old city centre and promoted social integration. Barcelona, Seville and Malaga have adopted similar approaches and all three now boast vibrant inner cities.

19. The essence of these policies lies in the innovative and integrated approach to the conservation of cultural heritage and to the use of public resources. There is a double innovative dimension at work here: recognition that ownership of cultural heritage is best vested in the people who work and live in the historic centre; and a decision to make it affordable for them not only to remain in the centre, but also to invest in its maintenance and improvements. To reach this objective, Spanish cities have harmonized policies in different sectors and broken down conventional resource allocation. In Santiago de Compostela, subsidies traditionally reserved for public housing went instead to those residents willing to upgrade old housing stock. Training programmes provided residents with immediately applicable skills in renovation and repair.

## **E. Water and sanitation for all: South Africa**

20. Over the past few years, South Africa has thoroughly reviewed the national policy and legal framework for water and sanitation. The new legislation complies with the requirements of fairness, equity and sustainability and redresses the imbalances in access to water resulting from past apartheid laws. The new slogan of the Department of Water Affairs and Forestry, “Some, for all, for ever”, reflects these values, which are the bedrock of the new Constitution and the core of South Africa’s development vision as stated in the Reconstruction and Development Programme.

21. The revision process took several years of hard work and broad consultation of stakeholders all around the country, including the poor communities. The major strategies and statutory laws resulting from South Africa’s revision of its water and sanitation framework include:

- (a) *White Paper on Water Supply and Sanitation* (1994);
- (b) Water Services Act 1997;
- (c) National Water Act 1998 dealing with water resources and the 1999 Pricing Strategy for Raw Water Use Charges;
- (d) *White Paper on Basic Household Sanitation* (2001); and
- (e) Strategy Framework for Water Services (2003).

22. The use of water to meet basic domestic needs is a high political priority. Against the background of a relatively arid climate and given the various contributions that water makes to national development and its effect on the environment, fundamental principles of the new framework define all types of water at all points in the water cycle as a common resource for all. The water required to meet basic human needs as well as those of the environment is identified as “the Reserve” and enjoys priority of use by right.

23. The main objective of the recent strategy framework for water services is that everyone has access to a functioning basic water supply facility by 2008 and to basic sanitation facilities by 2010. The strategy aims at providing water and sanitation in an equitable (to all), affordable (no one is excluded

because of the cost), effective, efficient, sustainable and gender-sensitive manner.

24. Key principles of the strategy include:

(a) Clear definition of the roles and responsibilities of the different spheres of government and other institutions, including separate regulatory and operational responsibilities, and with management, decision-making and control of water services projects at the lowest appropriate level but consistent with the efficiency benefits of economies of scale;

(b) Important role of the private sector in assisting local authorities and other water services institutions;

(c) Need to build upon, and expand, existing capacities and the transformation, through the institutional reform process, of water services institutions to ensure effective, efficient and sustainable provision in a multi-cultural and multi-ethnic context;

(d) Importance of gender mainstreaming, to enable effective and significant women's participation at all levels along with a substantial role for civil society, including in planning, monitoring and advocacy activities.

25. South Africa's reform of water and sanitation has already had a significant effect. The percentage of the population with access to basic water supply increased from 60 per cent in 1994 to 83 per cent in 2002 and 86 per cent in 2003; as for access to basic sanitation, it increased from 49 per cent of the population in 1994 to 60 per cent in 2002 and 63 per cent in 2003.

## **F. Strategic planning for poverty reduction and economic stimulus: Morocco**

26. In many developing countries, metropolitan authorities lack flexibility and the instruments required to link administrative decisions with the planning of infrastructure, services and social and economic development. Municipal authorities compete for resources. Each caters to its own perceived priorities and needs, at times losing sight of the effect of its decisions on overall social, economic or environmental trends and conditions. This often results in inequitable access to, or provision of, basic services, as well as widespread inefficiency and poor productivity. Decentralization and administrative reform can help strengthen the capacity of metropolitan authorities to overcome this dichotomy and to commit themselves to comprehensive development planning, monitoring and administration. In recent years, through stakeholder involvement and a range of instruments that link social, economic and environmental planning and management, participatory planning has effectively reduced urban poverty and stimulated local economic development.

27. In Tetouan, Morocco, authorities have deployed a city development strategy as a comprehensive planning scheme to enhance the benefits of decentralization and administrative reform. The strategy involved all spheres of government and municipalities in the metropolitan area in a participatory planning process. At the intergovernmental level, the strategy brought about improved coordination and concerted budgeting between central, provincial and municipal authorities, resulting in the leveraging of resources. At the metropolitan level, the strategy enabled constituent municipalities to better understand the consequences of their actions and to agree on a common set of objectives and methods for the monitoring progress. The process allowed for better information among the public, enlightening them about the resource allocation process and enabling them to make their voices heard.

28. The process consists of a set of pro-poor and pro-investment policies. These include: a poverty profile and a city poverty alleviation action plan; an integrated urban upgrading operational plan; a citizen participation methodology; a city economic analysis; a public-private sector partnership framework; an investment strategy; and a local economic development strategy. All schemes and instruments acknowledge the important role of women in poverty reduction and economic development, and include specific approaches for gender mainstreaming. Among other benefits, the process delivers a more transparent and accountable system of decision-making and resource allocation, a better-informed and educated electorate, and a more responsive administrative and governance system.

