

UN-HABITAT

STATE OF THE WORLD'S CITIES 2006/7



The Global Scorecard: What Works and What Next

Financing Slum Upgrading

UN-HABITAT's report *The State of the World's Cities 2006/7* estimates that the cost of meeting the Millennium Development Goal 7 Target 11, committed to improving the lives of at least 100 million slum dwellers, is about \$67 billion. However UN-HABITAT also predicts that an additional 400 million people will be in slums by 2020. These people will need another \$300 billion, or \$20 billion annually, if they are to have access to basic services and decent housing.

The report estimates official development assistance and private and public investment underwrites only 5-10% of slum upgrade requirements in sub-Saharan Africa, Southern Asia and South-Eastern Asia. It argues that international aid required to close the financing gap at \$5 billion annually, equivalent of 20% of investment needed for developing world slum improvements.

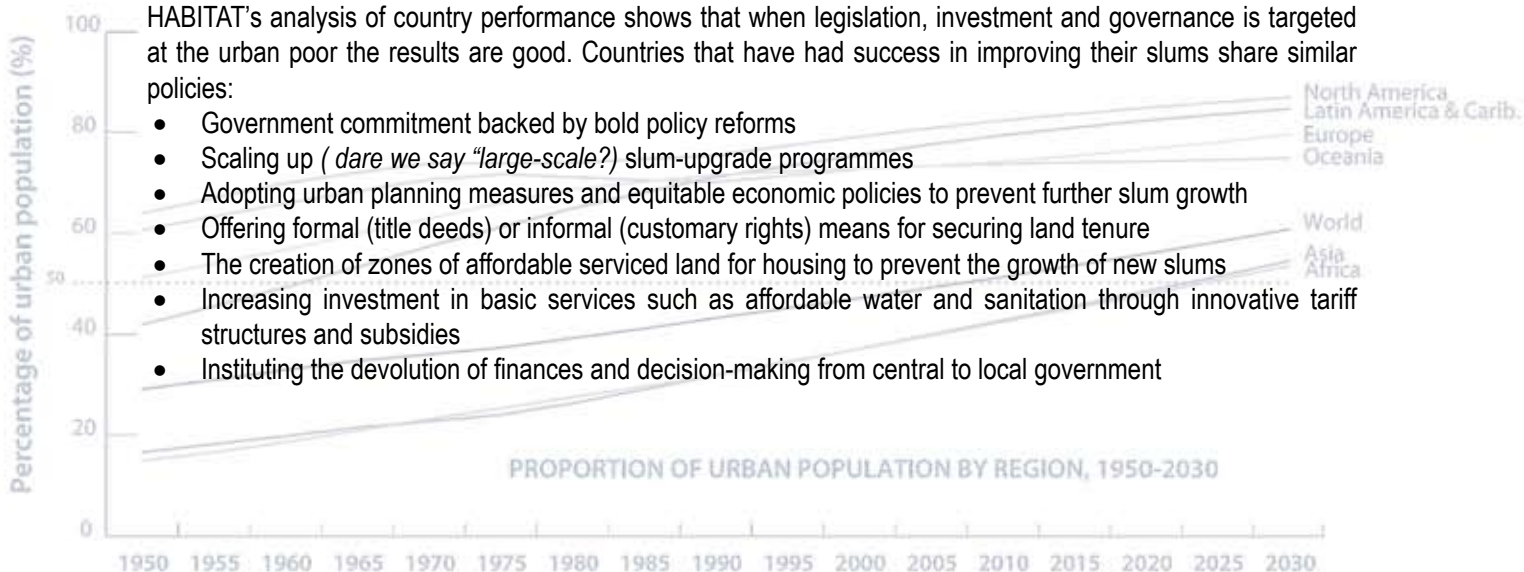
Though, financial assistance from the World Bank and bilateral donors has been key to slum improvement, the report also calls upon the creation of innovative financial institutions and instruments to provide access to capital markets – the International Finance Corporation, (IFC), the United States Agency for International Development (USAID), the Emerging Africa Infrastructure Development Fund, UN-HABITAT has established the Slum Upgrading Facility (SUF) in partnership with several donor agencies and development agencies to attract multiple forms of financing for slum upgrade programmes.