29. Tetouan's metropolitan city development strategy is an innovative, city-wide, demand-driven and participatory planning process. It derives its credibility and legitimacy from the participation of local stakeholders, but also of regional or central government to ensure that sector and regional plans take their outputs into account. National and regional city counterparts will attend a municipal learning forum with a view to disseminating the lessons learnt and good practice from the city development strategy process, paving the way for replication and institutionalization.

### **III. Lessons learnt and pointers for the future**

#### **A. Lessons learnt**

30. The case studies presented above illustrate that pro-poor urban policies designed and implemented in keeping with the Habitat Agenda have an important contribution to make towards the Millennium Development Goals. The key factors behind effective pro-poor policies appear to be:

(a) Adoption of a holistic and integrated approach to development planning and administration: This often requires the breaking down of administrative barriers between and within spheres of government, and also resource allocation for infrastructure and land-use planning, social services, and economic development. In Morocco, this was achieved by involving all spheres of government and municipalities within a metropolitan area in long-range strategic planning. Resources are matched with a common set of goals and objectives and the participation of civil society ensures greater transparency and responsiveness. In Spain, different municipal departments leverage their resources and coordinate their actions in a concerted approach to affordable housing, heritage conservation, skills training and job creation. Both cases underline the need to overcome the so-called "competing jurisdictions" syndrome;

(b) Such approaches require effective decentralization and the empowerment of local authorities. The ability of local authorities in the Philippines to fulfil their mandate is predicated on a substantial share of fiscal resources. This, in turn, enables them to engage in participatory decision-making and to respond to people's needs and priorities. Similarly, in Brazil, enabling legislation at the federal level provides the framework and the necessary impetus for state and local governments to adopt the legal instruments required for addressing land tenure issues of the urban poor;

(c) Importance of stimulating the private sector: In China, cities have been using a combination of fiscal incentives to the real estate sector with equity grants to those in need to stimulate supply and demand for urban housing and infrastructure. Thus far, this unique approach has avoided the creation of ghettos for the urban poor while contributing significantly to a dynamic urban economy. Similarly, in the Philippines, local authorities are leveraging public resources with those of the private sector through BOT schemes to provide much-needed infrastructure;

(d) Participatory decision-making: All the examples covered in the present paper underline the importance of effective partnerships with civil society. These partnerships go beyond the conventional concept of consultations and involve effective dialogue and consensus-building on decisions that affect people's livelihoods, particularly those of the urban poor. In all cases, authorities have paid special attention to women's concerns or taken specific steps to ensure that women make their voices effectively heard and that any schemes reflect their needs and concerns. The processes involved represent a form of participatory democracy that builds on, and strengthens, social capital, which, in turn, contributes to the longer-term sustainability of any practical outcomes from the pro-poor schemes and policies; and

(e) Focusing on land and basic services: As mentioned in numerous UN-Habitat publications, security of tenure and the provision of basic services are prerequisites for improving livelihoods and reducing urban poverty. In Brazil, federal legislation has allowed state and local governments to adopt and implement pro-poor land policies and planning instruments. By relaxing requirements for compliance with middle-class norms and standards, these policies allow local



authorities to negotiate with urban poor communities with a view to gradually normalizing their settlements. This, in turn, provides the requisite incentives for residents, and guarantees for service providers, to improve living conditions. In South Africa, the new policy and legal framework on water and sanitation specifically addresses the needs of the poor with a view to reaching the Millennium Goal of water and sanitation for all well before the formal 2015 deadline. By addressing the needs and backlog of urban and rural settlements in an integrated manner, South Africa's reforms also help bridge the rural-urban divide.

## **B. Pointers for the future**

31. The examples provided in the present paper, together with many others that are being documented by UN-Habitat, show that appropriate laws and policies effectively result in investment, growth, social equity and inclusion. The key ingredients are none other than the strategic objectives of the Habitat Agenda, namely: participation and partnerships, capacity-building, decentralization, empowerment of local authorities, as well as access to, and use of, information in decision-making. These objectives are now an integral part of a methodology for assessing and developing pro-poor, gender-sensitive policies as well as enabling legislation. This methodology has been field-tested in over 10 countries and includes the following four key steps:<sup>1</sup>

- (a) Issuance and dissemination of a statute or set of statutes in plain language and in forms that are easily accessible by all stakeholders;
- (b) Mapping of the intended and actual institutional framework for implementation, monitoring and evaluation;
- (c) Organization of a perception-based, multi-stakeholder review of the effectiveness of the law or policy, and the assessment of any difficulties encountered in its implementation;
- (d) Dissemination of the results of the review, together with recommendations for policy reform and capacity-building.

32. The results observed in several countries are encouraging. The methodology has proved to be cost-effective, as well as easily managed and replicated by all spheres of government. Participatory and perception-based review and assessment provide a readily usable product for lawmakers and advocacy groups. Although it has been originally designed as an ex-post facto assessment tool, the methodology can be adapted for ex ante evaluation when devising new laws or policies.

33. UN-Habitat proposes this rapid assessment methodology as an integral part of its tried and tested tools for policy advocacy and development. The Programme also proposes that it be widely used and applied to assist all spheres of government in their endeavours to attain the Millennium Development Goals. Finally, UN-Habitat proposes that any outcomes of the methodology, in the form of documented examples of urban policies and legislation, be used as a means of monitoring and assessing progress in the implementation of the Habitat Agenda and the achievement of the related Millennium Development Goals.

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<sup>1</sup> The methodology and documented examples of pro-poor, gender-sensitive urban policies and legislation are available and continuously updated on: <http://www.bestpractices.org/mdg>