Looking at the situation on the ground, UN-HABITAT predicts that the situation will deteriorate further in these countries unless innovations are pursued aggressively. Successful models have demonstrated that when supported by local and central governments, local residents can provide about 80% of resources required for slum upgrades, what is needed is Public sector borrowing to fund slum upgrades and support for slum dwellers savings associations and credit schemes.

Success Depends on Hard Political Choices

The report argues that successful slum upgrading requires that governments make hard political choices. UN-HABITAT's analysis of country performance shows that when legislation, investment and governance is targeted at the urban poor the results are good. Countries that have had success in improving their slums share similar policies:

- Government commitment backed by bold policy reforms
- Scaling up (*dare we say "large-scale?"*) slum-upgrade programmes
- Adopting urban planning measures and equitable economic policies to prevent further slum growth
- Offering formal (title deeds) or informal (customary rights) means for securing land tenure
- The creation of zones of affordable serviced land for housing to prevent the growth of new slums
- Increasing investment in basic services such as affordable water and sanitation through innovative tariff structures and subsidies
- Instituting the devolution of finances and decision-making from central to local government



The Global Scorecard

- Brazil, Egypt, Mexico, South Africa, Thailand and Tunisia stand out for their exemplary political commitment to large-scale slum upgrading and service provision. Annual slum growth has fallen markedly in South Africa (0.2%), Mexico (0.5%), Tunisia (5.4%), Egypt (1.6%) and Tunisia (5.4%).
- Long-term commitment counts. In Thailand, almost 30 years of attention to low-income housing, most recently the construction of 1 million low-income houses in partnership with commercial and public banks, has cut the slum growth rate by an average of nearly 20% a year since 1990.
- City planning should recognise everyone's right to "city-zenship". Rio de Janeiro invested more than \$600 million in its *Programa Favela Bairro* to improve access to basic infrastructure, health and education for half a million of its poor.

Latin America and the Caribbean countries have the best record for ensuring the poor enjoy the social and legal rights of city residents.

- Since Brazil's Porto Alegre introduced participatory budgeting in 1989, public schools have increased from 29 to 84 and the percentage of people with access to the municipal sewer system has risen from 46% to 84%.
- Colombia's Law on Spatial Planning is guided by the principle of protecting the public interest over individual profit to safeguard land use and the environment and to introduce a more equitable provision of infrastructure and services.
- Chile reformed its housing policy in 2001 to increase subsidies for the poorest 20% of the population and boost housing subsidies.

Asia has implemented major pro-poor reforms to increase land and housing for the poor.

- In 1966, India enacted the Slum Rehabilitation Act that accords land development rights to slum and pavement dwellers.
- The Jawaharlal Nehru National Urban Renewal Mission, the largest national initiative in the urban sector, stipulates mandatory reform of basic services and land tenure and will be implemented over the next 7 years.
- Sri Lanka's National Housing Development Authority underwrites large-scale, subsidised housing programmes.
- In 1992, the Thailand government created the Urban Community Development Office (UCDO), the largest community-driven programme for assisting the urban poor in the developing world. UCDO extends loan, grants and technical assistance to community organisations and encourages collective bargaining with city and provincial authorities.

Sub-Saharan Africa has enjoyed mixed success because of past emphasis on rural development, which means that 50-70% of urban land has yet to be formally recorded and registered. The region has had comparatively little experience in genuine grassroots participation.

- Tanzania's 1999 Land Act initiated the registration of properties in unplanned areas. So far 3,000 title deeds have been issued to slum dwellers in Dar es Salaam.
- Cameroon, Senegal, Tanzania, South Africa and Burkina Faso have passed laws on decentralisation although progress has been stalled by funding deficits, inadequate technical capacity, insufficient administrative resources and ambiguous regulatory guidelines.
- A recent South African water law stipulates that every household should be provided with 200 litres of free water daily.

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